

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. 9928 (Reopened)
ORDER NO. R-9185-A

**APPLICATION OF ORYX ENERGY COMPANY
FOR TWO UNORTHODOX GAS WELL LOCATIONS,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 25, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of September, 1991 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) Oryx Energy Company possesses the operating rights to the Atoka and Morrow formations underlying all of Section 26, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico. Currently Oryx is developing the Antelope Ridge-Atoka Gas pool in the E/2 of said Section 26 with its Ojo Chiso Federal Well No. 2 located in Unit O and the Ojo Chiso-Morrow Gas Pool in the N/2 of said Section 26 with its Ojo Chiso Federal Well No. 1 located in Unit C.

(3) On June 20, 1991 Oryx filed an application for administrative approval, based on geological reasons, to deepen its proposed Ojo Chiso Federal Well No. 3 to a sufficient depth in order to test the Morrow formation, said well to be drilled at a previously approved unorthodox Antelope Ridge-Atoka Gas well location 990 feet from the South and West lines (Unit M) of said Section 26. The applicant further requested to dedicate the S/2 of said Section 26 to the well thereby forming a standard 320-acre gas spacing and proration unit in the Morrow interval.

(4) Said administrative application appeared to be contradictory to the evidence presented at the May 2, 1990 hearing in original Case No. 9928 whereby Oryx had sought approval for two unorthodox gas well locations in said Section 26 to test any and all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation developed on 320-acre spacing, the E/2 to be dedicated to said Ojo Chiso Federal Well No. 2 and the W/2 to be dedicated to the proposed Ojo Chiso Federal Well No. 3.

(5) At Oryx's request, the Morrow zone was dropped from consideration at that hearing and Order No. R-9185 was issued authorizing the two unorthodox gas well locations for the Atoka formation only. The E/2 and W/2 of said Section 26 were dedicated to the wells forming two standard 320-acre gas spacing and proration units in the Antelope Ridge-Atoka Gas Pool.

(6) This matter has therefore been reopened in order to resolve the conflicting request and to enable Oryx to present adequate evidence to support their position.

(7) At the time of the prior hearing of this case held on May 2, 1990, evidence indicated that the anticipated reservoir pressure in the Atoka formation would be in the range of 7,000 psi to 8,000 psi which would create a substantial drilling risk for the applicant should it attempt to penetrate through the Atoka formation and test the Morrow formation.

(8) At the current hearing held on July 25, 1991, applicant presented new evidence not previously available now indicating that the reservoir pressure in the Atoka formation has been reduced to approximately 3,500 psi as the result of pressure depletion in the immediate area.

(9) The reduction in the Atoka formation reservoir pressure now makes it economically feasible to penetrate through the Atoka formation and test for Morrow production in this wellbore.

(10) Evidence further shows that unless the Morrow is tested in this same wellbore, it is not economic to drill a separate well at a standard location to test only for Morrow production.

(11) The affected offset operator to the west and south of the proposed unorthodox location in the Morrow and Atoka formations, BTA Oil Producers, is an interest owner in the proposed well, actively supports the applicant's request and no other offset operators and/or interest owners appeared at the hearing in opposition to this proposed unorthodox gas well location.

(12) Approval of the subject application will afford the applicant and the owners in the S/2 of said Section 26 the opportunity to produce its just and equitable share of gas in the Morrow formation, 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 THAT:

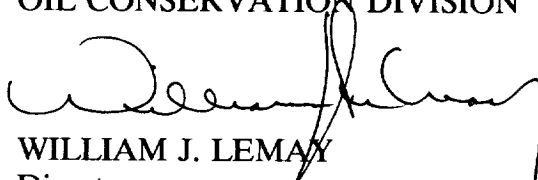
(1) The applicant, Oryx Energy Company, is hereby authorized to drill its Ojo Chiso Federal Well No 3 at an unorthodox gas well location 990 feet from the South and West lines (Unit M) of Section 26, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, to a sufficient depth in order to test the Undesignated Ojo Chiso-Morrow Gas Pool.

(2) All other provisions of Division Order No. R-9185, dated May 25, 1990 shall remain in full force and effect until further notice.

(3) 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



WILLIAM J. LEMAY
Director

S E A L