

**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. 11241
Order No. R-10356**

**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 Julie Com Well No. 3 at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 17, Township 19 South, Range 25 East, NMPM, to test the North Dagger Draw-Upper Pennsylvanian Pool and the Undesignated Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(3) The N/2 of Section 17 is to be dedicated to the proposed Julie Com Well No. 3 in the Undesignated Boyd-Morrow Gas Pool forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The applicant further proposes to dedicate the Julie Com Well No. 3 to an 80-acre non-standard spacing and proration unit (being the subject of Case No. 11240, also heard on April 6, 1995) comprising the N/2 NE/4 of Section 17 in the North Dagger Draw-Upper Pennsylvanian Pool.

(5) The proposed well is located within the North Dagger Draw-Upper Pennsylvanian Pool and within one mile of the Boyd-Morrow Gas Pool. The North Dagger Draw-Upper Pennsylvanian Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-4691, as amended, which require standard 160-acre spacing units with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary. The Boyd-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 North Dagger Draw-Upper Pennsylvanian Pool but at an unorthodox gas well location for the Boyd-Morrow Gas Pool.

(7) Applicant proposes to initially complete the subject well in the Boyd-Morrow Gas Pool and deplete this zone prior to recompleting to the North Dagger Draw-Upper Pennsylvanian 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 vast majority of wells in this area are drilled as Cisco/Canyon producers. The standard practice employed by numerous operators in this field involves drilling a Cisco/Canyon well deep enough to penetrate and test the Morrow formation;
- b) a commercial Morrow completion is obtained, according to applicant's testimony, approximately 10 percent of the time;
- c) in companion Case No. 11240, Conoco is seeking to establish a non-standard proration unit in the North Dagger Draw-Upper Pennsylvanian Pool comprising the N/2 NE/4 of Section 17. This proposed non-standard proration unit will likely be approved by the Division. Within this proposed proration unit, there exists a Cisco/Canyon producing well, the Conoco Inc. Julie Well No. 2 located in the NW/4 NE/4;
- d) the NE/4 NE/4 of Section 17 is the only remaining quarter-quarter section without a Cisco/Canyon producing well;

- e) the geologic evidence presented indicates that a well at the proposed unorthodox gas well location should encounter a greater amount of net sand within the Morrow formation than a well drilled at a standard gas well location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(9) The evidence indicates that drilling a single wellbore to develop the North Dagger Draw-Upper Pennsylvanian Pool and the Boyd-Morrow Gas Pool represents the most economic method of developing the N/2 NE/4 of Section 17 and should also considerably reduce the risk of not obtaining commercial production in the wellbore.

(10) The affected offset acreage to the east and northeast in Sections 16 and 9 are currently operated by Yates Petroleum Corporation and Fasken Oil & Ranch Interests.

(11) Neither Yates Petroleum Corporation, Fasken Oil & Ranch Interests or any other interest owner and/or offset operator appeared at the hearing in opposition to the application.

(12) 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, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

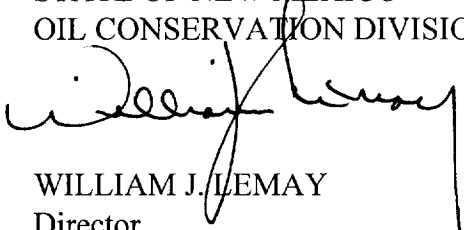
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Conoco Inc., is hereby authorized to drill its Julie Com Well No. 3 at an unorthodox Morrow gas well location 660 feet from the North and East lines (Unit A) of Section 17, Township 19 South, Range 25 East, NMPM, to test the North Dagger Draw-Upper Pennsylvanian Pool and the Undesignated Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(2) The N/2 of Section 17 shall be dedicated to the Julie Com Well No. 3 in the Undesignated Boyd-Morrow Gas Pool forming a standard 320-acres spacing and proration unit for said pool.

(3) 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

WILLIAM J. LEMAY
Director

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