

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
MITCHELL ENERGY CORPORATION FOR
SIMULTANEOUS DEDICATION OR IN
THE ALTERNATIVE, TO ESTABLISH
INFILL DRILLING PROCEDURES FOR THE
NORTH OSUDO-MORROW GAS POOL,
LEA COUNTY, NEW MEXICO

CASE: 10847

A P P L I C A T I O N

COMES NOW MITCHELL ENERGY CORPORATION by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order approving an exception to Rule 2 of the Special Rules and Regulations of the North Osudo-Morrow Gas Pool, Lea County, New Mexico, to allow an existing 640-acre gas spacing and proration unit comprising Section 30, T20S, R36E to be simultaneously dedicated to a proposed well at a standard location in Unit (K) of said Section 30 and to an existing well in Unit A of said Section 30 or in the alternative for an order establishing Infill Drilling Procedures for the North Osudo-Morrow Gas Pool, Lea County, New Mexico, and in support states:

(1) Applicant, Mitchell Energy Corporation, is an operator in the North Osudo-Morrow Gas Pool ("the Pool").

(2) The Pool was established by Order R-2937 issued July 13, 1965, with Special Rules and Regulation adopted by Order R-3305 issued August 29, 1967, including a provision for 640-acre spacing units.

(3) The Temporary Pool Rules, including 640-acre spacing, were made permanent by Order R-3305-A issued August 13, 1968.

(4) The current boundaries of the Pool are shown on Exhibit A, attached, and are as follows:

Township 19 South, Range 36 East, NMPM

Section 30: All
Section 31: E/2
Section 32: All

Township 20 South, Range 36 East, NMPM

Section 6: All
Section 7: All
Sections 16 through 20: All
Sections 29 and 30: All

(5) The following producing wells are currently dedicated to the Pool:

Boyd & McWilliams Energy Group, Inc.'s
Osudo State Com #1 Well
Unit J, Section 18, T20S, R36E

Lanexo Inc.'s
State JD Com #1 Well
Unit K, Section 29, T20S, R36E

Marathon Oil Company's
Osudo State Com. #1 Well
Unit D, Section 29, T20S, R36E

Mitchell Energy Corporation's
Union State #2 Well
Unit A, Section 30, T20S, R36E

Nearburg Producing Company's
Leo "30 Federal Com #1 Well
Unit J, Section 30, T19S, R36E

(6) Applicant seeks an Infill Drilling Provision which will allow a second gas well to be simultaneously dedicated to a 640-acre spacing unit and to be produced concurrently with the initial well.

(7) Applicant proposes the adoption of an Infill Drilling Provision for the pool by deleting Rule 2 from the Pool rules and substituting a new Rule 2 as follows:

Rule 2(a) INITIAL WELL: The initial well shall be located on a standard unit containing 640 acres, more or less consisting of a governmental section,

Rule 2(b) INFILL WELL: A second well shall be allowed to produce continuously and concurrently with the initial well provided the second well is located within a standard spacing unit and on a governmental quarter section not containing an initial well.

(8) Since 1964, statewide gas well spacing for wells of this depth has been on 320 acre spacing units.

(9) Applicant will show that wells completed in the Pool have not drained in excess of 320 acres and that current wells still producing in the Pool are not expected to drain in excess of 320 acres.

(10) The Pool is not a prorated gas pool and in absence of either a special exception or the adoption of an Infill Drilling Provision for the Pool, a second producing gas well on a spacing unit is precluded by Division Memorandums dated July 27, 1988 and August 3, 1990.

(11) The adoption of an Infill Drilling Provision for the Pool will afford an opportunity to improve ultimate recovery from the Pool thereby preventing waste.

(12) The adoption of an Infill Drilling Provision for the Pool will not result in the drilling of unnecessary wells, will protect correlative rights and will be in the best interests of conservation.

(13) In the alternative, Applicant seeks approval of an exception to Rule 2 of the Special Rules and Regulations of the North Osudo-Morrow Gas Pool, Lea County, New Mexico, to allow an existing 640-acre gas spacing and proration unit comprising Section 30, T20S, R36E to be simultaneously dedicated to a proposed well in Unit (K) of said Section 30 and to an existing well in Unit A of said Section 30.

(14) Notice of this application and applicant's request for a hearing to be held on October 7, 1993, has been given as set forth on Exhibit "B" and Exhibit "C".

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed Examiner on October 7, 1993, and that after notice and hearing as required by law, the Division enter its order establishing an Infill Drilling Provision for the North

Mitchell Energy Corporatino
NMOCD Application
Page 5

Osudo-Morrow Gas Pool, or in the alternative approving simultaneous dedication of two wells in this pool to Section 30, T20S, R36E, and for such other and further relief as may be proper.

Respectfully submitted:

KELLAHIN & KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

BY
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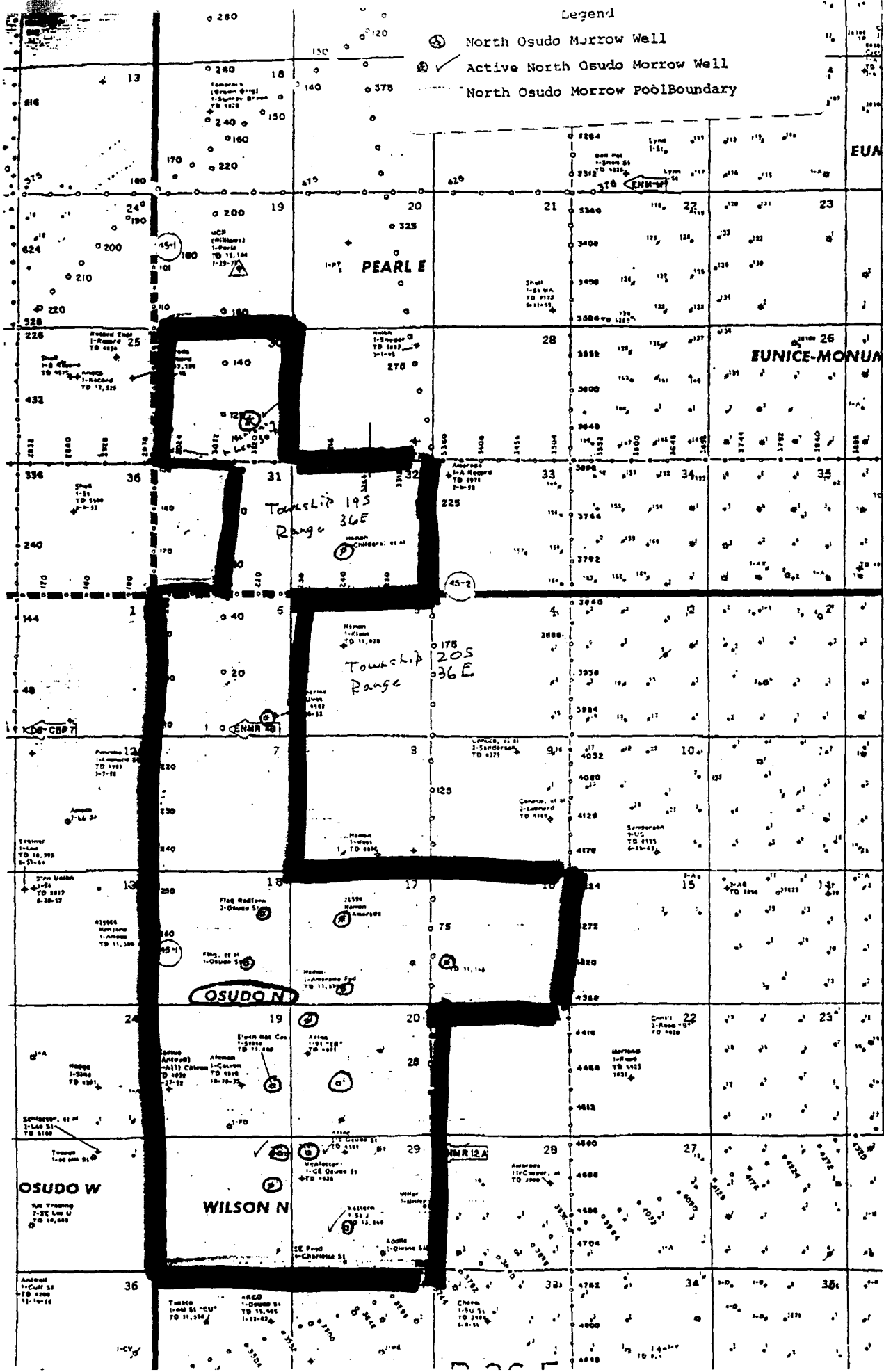


Exhibit A

Mitchell Energy Corporatino
NMOCD Application
Page 6

EXHIBIT B

Boyd & McWilliams Energy Group, Inc.
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Midland, Texas 79702

Marathon Oil Company
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