

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. 8433  
Order No. R-7808

APPLICATION OF MARBOB ENERGY  
CORPORATION FOR AN EXCEPTION TO  
GENERAL RULE 104 F I AND FOR INFILL  
WELL FINDINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on December 10, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 5th day of June, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Marbob Energy Corporation, seeks approval of an administrative procedure for the approval of unorthodox oil well locations within the lands described in Exhibit "A", attached hereto and made a part hereof, hereafter referred to as the "Subject Area".

(3) The applicant also seeks a finding that infill wells within the Subject Area, completed in the Grayburg Jackson Seven Rivers Queen Grayburg San Andres Pool, are necessary to effectively and efficiently drain portions of the reservoir which cannot be drained by any existing wells in the Subject Area.

(4) Section 271.305(b) of the Rules of the Federal Energy Regulatory Commission promulgated pursuant to the Natural Gas Policy Act of 1978 provides that, in order for an infill well to qualify as a new, onshore production well under Section 103 of said Act, the Division must find that the infill well is necessary to effectively and efficiently drain a portion of the

-2-

Case No. 8433  
Order No. R-7808

reservoir covered by the proration unit which cannot be so drained by any existing well within the proration unit.

(5) The lateral continuity of the Grayburg-San Andres pay zone throughout the Subject Area is considered to be good in a gross sense, but localized barriers to fluid flow exist between wells because of the lenticular nature of the reservoir rock.

(6) Applicant's drilling of nineteen "Infill" wells (as described in Exhibit "B" attached hereto and made a part hereof), have increased the estimated ultimate recovery of the Subject Area by 833,100 barrels of oil and 1,781,000 mcf of gas.

(7) The current 40-acre spacing and proration units in the Subject Area have been inadequately drained of recoverable reserves by the existing wells and "Infill" wells are necessary to effectively and efficiently drain reserves from said proration units.

(8) The applicant plans to drill additional "Infill" wells within the Subject Area.

(9) Much of the Subject Area has previously been subject to secondary recovery.

(10) The applicant plans to drill additional wells in the Subject Area at orthodox and unorthodox locations both to increase current recovery and to increase the efficiency of a planned secondary recovery project.

(11) Prior to initiation of active secondary recovery operations in the subject Area, an administrative procedure should be established for approval of the drilling of wells at unorthodox locations therein provided that no well should be located closer than 330 feet to the boundary of any lease or unitized area nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(12) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent economic loss caused by the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(13) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The nineteen infill wells drilled by the applicant, Marbob Energy Corporation, and described in Exhibit "B" attached to this order, are hereby found to be necessary for the effective and efficient drainage of reserves underlying the Subject Area, as described in Exhibit "A" attached to this order within the Grayburg Jackson Seven Rivers Queen Grayburg San Andres Pool, Eddy County, New Mexico, which could not be drained by any other well.

(2) Future infill wells within the Subject Area are hereby found to be necessary for the effective and efficient drainage of reserves underlying said Subject Area which could not be drained by existing wells therein.

(3) The Division Director shall have authority to grant approval of unorthodox well locations in the area subject to this order, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease, or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(4) Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon.

(5) The Oil Conservation's district office at Artesia and all operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

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

-4-

Case No. 8433

Order No. R-7808

DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "R. L. Stamets", is written over the typed name and title.

R. L. STAMETS,  
Director

S E A L

"SUBJECT AREA"

All of the leases and lands described in this Exhibit "A" are located in Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico. Unless otherwise shown below, Applicant is operator of the entire Grayburg-San Andres formation:

M. Dodd A Lease (LC-028731 A)

Section 14: SE/4 SW/4, W/2 SW/4  
Section 22: SE/4 SE/4, SE/4 SW/4, W/2 SE/4  
Section 15: SE/4, only to a subsurface depth of  
4,000 feet  
Section 22: NE/4 SE/4, SW/4 NE/4, E/2 NE/4, only  
to a subsurface depth of 4,000 feet

M. Dodd B Lease (LC-028731 B)

Section 10: E/2 W/2, E/2  
Section 11: W/2  
Section 14: N/2, NE/4 SW/4, SE/4  
Section 15: NE/4

Boyd-Dodd Lease (LC-058362)

Section 11: SE/4

Continental State (E-4200)

Section 15: NW/4, only to a subsurface depth of  
3,500 feet  
E/2 SW/4, only to a subsurface depth of  
3,403 feet

Folk Federal Lease (NM-0397623)

Section 17: N/2, N/2 SW/4

Folk State Lease (B-10714)

Section 17: N/2 SE/4

Grayburg-Jackson West Co-Op Unit

Section 16: All  
Section 21: All  
Section 28: All  
Section 15: W/2 SW/4  
Section 22: NW/4, NW/4 NE/4, NE/4 SW/4,  
W/2 SW/4  
Section 27: W/2 SW/4

Only to a subsurface depth of 3,600 feet. (The Grayburg Jackson West Cooperative Unit covers that portion of the Grayburg-San Andres formation encountered between the depths of 2,220 feet and 3,600 feet.)

EXHIBIT "A"  
ORDER NO. R-7808

INFILL WELLS DRILLED AND COMPLETED FROM  
OCTOBER 82 TO OCTOBER 84 BY MARBOB ENERGY CORPORATION

<u>WELL NO.</u>	<u>FOOTAGE LOCATION</u>	<u>SEC.-TWN-RGE</u>
M. Dodd A No. 21	660' FSL & 1934' FEL	15-17-29
M. Dodd A No. 22	2310' FSL & 330' FEL	22-17-29
M. Dodd A No. 23	2615' FSL & 1345' FEL	22-17-29
M. Dodd A No. 24	2310' FSL & 2310' FEL	22-17-29
M. Dodd A No. 25	990' FSL & 2210' FEL	22-17-29
M. Dodd A No. 26	2615' FSL & 1345' FEL	22-17-29
M. Dodd A No. 27	940' FSL & 330' FEL	22-17-29
M. Dodd A No. 28	990' FSL & 1652' FWL	22-17-29
M. Dodd A No. 29	1650' FNL & 1370' FEL	22-17-29
M. Dodd A No. 31	1350' FNL & 330' FEL	22-17-29
M. Dodd A No. 32	1650' FNL & 2210' FEL	22-17-29
M. Dodd A No. 33	990' FNL & 990' FEL	22-17-29
M. Dodd B No. 36	330' FSL & 1345' FEL	14-17-29
M. Dodd B No. 37	1345' FSL & 1295' FEL	14-17-29
M. Dodd B No. 38	1345' FSL & 2310' FEL	14-17-29
M. Dodd B No. 39	330' FEL & 1345' FSL	14-17-29
M. Dodd B No. 40	1650' FSL & 1650' FWL	14-17-29
M. Dodd B No. 41	2615' FNL & 330' FEL	14-17-29
M. Dodd B No. 42	2615' FNL & 1345' FEL	14-17-29

EXHIBIT "B"  
ORDER NO. R-7808