

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE No. 8087 De Novo
Order No. R-7592-A

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 A.M. on November 19, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW on this 4th day of January, 1985, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises;

FINDS THAT:

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

(2) The applicant, Union Oil Company of California, seeks approval of an unorthodox Morrow gas well location for its Crawford "27" Well No. 3 to be located 2,050 feet from the South line and 825 feet from the West line of Section 27, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico.

(3) Said well is to be dedicated to an existing 640-acre gas spacing and proration unit comprising all of said Section 27 which is currently dedicated to the applicant's Crawford "27" Well No. 2 located 1980 feet from the South and East lines of said Section 27 which is also completed in the White City-Pennsylvanian Gas Pool.

(4) By Order No. R-2429-A, entered March 27, 1963, in Case No. 2737, the Division promulgated Special Pool Rules for said White City-Pennsylvanian Gas Pool, including a provision for 640-acre well spacing and proration units and specified well locations to be no nearer than 1,650 feet to the boundary of the proration unit, and no nearer than 330 feet to any governmental quarter quarter section line.

(5) By Order No. R-2429-B, entered April 13, 1964, the Division continued said Special Pool Rules in full force and effect until further order of the Division.

(6) As a result of Case No. 7208 and by its Order No. R-2429-C, entered April 27, 1981, the Division amended said Special Pool Rules to provide for 320-acre well spacing and proration units and specified well locations to be not nearer than 1980 feet to the nearest end boundary nor nearer than 660 feet to the nearest side boundary of the 320-acre proration unit nor closer than 330 feet to any quarter-quarter section line.

(7) Said amendment of the Special Pool Rules resulted from testimony and findings in said case that the existing wells in said pool were not effectively and efficiently draining the 640-acre proration units dedicated to them.

(8) By Order No. R-2429-D entered July 28, 1981, the Division rescinded the Special Pool Rules promulgated by said Division Order No. R-2429-C, as described in Finding Paragraph Nos. (6) and (7) above, after it was determined that the change in the spacing unit size would result in the loss of some leases formerly dedicated to communitized 640-acre proration units and other disturbances of historical equities under the pre-existing proration units within the White City-Pennsylvanian Gas Pool, it being found that the net result of the change in rules would deprive owners of their correlative rights within said pool.

(9) For the above reasons, said Order R-2429-D reinstated the Special Pool Rules for the subject pool as set out in said Order No. R-2429-A to again provide for 640-acre standard well spacing and proration units and to further provide for the infill drilling of additional wells on each standard 640-acre proration unit with the provision that there be no more than two producing wells on any one proration unit at any one time; Order No. R-2429-D reinstated the well location requirements as previously described in Finding Paragraph No. (4) above.

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(10) The subject case came on for Division hearing on February 29, 1984, before Examiner Michael E. Stogner.

(11) The operator of the offsetting spacing and proration unit immediately to the west of the subject spacing and proration unit, Gulf Oil Corporation, appeared at the hearing and objected to approval of an unorthodox gas well location for the aforesaid Crawford "27" Well No. 3.

(12) On July 20, 1984, the Division entered Order No. R-7592 which approved the requested unorthodox gas well location, set a production limitation factor of 0.7667% in the White City-Pennsylvanian Gas Pool, and promulgated Special Rules and Regulations for the Application of a "Production Limitation Factor" to a Non-prorated Gas Well.

(13) Pursuant to an application for hearing de novo timely filed by Gulf Oil Corporation, a Commission hearing on the application of Union Oil Company of California was held on November 19, 1984.

(14) Gulf Oil Corporation objected to the approval of the unorthodox location, the amount of the production limitation factor, and the minimum allowable of 500,000 cubic feet of gas per day included in said Order No. R-7592.

(15) The evidence presented established that the proposed unorthodox location of the subject well will better enable the applicant to produce the gas underlying the proration unit thereby preventing the underground waste of natural gas.

(16) Although the evidence on the area that will be drained by a well at the proposed location was inconclusive, said well will be fifty percent closer to the West line of said Section 27 than the closest standard location, and a limitation should be imposed on production from the well to protect the correlative rights of other operators in the pool.

(17) Order R-7592 provided for a production limitation factor for the subject well of 76.67% based upon the variation of the proposed location from a standard location in both a North/South direction and an East/West direction and the calculated additional net acre drainage off said Section 27 to be achieved as a result of the unorthodox location.

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(18) Gulf objected to the limitation factor calculated because it was not consistent with the calculation contained in another Division order and because of their contention that the net acre drainage calculation was not made utilizing the proper radius.

(19) Division orders approving and penalizing wells at unorthodox locations have used a variety of different methods of calculating production limitation factors taking into account such factors as variation from the standard location, net-acre drainage off the proration unit, net acre feet of pay, and productive acreage as have been developed in individual cases.

(20) There was insufficient geological or engineering data presented in this case upon which to base a production limitation factor beyond or in place of those factors utilized by the examiner in said Order No. R-7592.

(21) A production limitation factor of 76.67% is a reasonable and appropriate limitation to impose on production from the subject well to protect the offsetting owners from drainage, thereby protecting their correlative rights.

(22) The protestant did not demonstrate that the minimum allowable of 500,000 cubic feet of gas per day would result in violation of correlative rights.

(23) Order No. R-7592 prevents the underground waste of natural gas and protects the correlative rights of all operators in the White City-Pennsylvanian Gas Pool and should be affirmed and adopted by the Commission.

IT IS THEREFORE ORDERED THAT:

(1) Oil Conservation Division Order No. R-7592 is hereby affirmed and adopted by the Commission.

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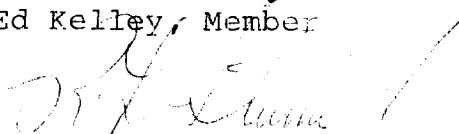
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jim Baca, Member



Ed Kelley, Member



R. L. Stamets, Chairman
and Secretary

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