

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. 11609
ORDER NO. R-10684

**APPLICATION OF SHELL WESTERN E & P INC. FOR AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 3, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of October, 1996, 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, Shell Western E & P Inc. ("Shell"), seeks approval to deepen its State "A" Well No. 10 (**API No. 30-025-32844**), located 940 feet from the North and East lines (Unit A) of Section 31, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, in order to test the Morrow formation for gas production at an unorthodox gas well location within a standard 320-acre gas spacing and proration unit to comprise the E/2 of said Section 31.

(3) The subject well was initially drilled in early 1995 to a total depth of 10,700 feet in order to test the Vacuum-Wolfcamp Pool and the Undesignated Vacuum-Upper Pennsylvanian Pool for oil production within a standard 80-acre oil spacing and proration unit for both intervals comprising the N/2 NE/4 of said Section 31. Pursuant to the applicable rules and regulations for both the Vacuum-Wolfcamp and Vacuum-Upper Pennsylvanian Pools the subject location was unorthodox, by Division Administrative

Order NSL-3516, dated April 16, 1995, an exception was granted whereby the location was approved not only for the two aforementioned pools but for the North Vacuum-Abo Pool for possible subsequent development. In October, 1995 Shell dually completed this well, under the authority of Division Administrative Order DHC-1149, dated September 25, 1995, within the Vacuum-Wolfcamp and Vacuum-Middle Pennsylvanian Pools. The Vacuum-Middle Pennsylvanian Pool is developed on statewide 40-acre oil spacing and proration units and, pursuant to Division General Rule 104.C(1), the location is considered to be standard.

(4) Shell at this time is proposing to abandon the present completions and deepen the subject well to a depth of approximately 11,850 feet to test the Morrow formation for gas production.

(5) Said well location is not within one mile of any designated Morrow pool and is therefore classified as a "wildcat gas well" and is subject to Rule 104.B(1)(a) of the Division's Statewide Rules and Regulations, which currently provides for 320-acre spacing and proration units with wells to be located no closer than 1650 feet from the nearest end boundary, nor closer than 660 feet from the nearest side boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(6) The E/2 of said Section 31 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for the Morrow formation.

(7) Division General Rule 104.F(2) states: "*The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon*".

FINDING, since no provision is contained therein for administrative review of this particular situation where a well is being deepened, this matter was styled such that in the absence of objection this case would be taken under advisement.

(8) No appearances were made in this case at the time of the hearing.

(9) Approval of this application will afford the applicant the opportunity to test for and, if successful, produce its just and equitable share of the gas in the Morrow formation, 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.

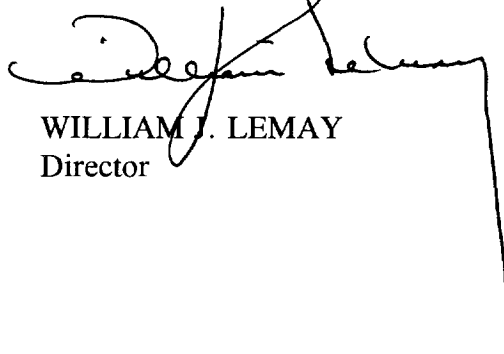
IT IS THEREFORE ORDERED THAT:

(1) The application of Shell Western E & P Inc. for approval to deepen its State "A" Well No. 10 (**API No. 30-025-32844**), located at a previously approved unorthodox oil well location for the Undesignated Vacuum-Upper Pennsylvanian Pool, Vacuum-Wolfcamp Pool, and North Vacuum-Abo Pool (see Division Administrative Order NSL-3516, dated April 6, 1995) 940 feet from the North and East lines (Unit A) of Section 31, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, in order to test the Morrow formation for gas production at an unorthodox gas well location within a standard 320-acre gas spacing and proration unit to comprise the E/2 of said Section 31, is hereby approved.

(2) 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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