

**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. 10677
Order No. R-9862**

**APPLICATION OF CONOCO INC. FOR
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of March, 1993, 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, Conoco Inc., seeks approval to drill its proposed Preston Federal Well No. 5 at an unorthodox gas well location 840 feet from the South line and 1980 feet from the East line (Unit O) of Section 34, Township 20 South, Range 24 East, NMPM, Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(3) The applicant proposes to dedicate the E/2 of Section 34 to the subject well forming a standard 320-acre spacing and proration unit for said pool.

(4) According to applicant's evidence and testimony, the primary objective in the subject well is the South Dagger Draw-Upper Pennsylvanian Associated Pool. The South Dagger Draw-Upper Pennsylvanian Associated Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil or gas spacing units with wells to be located no closer than 660 feet to the nearest end or side boundary of the tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(5) The proposed well is at a standard location for the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(6) The Cemetery-Morrow Gas Pool is currently governed by Statewide Rules and Regulations which require standard 320-acre spacing and proration units with wells to be located no closer than 1980 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(7) If commercial production is encountered in both zones, the applicant proposes to dually complete the subject well.

(8) Applicant testified that due to the erratic nature of channel sand development in the Morrow formation in this area, the chances of drilling a commercial Morrow gas producing well are limited.

(9) Applicant further testified that drilling a single wellbore to develop the South Dagger Draw-Upper Pennsylvanian Associated Pool and test the Morrow formation represents the most economic method of developing the E/2 of Section 34 and should also considerably reduce the risk of not obtaining commercial production in the wellbore.

(10) According to applicant's geologic evidence, the proposed location has been selected based upon topographic and geologic considerations in both the South Dagger Draw-Upper Pennsylvanian Associated and Cemetery-Morrow Gas Pools.

(11) Applicant's geologic evidence and testimony in this case indicates that:

- a) the drilling windows in the SE/4 of Section 34 which represent standard well locations in both the Morrow and Cisco/Canyon formations are inaccessible due to the presence of Box Canyon;
- b) the Conoco Inc. Preston Federal Well No. 2, located in Unit G of Section 34, previously tested non-productive in the Morrow formation;

- c) the drilling windows in the NE/4 of Section 34 which represent standard well locations in both the Morrow and Cisco/Canyon formations are unacceptable inasmuch as they represent a move towards the productive limits of the Cisco/Canyon reservoir; and,
- d) approximately 20-50 feet of structure and 100-150 feet of dolomite reservoir thickness in the Cisco/Canyon would be lost if the subject well is drilled at a standard location for both pools in the NE/4 of Section 34.

(12) The applicant's evidence in this case indicates that the proposed location represents the most favorable location in the E/2 of Section 34 to test the Cisco/Canyon and Morrow formations.

(13) The affected offset acreage to the south in Section 35 is jointly owned by Conoco Inc. and Yates Petroleum Corporation.

(14) The applicant presented evidence which shows that Yates Petroleum Corporation has waived objection to the proposed unorthodox location.

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

(16) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool(s), 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, Conoco Inc., is hereby authorized to drill its Preston Federal Well No. 5 at an unorthodox gas well location 840 feet from the South line and 1980 feet from the East line (Unit O) of Section 34, Township 20 South, Range 24 East, NMPM, Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico.


(2) The E/2 of Section 34 shall be dedicated to the above-described well forming a standard 320-acre spacing and proration unit for said pool.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 10677
Order No. R-9862
Page -4-

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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