

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:

APPLICATION OF MEWBOURNE OIL COMPANY FOR
COMPULSORY POOLING, A NON-STANDARD GAS
PRORATION UNIT, AND AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

Case No. 11648

APPLICATION OF CT-R, LTD. COMPANY AND
CHANTREY CORPORATION TO AMEND DIVISION
ADMINISTRATIVE ORDER NSP-7, LEA COUNTY,
NEW MEXICO.

Case No. 11670

Order No. R-10723

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of December, 1996, 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 Eumont Gas Pool in Lea County, New Mexico currently includes portions of Townships 18, 19, 20, 21, and 22 South and Ranges 35, 36, 37, and 38 East, NMPM.

(3) The Eumont Gas Pool is governed by the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Eumont Gas Pool*", as promulgated by Division Order No. R-8170, as amended, which in part provides:

(i) for 640-acre standard gas spacing and proration units
("GPU");

(ii) well location restrictions which vary depending on GPU size:

(a) 640 acres - gas wells can be no closer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary line;

(b) a maximum of 600 acres - gas wells can be no closer than 990 feet to the outer boundary of said tract and no nearer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary line;

(c) a maximum of 320 acres - gas wells can be no closer than 660 feet to the nearest side boundary of the dedicated tract, nor closer than 990 feet to the nearest end boundary, nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary line;

(d) a maximum of 160 acres - gas wells can be no closer than 660 feet to the outer boundary of said tract and no nearer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary line; and,

(iii) the allocation of both oil and gas production.

(4) By Administrative Order NSP-7, dated October 1, 1954, the Division authorized the S/2 of Section 21, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico, to be operated within the Eumont Gas Pool as a non-standard 320-acre GPU. Since that time the Huston Com. Well No. 1 (**API No. 30-025-05679**), located at a standard gas well location for this 320-acre GPU 1650 feet from the South line and 1830 feet from the West line (Unit K) of said Section 21 has been the active well for this GPU.

(5) The current operator of this 320-acre unit and Huston Com. Well No. 1 is Mewbourne Oil Company ("Mewbourne").

(6) Mewbourne, as the applicant in **Case 11648**, requested with its original application dated October 15, 1996 for an order pooling all mineral interests from the surface to the base of the Queen formation underlying the following described acreage in said Section 21 and in the following manner: (a) the S/2 to form a non-standard 320-acre spacing and proration unit for the

Eumont Gas Pool: (b) the SW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; (c) the W/2 SW/4 to form an 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and, (d) the SW/4 SW 4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Mewbourne further requests that said units be dedicated to its proposed Huston Com. Well No. 2 to be drilled 990 feet from the South line and 860 feet from the West line (Unit M) of said Section 21. The aforementioned location is considered "standard" for 40 and 160 acre spacing, but would normally be considered an unorthodox oil well location for pools spaced on 80-acre units, and is an unorthodox Eumont gas well location pursuant to the applicable pool rules.

(7) In **Case 11670** the applicants, CT-R, Ltd. Company and Chantrey Corporation, seek an order amending the above-described Division Administrative Order NSP-7 by reducing the previously approved 320-acre non-standard GPU consisting of the S/2 of said Section 21 to an 80-acre non-standard GPU comprising the N/2 SW/4 of said Section 21.

(8) Prior to the hearing both CT-R, Ltd. Company and Chantrey Corporation requested that Case No. 11670 be dismissed. Further, Mewbourne at the time of the hearing requested to dismiss that portion of its Case No. 11648 for compulsory pooling.

(9) Both requests for dismissals should be granted.

(10) It is Mewbourne's intent to replace the existing Huston Com. Well No. 1 with the proposed Huston Com. Well No. 2 in Unit "M" at a location within the subject 320-acre GPU that is both geologically acceptable and as far removed as possible from the area drained by the Huston Co. Well No. 1.

(11) The geological evidence presented by the applicant indicates that a well drilled at the proposed location should encounter a greater amount of gross sand thickness in the Eumont Gas Pool than a well drilled at the nearest standard Eumont gas well location being 990 feet from the South and West lines of said Section 21, thereby increasing the likelihood of obtaining commercial gas production from the Eumont Gas Pool. Further, this nearest standard location would move the proposed well towards the nearly depleted Huston Com. Well No. 1.

(12) No offset operator or interest owner appeared at the hearing in opposition to the proposed unorthodox Eumont gas well location in the subject 320-acre GPU.

(13) 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 subject formations and will otherwise prevent waste and protect correlative rights.

(14) Until such time as the Huston Com. Well No. 1 is either plugged and abandoned or until Eumont gas production ceases, the operator of the subject GPU should be authorized to

simultaneously dedicate Eumont Gas Pool production from the Huston Com. Well No. 1 with the Huston Com. Well No. 2. Furthermore, the operator should be permitted to produce the allowable assigned the subject GPU from both wells in any proportion.

(15) All provisions of said Division Administrative Order NSP-7 should remain in full force and effect until further notice

IT IS THEREFORE ORDERED THAT

(1) The application of CT-R, Ltd. Company and Chantrey Corporation in **Case 11670** to reduce the existing 320-acre non-standard Eumont gas spacing and proration unit ("GPU") comprising the S/2 of Section 21, Township 19 South, Range 37 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, approved by Division Administrative Order NSP-7, dated October 1, 1954, to an 80-acre non-standard GPU comprising the N/2 SW 4 of said Section 21, is hereby dismissed.

(2) That portion of **Case 11648** in which the applicant, Mewbourne Oil Company ("Mewbourne"), seeks to pool all mineral interests from the surface to the base of the Queen formation underlying the following described acreage in said Section 21 and in the following manner: (a) the S/2 to form a non-standard 320-acre spacing and proration unit for the Eumont Gas Pool; (b) the SW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; (c) the W/2 SW/4 to form an 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and, (d) the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, shall also be dismissed.

IT IS HOWEVER ORDERED THAT

(3) Mewbourne be authorized to continue operating said 320-acre Eumont non-standard GPU.

IT IS FURTHER ORDERED THAT

(4) Both the existing Huston Com. Well No. 1 (**API No. 30-025-05679**), located at a standard gas well location for this 320-acre GPU 1650 feet from the South line and 1830 feet from the West line (Unit K) of said Section 21, and the proposed Huston Com. Well No. 2, to be drilled at an unorthodox gas well location 990 feet from the South line and 860 feet from the West line (Unit M) of said Section 21, are to be simultaneously dedicated to the subject GPU whereby both wells will be permitted to produce the GPU's assigned allowable in any proportion.

(5) All provisions of said Division Administrative Order NSP-7 shall remain in full force and effect until further notice

Case Nos. 11648/11670

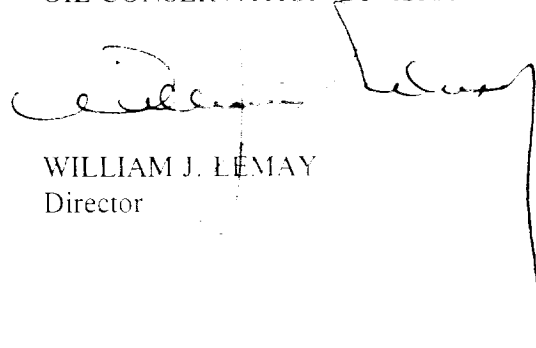
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(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over a faint, circular official seal. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director

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