

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. 11376
ORDER NO. R-10463*

**APPLICATION OF KERR-MCGEE CORPORATION FOR AN UNORTHODOX
INFILL 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 September 7, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of September, 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, Kerr-McGee Corporation ("Kerr-McGee"), seeks approval to drill its Winston-Federal Gas Com Well No. 2 (**API No. 30-015-28633**) at an unorthodox infill gas well location 697 feet from the North line and 2146 feet from the East line (Unit B) of Section 31, Township 21 South, Range 24 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico. Said well is to be simultaneously dedicated to an existing 637.18-acre gas spacing and proration unit ("GPU") comprising all of said irregular Section 31, which is currently dedicated to its Winston-Federal Gas Com Well No. 1 (**API No. 30-015-10363**), located at a standard gas well location 2080 feet from the South line and 1980 feet from the West line (Unit K) of said Section 31.

(3) The proposed well and spacing unit being within the boundaries of the Indian Basin Morrow Gas Pool is subject to the "*General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Indian Basin Upper-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-8170, as amended, which provides for gas production allocation, 640-acre standard gas spacing and proration

units, and requires that wells be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary.

(4) Kerr-McGee presented land, geologic, and reservoir engineering data which demonstrates that:

(a) its existing Winston-Federal Gas Com Well No. 1 in Unit "K" has water loading problems adversely affecting production; mechanical problems which cannot be economically remedied; and is a low volume producer with approximately 14 months of remaining producing life;

(b) the proposed Winston-Federal Gas Com Well No. 2 ultimately will be a "replacement" well and will be drilled at an unorthodox location based upon a combination of geologic, engineering and U. S. Bureau of Land Management surface use restrictions in order to gain sufficient structural position within its spacing unit and to be located away from "dry holes" in the Morrow in an attempt to recover any remaining recoverable gas reserves underlying Section 31 and thereby protect correlative rights and prevent waste;

(c) the Morrow formation within this immediate area contains numerous small sand stringers which are very discontinuous and of limited lateral extent;

(d) north of the subject 637.18-acre GPU, there are two Morrow gas wells located in Section 30 which exhibit pressure differences demonstrating that each is producing from certain Morrow sand stringers which are not present in both wells; and

(e) that the proposed unorthodox gas well location only encroaches towards Section 30 which includes the same working, royalty and overriding royalty interest owners as exist for said Section 31.

(5) It is Kerr-McGee's intent that:

(a) it be authorized to drill its Winston-Federal Gas Com Well No. 2 at the proposed unorthodox gas well location; and,

(b) until such time as the Winston-Federal Gas Com Well No. 1 has been abandoned, Kerr-McGee be permitted to operate and produce the gas allowable assigned to this spacing unit from either or both of these two

wells in any combination; however, once the Winston-Federal Gas Com Well No. 1 is abandoned, Kerr-McGee be allowed to produce the gas allowable assigned the subject GPU from the Winston-Federal Gas Com Well No. 2.

(6) No off-set operator or affected interest owner appeared in opposition to the granting of this application.

(7) Approval of this application is in the best interest of conservation, will serve to protect correlative rights of offsetting interest owners and will afford the applicant the opportunity to produce its just and equitable share of the gas in the Morrow formation and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Kerr-McGee Corporation ("Kerr-McGee") to drill its Winston-Federal Gas Com Well No. 2 (**API No. 30-015-28633**) at an unorthodox infill gas well location in the Indian Basin-Morrow Gas Pool 697 feet from the North line and 2146 feet from the East line (Unit B) of Section 31, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, is hereby approved.

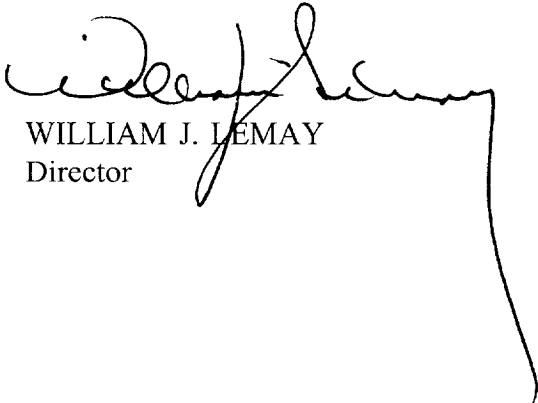
(2) Kerr-McGee is further authorized to simultaneously dedicate all of said irregular Section 31 comprising 637.18 acres to its currently producing Winston-Federal Gas Com Well No. 1 (**API No. 30-015-10363**), located at a standard gas well location 2080 feet from the South line and 1980 feet from the West line (Unit K) of said Section 31 and to its proposed Winston-Federal Gas Com Well No. 2, as described above.

HOWEVER: until such time as the Winston-Federal Gas Com Well No. 1 has been abandoned, Kerr-McGee shall be permitted to operate and produce the gas allowable assigned to the subject GPU from either or both of these two wells in any combination; however, once the Winston-Federal Gas Com Well No. 1 is abandoned, Kerr-McGee shall be allowed to produce the gas allowable assigned the subject GPU from the Winston-Federal Gas Com Well No. 2 alone.

(3) Jurisdiction of this cause is 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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