

**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:**

NOMENCLATURE
CASE NO. 12493
ORDER NO. R-2373-E

**APPLICATION OF MARBOB ENERGY CORPORATION FOR POOL
CONTRACTION, LEA AND EDDY COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 21 and October 19, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of February, 2001, 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) Division Order No. R-2373, issued in Case No. 2691 and dated November 21, 1962, created and defined the Lusk-Morrow Gas Pool for the production of gas from the Morrow formation. The horizontal limits for this pool currently include the following described lands in Lea and Eddy Counties, New Mexico:

EDDY COUNTY
TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 13:	All
Sections 24 and 25:	All

LEA COUNTY
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Sections 9 and 10:	All
Sections 15 and 16:	All
Sections 18 through 21:	All
Sections 27 through 30:	All

Section 32:

All.

(3) The Lusk-Morrow Gas Pool is an “unprorated gas pool” not subject to Part H of the Division's statewide rules entitled “*Gas Proration and Allocation*” (Rules 601 through 605); as such producing wells within this pool are allowed to produce at capacity. However, the Lusk-Morrow Gas Pool is subject to the “*Special Rules and Regulations for the Lusk-Morrow Gas Pool*,” as established by Division Order No. R-2373 issued in Case No. 2691 on November 21, 1962, as amended by Division Orders No.: (i) R-2373-A issued in Reopened Case No. 2691 on May 13, 1964; (ii) R-2373-B issued in Reopened Case No. 2691 on May 19, 1965; (iii) R-6197 issued in Case No. 6730 on November 28, 1979; (iv) R-2373-C issued in Case No. 12076 on January 15, 1999; (v) R-2373-C (1) issued on September 12, 2000 as an amendment to Order No. R-2373-C; and (vi) R-2373-D issued in Case No. 12444 on September 12, 2000. These special pool rules require standard 640-acre gas spacing and proration units, with wells to be located no closer than 660 feet to the outer boundary of a quarter section on which the well is located and no closer than 10 to any quarter-quarter section line or subdivision inner boundary; further, optional infill wells are allowed provided there is no more than one well per quarter section.

(4) Also, the special rules governing the Lusk-Morrow Gas Pool apply only to that area encompassed by its pool boundaries; therefore, operations within one-mile of this pool are exempt from Division Rule 104.A (2) (b) [see Division Order No. R-6197]. All wells drilled to the Morrow formation that are outside of this pool's boundaries are therefore subject to the Division's statewide rules and regulations for deep wells in southeast New Mexico [see Division Rule 104.C (2)].

(5) The applicant, Marbob Energy Corporation, seeks the contraction of the Lusk-Morrow Gas Pool by deleting therefrom: (i) Section 24, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico; and (ii) Section 21, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico.

(6) Since the pool's inception almost 40 years ago, not all 640-acre tracts (sections) within the current pool boundaries have had development. The undeveloped tracts include the two above-described sections.

(7) With exception of the 640-acre spacing, the rules governing the Lusk-Morrow gas pool now mirror the current statewide rules applicable to well locations for deep wells in southeast New Mexico [see Division Rule 104.C (2)].

(8) The Lusk-Morrow Gas Pool has been in a state of depletion for some time now and exploration of any undeveloped acreage within the pool boundaries is hampered by this 640-acre spacing rule.

(9) Eliminating Section 21, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico from the pool will cause Sections 9, 10, 15, and 16 of Township 19 South, Range 32 East, NMPM, Lea County, New Mexico to be detached from the remaining body of the pool, thereby causing acreage within a pool boundary to be non-contiguous (see Division Rule 7.C). Section 21, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico should therefore remain within the pool boundaries.

(10) Rule 4 of the special Lusk-Morrow Gas Pool rules allows the Division Director to issue an exception to the 640-acre spacing provision administratively. Special consideration should be given to any operator within Section 21 seeking to form a non-standard 320-acre unit for a Morrow gas test provided such request is for a half section that comprises the N/2, S/2, E/2 or W/2 of Section 21.

(11) Approval of this application with respect to Section 24, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico will enable operators of that acreage eliminated from these pool rules to develop these properties in accordance with Division Rule 104.C (2), thereby protecting correlative rights and preventing waste.

(12) Approval of the application is in the best interest of conservation, prevention of waste and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) That portion of the application of Marbob Energy Corporation seeking to contract the Lusk-Morrow Gas Pool by deleting therefrom Section 21, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby denied.

(2) The Lusk-Morrow Gas Pool in Eddy County, New Mexico is hereby contracted by deleting the following area:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 24: All.

(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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director