

Entered August 12, 1983

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JLR

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. 7915  
Order No. R-7008-A

APPLICATION OF ESTORIL PRODUCING  
CORP. 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 July 20, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of August, 1983, 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, Estoril Producing Corp., seeks approval of an unorthodox gas well location for its Belco Federal Well No. 2 drilled 660 feet from the South line and 990 feet from the East line of Section 10, Township 23 South, Range 34 East, NMPM, for the Atoka formation, Antelope Ridge Field, Lea County, New Mexico.
- (3) That the S/2 of said Section 10 is to be dedicated to the well.
- (4) That said well was drilled at the stated unorthodox gas well location as a Morrow test under the terms of Division Order No. R-7008, entered June 11, 1983.
- (5) That the Morrow formation was found to be non-commercial and the well was plugged back and completed in the Atoka formation.

-2-

Case No. 7915  
Order No. R-7008-A

(6) That said Order No. R-7008 should be amended to permit said unorthodox well location in the Atoka and Morrow formations.

(7) That offset operators objected to the proposed unorthodox location for the Morrow formation and Order No. R-7008 was written to include a production limitation factor to offset any advantage gained as a result of the well location.

(8) That one such offset operator appeared and objected to the proposed unorthodox location in the Atoka formation also.

(9) That to protect correlative rights, the production from said well should be limited from the Atoka formation in the same manner as provided for the Morrow formation under provisions of said Order No. R-7008.

(10) That Order (1), Order (3), Order (4), and RULE 1 of the Special Rules and Regulations for the Application of a "Production Limitation Factor" to a Non-Prorated Gas Well contained in said Order No. R-7008 should each and all be amended to reflect the Atoka and Morrow formations.

(11) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject reservoir, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Order (1), Order (3), Order (4), and RULE 1 of the Special Rules and Regulations for the Application of a "Production Limitation Factor" to a Non-Prorated Gas Well contained in Division Order No. R-7008 entered June 11, 1982, are hereby amended to read in their entirety as follows:

"(1) That Estoril Producing Corp. is hereby authorized an unorthodox Atoka and Morrow formation gas well location for a well to be drilled at a point 660 feet from the South line and 990 feet from the East line of Section 10, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

-3-

Case No. 7915

Order No. R-7008-A

(3) That said well is hereby assigned a Production Limitation Factor of 0.65 in the Atoka and Morrow formations.

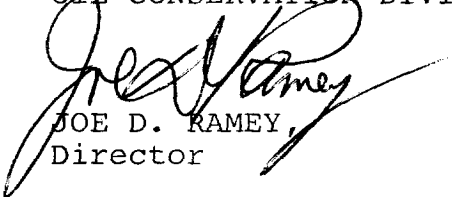
(4) That in the absence of any Special Rules and Regulations prorating gas production in said Atoka and Morrow formations in which applicant's well is completed, the Special rules hereinafter promulgated shall apply.

RULE 1. These rules shall apply to the Estoril Producing Corporation Atoka and/or Morrow formation gas well to be located 660 feet from the South line and 990 feet from the East line of Section 10, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, which well's Production Limitation Factor of 0.65 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production."

(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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