

**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. 11387  
Order No. R-10469**

**APPLICATION OF MEDALLION PRODUCTION  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION, CHAVES COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on September 21, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of September, 1995, the Division Director, having considered 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, Medallion Production Company, seeks approval to drill its USA "20" Well No. 1 at an unorthodox gas well location 990 feet from the South line and 1100 feet from the East line (Unit P) of Section 20, Township 15 South, Range 28 East, NMPM, Chaves County, New Mexico, to test the Undesignated Buffalo Valley-Pennsylvanian Gas Pool.

(3) The applicant proposes to dedicate the S/2 of Section 20 to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The subject well is located within one mile of the Buffalo Valley-Pennsylvanian Gas Pool which is currently a "prorated" gas pool governed by the "General Rules and Regulations for the Prorated Gas Pools of Northwest and Southeast New Mexico" as promulgated by Division Order No. R-8170, as amended, which require standard 320-acre gas spacing and proration units with wells to be located within either the NW/4 or SE/4 of the section no closer than 990 feet from the outer boundary of the quarter section nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(5) The subject well is unorthodox with respect to the interior quarter-quarter section setback requirements described above.

(6) The applicant's geologic evidence and testimony in this case indicates that a well drilled at the proposed unorthodox gas well location should penetrate the Morrow formation at a lower structural position and in an area of thicker pay sand development than a well drilled at a standard location thereon.

(7) Applicant testified that pay thickness is of greater importance than structural position in the reservoir with respect to the potential for encountering commercial gas production.

(8) A well at the proposed unorthodox gas well location will better enable the applicant to develop the gas reserves within the Morrow formation underlying the S/2 of Section 20.

(9) The S/2 of Section 20 has not previously been developed in the Buffalo Valley-Pennsylvanian Gas Pool.

(10) The applicant provided notice of its proposed unorthodox gas well location to numerous interest owners within Sections 21, 28 and 29.

(11) No offset operator and/or interest owner 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 gas in the Morrow formation underlying Section 20, 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.

(13) The USA "20" Well No. 1 should be assigned an acreage factor of 1.0 in the Buffalo Valley-Pennsylvanian Gas Pool for the purpose of determining its gas allowable.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Medallion Production Company, is hereby authorized to drill its USA "20" Well No. 1 at an unorthodox gas well location 990 feet from the South line and 1100 feet from the East line (Unit P) of Section 20, Township 15 South, Range 28 East, NMPM, Chaves County, New Mexico, to test the Undesignated Buffalo Valley-Pennsylvanian Gas Pool.

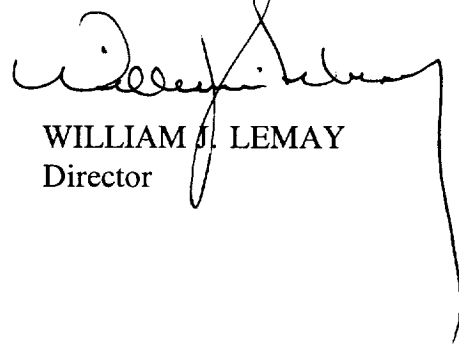
(2) The S/2 of Section 20 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) The USA "20" Well No. 1 shall be assigned an acreage factor of 1.0 in the Buffalo Valley-Pennsylvanian Gas Pool for the purpose of determining its gas allowable.

(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 printed name and title.

WILLIAM J. LEMAY  
Director

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