

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:

CASE NO. 9491
ORDER NO. R-8801

APPLICATION OF FORAN OIL COMPANY
FOR SIMULTANEOUS DEDICATION, CHAVES
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 28, 1988 and on October 26, 1988, at Santa Fe, New Mexico.

NOW, on this 9th day of December, 1988, the Division Director, having considered the testimony and the record,

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, Foran Oil Company, seeks to simultaneously dedicate a standard 320-acre gas spacing and proration unit in the Diamond Mound Atoka-Morrow Gas Pool consisting of the W/2 of Section 36, Township 15 South, Range 27 East, NMPM, Chaves County, New Mexico, to the existing State "ET" Well No. 1 located 990 feet from the North line and 1650 feet from the East line (Unit C) of said Section 36 and to a second well to be drilled at a standard gas well location in the SW/4 of said Section 36.

(3) By Division Order No. R-6994 dated June 1, 1982, the Division abolished the Diamond Mound-Morrow Gas Pool and combined it with the Atoka formation to form the Diamond Mound Atoka-Morrow Gas Pool.

(4) The State "ET" No. 1 well is currently perforated in the Morrow member of the Pool but is a low volume producer located in the NW/4 of said Section 36 and lacks the capacity to protect the SW/4 of the spacing unit from drainage from offsetting Morrow producing wells.

(5) At the time of the hearing the applicant requested it be allowed to utilize the proposed second well as a replacement Morrow well in the proration unit and if found to be commercial to then recompleate the original State "ET" Well No. 1 in the Atoka zone only.

(6) The entire Diamond Mound Atoka-Morrow Gas Pool should be treated as one common source of supply and not as two separate pools as the applicant has proposed.

(7) The applicant failed to provide sufficient and compelling evidence to show that offsetting correlative rights would be protected if both wells were allowed to produce simultaneously.

(8) The applicant's request for simultaneous dedication is hereby denied; however, nothing in this order shall preclude the applicant from drilling the second well and, upon completion of the well, elect to "temporarily shut-in" either well while producing the other, but should not be allowed to produce Diamond Mound Atoka-Morrow Gas Pool production from both wells simultaneously.

IT IS THEREFORE ORDERED THAT:

(1) The application of Foran Oil Company to simultaneously dedicate the W/2 of Section 36, Township 15 South, Range 27 East, NMPM, Diamond Mound Atoka-Morrow Gas Pool, Chaves County, New Mexico, to the existing State "ET" Well No. 1 located 990 feet from the North line and 1650 feet from the East line (Unit C) of said Section 36 and to a second well to be drilled at a standard gas well location in the SW/4 of said Section 36 is hereby denied.

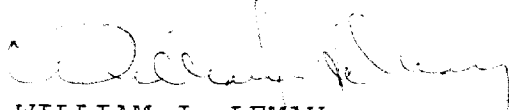
IT IS FURTHER ORDERED THAT: The applicant shall be allowed to drill the second well and upon completion shall be allowed to "Shut-In" either well and produce the other; however, at no time shall the operator be allowed to produce Diamond Mound Atoka-Morrow Gas Pool production from both wells.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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