

Entered May 2, 1979

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6497
Order No. R-5996

APPLICATION OF LLANO, INC. FOR
AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 14, 1979,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 2nd day of May, 1979, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Llano Inc., seeks approval for
the unorthodox location of its proposed Llano State "34" Com
Well No. 1, to be drilled at a point 1650 feet from the South
line and 660 feet from the East line of Section 34, Township
21 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) That the applicant, in Case No. 6496, sought and was
granted by Division Order No. R-5995, the rescission of the
Special Rules and Regulations for the Grama Ridge-Morrow
Gas Pool, as promulgated by Division Order No. R-3006.

(4) That said Order No. R-5995, while rescinding the
special rules for the Grama Ridge-Morrow Gas Pool and reverting
said pool to 320-acre spacing, did establish, on a limited
temporary basis, 640-acre spacing and specified well locations
for certain lands lying east and northeast of said pool,

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including the E/2 of Section 34, Township 21 South, Range 34 East, NMPM.

(5) That the applicant in the instant case proposes to dedicate the E/2 of Section 34, Township 21 South, Range 34 East, NMPM, to the proposed well for which the unorthodox location is sought.

(6) That inasmuch as the E/2 of Section 34 does not meet the acreage dedication requirements for the lands for which the limited temporary 640-acre spacing was established by Order No. R-5995, said E/2 of Section 34 constitutes a 320-acre non-standard proration unit for these lands.

(7) That the approval of a 320-acre non-standard proration unit is not within the call of this hearing and cannot be approved.

(8) That the applicant does own and operate lands immediately east of the Grama Ridge-Morrow Gas Pool as redefined by Order No. R-5995 which may reasonably be presumed to be productive of gas from the Morrow formation including the E/2 of Section 34, and should be given the opportunity to drill into and produce its fair share of this gas.

(9) That the proposed location of applicant's Llano State "34" Com Well No. 1, as described in Finding No. (2) above, will provide the applicant an opportunity to produce its fair share of the gas underlying the E/2 of Section 34, will protect correlative rights and prevent waste and should be approved.

(10) That inasmuch as it is impossible to dedicate a standard 640-acre unit to said well, the applicant should file an application for hearing to consider a non-standard gas proration unit for the well, and such unit would logically be either a 320-acre non-standard unit comprising the E/2 of Section 34 and be subject to a production limitation factor due to deficient acreage dedication, or a 640-acre non-standard unit comprising the E/2 of Section 34 and the E/2 of Section 3, Township 22 South, Range 34 East, NMPM.

IT IS THEREFORE ORDERED:

(1) That a non-standard location is hereby approved for the Llano, Inc., Llano State "34" Com Well No. 1, to be drilled at a point 1650 feet from the South line and 660 feet

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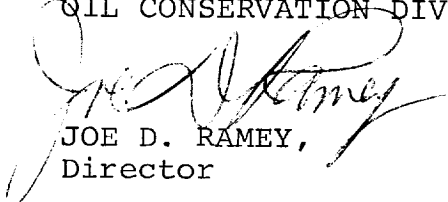
from the East line of Section 34, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, to test the Morrow formation.

(2) That the lands to be dedicated to said well shall be determined in a subsequent hearing, and production of the well shall not be permitted until a plat has been filed dedicating an approved non-standard gas proration unit to the well.

(3) That 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



JOE D. RAMEY,
Director

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