

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. 9949  
Order No. R-9329

APPLICATION OF CHEVRON U.S.A.  
INC. FOR A NON-STANDARD GAS  
PRORATION UNIT, UNORTHODOX GAS  
WELL LOCATIONS, AND SIMULTANEOUS  
DEDICATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30 and June 28, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24<sup>th</sup> day of October, 1990, 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, Chevron U.S.A. Inc (Chevron), seeks approval for a non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, all in Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, said unit to be simultaneously dedicated to a well to be drilled at an unorthodox gas well location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to its Orcutt (NCT-A) Well No. 1 properly located 4600 feet from the North line and 1980 feet from

the West line (Unit N) of said Section 5 (which is unorthodox for this proration unit) and to its Graham State (NCT-E) Well No. 2 located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Section 6.

(3) Subsequent to the hearing, the Division determined that the advertisement for this case incorrectly described the location of the above-described Orcutt (NCT-A) Well No. 1, and that the actual location is 4600 feet from the North line and 1983 feet from the West line of said Section 5. The Division further determined that notice to offset operators contained the correct well location and that since the error in the description is insignificant (3 feet), re-advertisement of this case is not necessary.

(4) The evidence and Division records indicate that the proposed non-standard gas proration unit currently consists of two previously approved non-standard gas proration units currently owned and operated by Chevron and comprising the following described acreage:

- a) A 240-acre unit comprising Lots 15 and 16 and the SE/4 of said Section 6, approved by Division Order No. NSP-145, dated June 8, 1955, and currently dedicated to said Graham State (NCT-E) Well No. 2 and;
- b) A 160-acre unit comprising Lots 11 through 14 of said Section 5, approved or "grandfathered" in by Division Order No. R-520, dated August 12, 1954, and currently dedicated to said Orcutt (NCT-A) Well No. 1.

(5) According to evidence and testimony, the above-described Graham State (NCT-E) Well No. 2 and the Orcutt (NCT-A) Well No. 1 are both currently producing from the Queen and Penrose intervals of the Eumont Gas Pool, and both are currently classified as marginal gas wells within said pool.

(6) The applicant's geologic evidence indicates that there is potential for gas production from the Yates formation (also included in the Eumont Gas Pool) underlying its acreage in said Section 6.

(7) The applicant seeks authority to drill an additional well in said Section 6 in order to recover the gas reserves within the Yates formation, and also to protect said acreage from offset Yates drainage which may be presently occurring.

(8) Testimony by the applicant indicates that the two above-described existing wells are not suitable for recompletion to the Yates formation.

(9) The proposed well location, which is unorthodox with respect to the interior quarter-quarter section lines, and does not encroach on the outer boundary of the proposed proration unit, is necessitated by geologic considerations.

(10) According to further evidence and testimony by the applicant, the average gas allowable for a 160-acre gas proration unit (1.0 acreage factor) within the Eumont Gas Pool during 1989 was approximately 290 MCFG per day.

(11) The Graham State (NCT-E) Well No. 2 is currently capable of producing approximately 66% of the average gas allowable assigned to its 240-acre proration unit.

(12) The applicant's evidence and testimony further indicates that the remaining gas allowable, approximately 34% or 147 MCFG per day is insufficient to economically justify the drilling of the proposed well on the existing 240-acre gas proration unit.

(13) The effect of forming the proposed 400-acre non-standard gas proration unit will be a significant increase in the amount of gas available for production from the proposed well, which in turn economically justifies its drilling.

(14) According to Division records, each of the offset Eumont gas proration units is capable of marginal gas production only, and therefore, the formation of the proposed 400-acre non-standard gas proration unit should not violate any offset operator's correlative rights.

(15) The two existing wells and a well at the proposed location should efficiently and economically drain and develop the proposed proration unit.

(16) Doyle Hartman, an offset operator to the proposed non-standard gas proration unit, appeared at the hearing but did not actively oppose the application.

(17) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(18) Approval of the application will enable the applicant to economically recover the remaining gas reserves underlying the proposed proration unit, thereby preventing waste, and will not violate correlative rights.

(19) Division Order No. NSP-145 should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, all in Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and simultaneously dedicated to a well to be drilled at an unorthodox gas well location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to the existing Orcutt (NCT-A) Well No. 1, located at an unorthodox location 4600 feet from the North line and 1983 feet from the West line (Unit N) of said Section 5, and to the existing Graham State (NCT-E) Well No. 2 located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Section 6.

(2) For purposes of assigning gas allowable, the subject proration unit shall be assigned an acreage factor of 2.5 in the Eumont Gas Pool.

(3) The gas allowable assigned to the above-described proration unit may be produced from the three wells described above in any proportion.

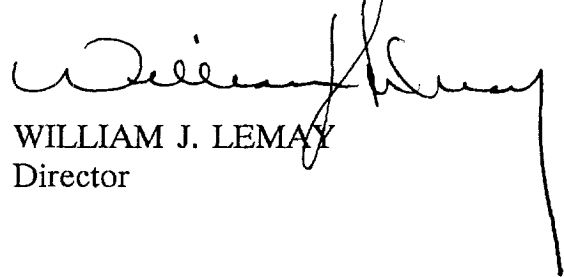
CASE NO. 9949  
Order No. R-9329  
Page -5-

(4) Division Order No. NSP-145 is hereby superseded by this order.

(5) 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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

WILLIAM J. LEMAY  
Director

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