

**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. 12921
ORDER NO. R-11832**

**APPLICATION OF V-F PETROLEUM INC. FOR AN UNORTHODOX GAS
WELL LOCATION AND 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 September 5, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of September, 2002, 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, V-F Petroleum Inc. ("V-F Petroleum"), seeks approval to re-enter the Dow "B" 33 Federal Well No. 2 (**API No. 30-015-27675**) located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 33, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, and complete the well for production from the lower Morrow interval, East Cedar Lake-Morrow Gas Pool.

(3) The applicant further seeks authority to simultaneously dedicate a standard 320-acre gas spacing and proration unit comprising the N/2 of Section 33 to the aforesaid Dow "B" 33 Federal Well No. 2 and to its existing Denali "33" Federal Well No. 2 (**API No. 30-015-32164**) located 1580 feet from the North line and 760 feet from the West line (Unit E) of Section 33.

(4) The Denali "33" Federal Well No. 2 is located within the East Cedar Lake-Morrow Gas Pool. This pool is currently governed by Division Rule No. 104.C., which requires standard 320-acre gas spacing and proration units with the initial and infill

wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Rule No. 104.C. also prohibits locating the infill well in the same quarter section as the original well on the spacing unit.

(5) The Dow "B" 33 Federal Well No. 2 is unorthodox with respect to the setback requirements, and is also unorthodox with respect to the quarter section in which the well is located.

(6) The applicant presented evidence that demonstrates:

- (a) the Denali "33" Federal Well No. 2 was drilled during the first quarter of 2002 by Concho Oil & Gas Corporation. The well was completed in June, 2002 in a middle Morrow interval from approximately 11,724 feet to 11,758 feet. V-F Petroleum has identified this interval as the Morrow t-5a interval;
- (b) the Denali "33" Federal Well No. 2 initially tested at a producing rate of approximately 1,100 MCF gas per day and 36 barrels of water per day from the t-5a interval;
- (c) the Dow "B" 33 Federal Well No. 2 was drilled by Texaco Exploration & Production Inc. in 1993. The well was perforated in a lower Morrow interval from approximately 11,818 feet to 11,832 feet. During a 4-hour test period, the well produced 5,264 MCF of gas and 32 barrels of oil from this lower Morrow interval. V-F Petroleum has identified this interval as the Morrow t-3 interval;
- (d) the Dow "B" 33 Federal Well No. 2 was shut-in in March 1994, the Morrow t-3 interval was isolated below a cast iron bridge plug (CIBP), and the well was subsequently completed in a middle Morrow interval from 11,735 feet to 11,754 feet. V-F Petroleum has identified this interval as the Morrow t-5b interval. In March, 1997 the well was plugged back and completed in the East Loco Hills-Atoka

Gas Pool from a depth of 11,242 feet to 11,248 feet;
and

- (e) in August, 1999 the Dow "B" 33 Federal Well No. 2 was plugged back to a depth of 3,702 feet and was subsequently temporarily abandoned.

(7) The Dow B "33" Federal Well No. 2 has cumulatively produced approximately 6.1 BCF of gas and 96,000 barrels of condensate from the East Cedar Lake-Morrow Gas Pool, predominantly from the Morrow t-5b interval.

(8) V-F Petroleum contends that the Dow B "33" Federal Well No. 2 was prematurely abandoned in the Morrow t-3 interval, and that there are remaining gas reserves that can be accessed and recovered by re-entering and recompleting this wellbore.

(9) The Morrow t-3 interval is not present in the Denali "33" Federal Well No. 2 and therefore, remaining gas reserves in this interval cannot be recovered by this well.

(10) V-F Petroleum proposes to produce only the Morrow t-5a interval in the Denali "33" Federal Well No. 2, and to produce only the Morrow t-3 interval in the Dow "B" 33 Federal Well No. 2.

(11) V-F Petroleum further presented testimony that the two subject wells should adequately drain the N/2 of Section 33 and that no additional Morrow wells will be drilled within the NE/4.

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

(13) Approval of the subject application will afford V-F Petroleum the opportunity to recover additional gas reserves within the Morrow t-3 interval underlying the N/2 of Section 33 that may otherwise not be recovered, thereby preventing waste, will prevent the drilling of unnecessary wells, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, V-F Petroleum Inc., is hereby authorized to re-enter the Dow "B" 33 Federal Well No. 2 (**API No. 30-015-27675**) located at an unorthodox gas well location 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 33, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, and

complete the well for production from the lower Morrow interval, East Cedar Lake-Morrow Gas Pool.

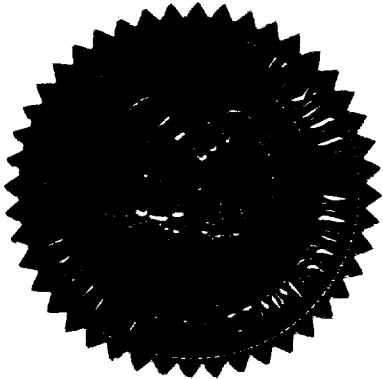
(2) The applicant is further authorized to simultaneously dedicate a standard 320-acre gas spacing and proration unit comprising the N/2 of Section 33 to the aforesaid Dow "B" 33 Federal Well No. 2 and to its existing Denali "33" Federal Well No. 2 (**API No. 30-015-32164**) located 1580 feet from the North line and 760 feet from the West line (Unit E) of Section 33.

(3) V-F Petroleum shall produce only the middle Morrow interval (identified as the Morrow t-5a interval) in the Denali "33" Federal Well No. 2, and shall produce only the lower Morrow interval (identified as the Morrow t-3 interval) in the Dow "B" 33 Federal Well No. 2.

(4) During the time that both the Denali "33" Federal Well No. 2 and the Dow "B" 33 Federal Well No. 2 are producing from the East Cedar Lake-Morrow Gas Pool, no additional wells shall be authorized to be drilled or recompleted to the Morrow formation within the N/2 of Section 33.

(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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director