

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 11219
Order No. R-10355**

**APPLICATION OF CONOCO INC. FOR
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 6, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of April, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Conoco Inc., seeks approval to drill its proposed Preston 35-N Federal Com Well No. 15 at an unorthodox gas well location 860 feet from the North line and 710 feet from the West line (Unit D) of Section 35, Township 20 South, Range 24 East, NMPM, to test the South Dagger Draw-Upper Pennsylvanian Associated Pool and Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(3) The N/2 of Section 35, which is currently dedicated to the existing Conoco Inc. Preston 35-N Federal Well No. 6 in the Cemetery-Morrow Gas Pool, is to be dedicated to the proposed Preston 35-N Federal Com Well No. 15 forming a standard 320-acre spacing and proration unit for both the South Dagger Draw-Upper Pennsylvanian Associated Pool and Cemetery-Morrow Gas Pool.

(4) The applicant proposes to drill the aforesaid Preston 35-N Federal Com Well No. 15 as a replacement well for the Preston 35-N Federal Well No. 6 in the Cemetery-Morrow Gas Pool. In addition, if the Preston 35-N Federal Com Well No. 15 is completed as a producer in the Cemetery-Morrow Gas Pool, the Preston 35-N Federal Well No. 6 will be recompleted to the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(5) The proposed well is located within both the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Cemetery-Morrow Gas Pool. The South Dagger Draw-Upper Pennsylvanian Associated Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil or gas spacing units with wells to be located no closer than 660 feet to the nearest end or side boundary of the tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary. The Cemetery-Morrow Gas Pool is governed by Statewide Rules and Regulations which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1980 feet from the end boundary nor closer than 660 feet from the side boundary nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(6) The proposed well is at a standard location for the South Dagger Draw-Upper Pennsylvanian Associated Pool but at an unorthodox gas well location for the Cemetery-Morrow Gas Pool.

(7) Applicant proposes to initially complete the subject well in the Cemetery-Morrow Gas Pool and deplete this zone prior to recompleting to the South Dagger Draw-Upper Pennsylvanian Gas Pool, or in the alternative, to dually complete the well within both pools.

(8) The applicant seeks authority to drill the subject well at the proposed unorthodox location for the following reasons:

- a) the proposed Preston 35-N Federal Com Well No. 15 is located in an area of the South Dagger Draw-Upper Pennsylvanian Associated Pool typically associated with predominantly gas production;
- b) there is an existing gas well in the South Dagger Draw-Upper Pennsylvanian Associated Gas Pool within the N/2 of Section 35, being the Preston 35-N Federal Well No. 9 located in Unit B;
- c) locating a well at a standard Morrow location in the NW/4 of Section 35 will interfere with production from the Preston 35-N Federal Well No. 9 in the South Dagger Draw-Upper Pennsylvanian Associated Pool; and,

- d) locating a well at a standard Morrow location in the NW/4 of Section 35 will result in the overlap of drainage areas for the proposed well and the Preston 35-N Federal Well No. 9 in the South Dagger Draw-Upper Pennsylvanian Associated Pool, which may result in the inefficient drainage of gas reserves from the Cisco-Canyon formation within the N/2 of Section 35.

(9) The evidence indicates that drilling a single wellbore to develop the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Cemetery-Morrow Gas Pool represents the most economic method of developing the N/2 of Section 35 and should also considerably reduce the risk of not obtaining commercial production in the wellbore.

(10) The proposed unorthodox location represents the best location within the N/2 of Section 35 to efficiently develop the remaining gas reserves in both the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Cemetery-Morrow Gas Pool.

(11) The affected offset acreage to the west in Section 34 is currently operated by Conoco Inc.

(12) The affected offset acreage to the northwest is currently operated by Yates Petroleum Corporation.

(13) Neither Yates Petroleum Corporation nor any other interest owner and/or offset operator appeared at the hearing in opposition to the application.

(14) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil and gas in the affected pool(s), will prevent the economic loss caused by the drilling of unnecessary wells, will allow the efficient drainage of gas reserves from the South Dagger Draw-Upper Pennsylvanian Associated Pool, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Conoco Inc., is hereby authorized to drill its Preston 35-N Federal Com Well No. 15 at an unorthodox Morrow gas well location 860 feet from the North line and 710 feet from the West line (Unit D) of Section 35, Township 20 South, Range 24 East, NMPM, to test the South Dagger Draw-Upper Pennsylvanian Associated Pool and Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

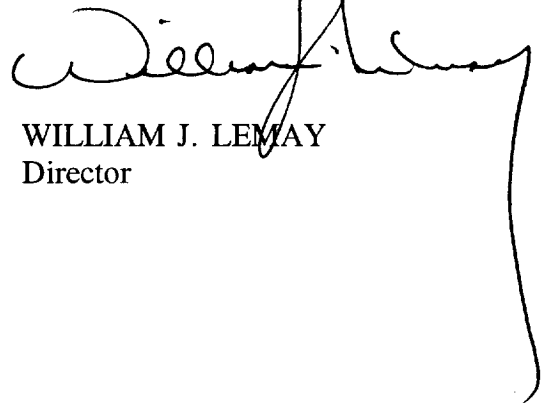
(2) The N/2 of Section 35, which is currently dedicated to the existing Preston 35-N Federal Well No. 6 in the Cemetery-Morrow Gas Pool, shall be dedicated to the Preston 35-N Federal Com Well No. 15 in both the South Dagger Draw-Upper Pennsylvanian Associated Pool and Cemetery-Morrow Gas Pool.

(3) In the event the Preston 35-N Federal Com Well No. 15 is completed in the Cemetery-Morrow Gas Pool, the applicant shall recomplete to another pool or otherwise not produce its Preston 35-N Federal Well No. 6 from the Cemetery-Morrow Gas Pool without additional approval from the Division.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the typed name and title. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director

S E A L