

**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. 12191
Order No. R-11219***

**APPLICATION OF OXY USA INC. FOR AN UNORTHODOX GAS WELL
LOCATION AND AN EXCEPTION TO DIVISION RULE 104.D(3) FOR
SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 10, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of July, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Oxy USA Inc., seeks approval to drill its Jazz Federal Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Irregular Section 4, Township 17 South, Range 27 East, NMPM, Crow Flats-Morrow Gas Pool, Eddy County, New Mexico. This well is to be dedicated to a previously approved non-standard 323.68-acre gas spacing and proration unit comprising the N/2 of Irregular Section 4.

(3) The applicant also seeks an exception to Division Rule 104.D(3) to continuously and concurrently produce gas from the Crow Flats-Morrow Gas Pool from its proposed Jazz Federal Well No. 1 and from its existing Oxy Roscoe Federal Well No. 1 (API No. 30-015-30236) located at a previously approved unorthodox gas well location (approved by Division Order No. NSL-3961 dated March 6, 1998) 1540 feet from the North line and 1760 feet from the East line (Unit G) of Irregular Section 4, and for the simultaneous dedication of both wells to the N/2 of Irregular Section 4.

(4) The evidence indicates that:

- a) the Oxy Roscoe Federal Well No. 1 was drilled by the applicant in May, 1998 to a total depth of 9,177 feet to test the Morrow formation;

- b) the well was completed in the Morrow formation, Crow Flats-Morrow Gas Pool, through perforations from 8,934 feet to 8,958 feet;
 - c) the well initially produced at a rate of approximately 1,590 MCF of gas per day; and
 - d) the Oxy Roscoe Federal Well No. 1 currently produces at a rate of approximately 300 MCF of gas per day.
- (5) The applicant presented geologic evidence indicating that:
- a) the Oxy Roscoe Federal Well No. 1 is currently producing from a basal Morrow sand referred to by the applicant as the "Roscoe Sand";
 - b) Oxy has identified a channel sand in the Morrow formation referred to as the "LD4 Sand" which traverses the W/2 of Section 4 in a north-south direction;
 - c) a thin section of the "LD4 Sand" is present but non-productive in the Oxy Roscoe Federal Well No. 1;
 - d) the "LD4 Sand" is also present in the E/2 of Section 5, which directly offsets the subject proration unit. Yates Petroleum Corporation has received authorization to drill its Lucky Coyote "ATD" State Well No. 1 at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 5 to develop the "LD4 Sand" (approved by Division Order No. R-11209 dated June 21, 1999);
 - e) the "LD4 Sand" is a very prolific producing interval as evidenced by Yates Petroleum Corporation's Riverside "ASS" Well No. 1, located in Section 8, which is producing from the "LD4 Sand" at a current rate of approximately 20 MMCF of gas per day; and
 - f) a well drilled at the proposed unorthodox gas well location should encounter a thicker sand section within the "LD4 Sand" producing interval than a well drilled at a standard gas well location within the NW/4 of Section 4, thereby increasing the likelihood of obtaining commercial gas production, and thereby enabling the applicant the opportunity

to effectively compete for gas reserves with the Yates Petroleum Corporation Lucky Coyote "ATD" State Well No. 1.

(6) The applicant estimates that the remaining gas reserves within the Oxy Roscoe Federal Well No. 1 are approximately 236 MMCF of gas.

(7) The applicant testified that it is likely the Oxy Roscoe Federal Well No. 1 will not drain the entire N/2 of Section 4 within the "Roscoe Sand" producing interval.

(8) The applicant further requested authority to produce any Morrow sand present in the Jazz Federal Well No. 1, including the "Roscoe Sand".

(9) Yates Petroleum Corporation, the affected offset operator to the west in Section 5, appeared at the hearing through legal counsel but did not object to the application.

(10) No other offset operator and/or interest owner appeared at the hearing in opposition to the unorthodox gas well location and simultaneous dedication.

(11) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Crow Flats-Morrow Gas Pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Oxy USA Inc., is hereby authorized to drill its Jazz Federal Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Irregular Section 4, Township 17 South, Range 27 East, NMPM, Crow Flats-Morrow Gas Pool, Eddy County, New Mexico.

(2) The Jazz Federal Well No. 1 and the existing Oxy Roscoe Federal Well No. 1 (API No. 30-015-30236), located at a previously approved unorthodox gas well location 1540 feet from the North line and 1760 feet from the East line (Unit G) of Section 4, shall be dedicated to an existing and previously approved non-standard 323.68-acre gas spacing and proration unit in the Crow Flats-Morrow Gas Pool comprising the N/2 of Irregular Section 4.

(3) The applicant is further authorized to complete in and produce any Morrow sand present in the Jazz Federal Well No. 1.

(4) The applicant is further authorized to continuously and concurrently produce the Crow Flats-Morrow Gas Pool within the Jazz Federal Well No. 1 and the Oxy Roscoe Federal Well No. 1.

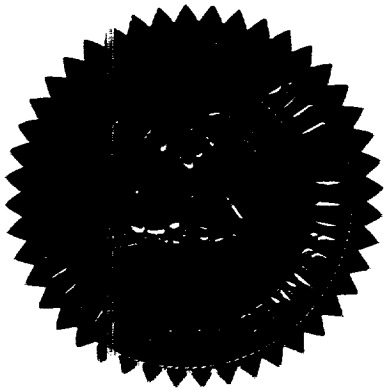
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director



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