

**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. 12487
ORDER NO. R-11464**

**APPLICATION OF TEXACO EXPLORATION & PRODUCTION INC. FOR AN
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 7, 2000, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this 10th day of October, 2000, 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, Texaco Exploration & Production Inc. ("Texaco"), seeks approval to drill its Cotton Draw Unit Well No. 89 at an unorthodox gas well location 250 feet from the South line and 1980 feet from the East line (Unit O) of Section 3, Township 25 South, Range 31 East, NMPM, to test the Wolfcamp formation, Eddy County, New Mexico.

(3) Lots 1 & 2, the S/2 NE/4 and the SE/4 (E/2 equivalent) of Section 3 are to be dedicated to the well forming a standard 319.38-acre gas spacing and proration unit.

(4) The proposed well is located within one mile of the outer boundaries of both the Big Sinks-Wolfcamp and South Paduca-Wolfcamp Gas Pools. Both pools are currently governed by Division Rule No. 104.C.(2), which requires that the initial and infill well be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) This application was originally filed for administrative approval on May 24, 2000.

(6) By letter dated May 25, 2000, the Division denied Texaco's administrative application for an unorthodox gas well location.

(7) In support of its request, Texaco presented evidence that demonstrates:

- (a) the proposed well is located within the Cotton Draw Unit, a federal exploratory unit operated by Texaco;
- (b) Texaco and Devon Energy Production Company, L.P. ("Devon") are the only two working interest owners within that portion of the Cotton Draw Unit which encompasses all or portions of Sections 25, 26, 34, 35 and 36, Township 24 South, Range 31 East, and all or portions of Sections 1, 2, 3, 11, 12 and 13, Township 25 South, Range 31 East, NMPM, Eddy County, New Mexico, and all of Sections 7 and 18, Township 25 South, Range 32 East, NMPM, Lea County, New Mexico;
- (c) the Participating Area (PA) for the Wolfcamp formation within the Cotton Draw Unit currently comprises all of Section 2, Township 25 South, Range 31 East;
- (d) the E/2 of Section 3 is comprised of three separate federal leases that encompass: (i) Lots 1 and 2 and the S/2 NE/4; (ii) the W/2 SE/4; and (iii) the E/2 SE/4;
- (e) the affected offset acreage, being the NW/4 and E/2 of Section 10 is owned as follows:
 - (i) the NW/4 is within the Poker Lake Unit, a federal exploratory unit currently operated by Bass Enterprises Production Company ("Bass");

- (ii) the NE/4 is part of the Texaco-Devon federal lease including the E/2 SE/4 of Section 3. Ownership of this lease also includes four overriding royalty interests;
- (iii) the S/2 SE/4 and NE/4 SE/4 is a federal lease owned by Texaco. Ownership of this lease includes three overriding royalty interests; and
- (iv) the NW/4 SE/4 is a federal lease owned by Concho Resources, Inc. ("Concho").

(8) The applicant presented as evidence waivers of objection to the proposed unorthodox gas well location from Bass and Concho.

(9) The applicant also presented a letter of support for the proposed unorthodox gas well location from Devon.

(10) As described above, the interest ownership between the E/2 SE/4 of Section 3 and the NE/4 of Section 10 is common.

(11) Texaco notified seven overriding royalty interest owners of its application in this case, including those four overriding royalty interest owners within the E/2 SE/4 of Section 3 and the NE/4 of 10 and those three overriding royalty interest owners within the S/2 SE/4 and NE/4 SE/4 of Section 10.

(12) No interest owner or offset operator appeared at the hearing in opposition to the application.

(13) The applicant presented geologic evidence and testimony that demonstrates:

- (a) the primary target within the Cotton Draw Unit No. 89 is the Wolfcamp formation;

- (b) utilizing 3-D seismic data, it has identified a Wolfcamp structure that straddles the S/2 SE/4 of Section 3 and the N/2 NE/4 of Section 10;
- (c) there is an additional smaller Wolfcamp structure located southeast of the main Wolfcamp structure; These Wolfcamp structures are separate and not in communication with one another;
- (d) the main Wolfcamp structure contains fracture-enhanced permeability; and
- (e) a well drilled at a standard gas well location within the SE/4 of Section 3 will penetrate the main Wolfcamp structure in an area of thin carbonate buildup and will likely be non-productive from this reservoir.

(14) Approval of the application will provide Texaco the opportunity to recover the gas reserves within this Wolfcamp reservoir, thereby preventing waste, and will not violate correlative rights.

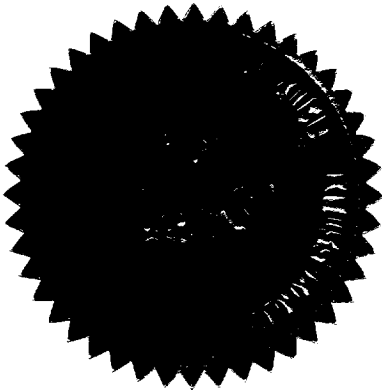
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Texaco Exploration & Production Inc., is hereby authorized to drill its Cotton Draw Unit Well No. 89 at an unorthodox gas well location 250 feet from the South line and 1980 feet from the East line (Unit O) of Section 3, Township 25 South, Range 31 East, NMPM, to test the Wolfcamp formation, Eddy County, New Mexico.

(2) Lots 1 & 2, the S/2 NE/4 and the SE/4 (E/2 equivalent) of Section 3 shall be dedicated to the well forming a standard 319.38-acre gas spacing and proration unit for either the Big Sinks-Wolfcamp or South Paduca-Wolfcamp Gas Pool.

(3) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director