

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. 10736
Order No. R-9910

**APPLICATION OF MW PETROLEUM CORPORATION/APACHE CORPORATION 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 June 3, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of June, 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, MW Petroleum Corporation/Apache Corporation, seeks approval to drill its Federal "C" Well No. 2 as a replacement in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location 800 feet from the South and West lines (Unit M) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(3) All of said Section 35 is located within the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order Nos. R-2440 and R-8170, as amended, which require standard 640-acre proration units with wells to be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any governmental quarter-quarter section line.

(4) Currently all of said Section 35, being a standard 640-acre gas spacing and proration unit in the Indian Basin-Upper Pennsylvanian Gas Pool, is dedicated to MW's Federal "C" Well No. 1, located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 35.

(5) The applicant testified that should commercial gas production be established within the proposed replacement well, it intends to plug and abandon the aforesaid Federal "C" Well No. 1.

(6) Marathon Oil Company, the affected offset operator to the west of the proposed location, appeared at the hearing but did not present evidence or testimony.

(7) According to applicant's evidence and testimony, the Federal "C" Well No. 1 began to experience water encroachment in October, 1992. The most current available monthly production rate from this well was approximately 74,000 MCF of gas and 13,000 barrels of water.

(8) Applicant proposes to drill the subject well in order to recover the remaining gas reserves underlying said Section 35.

(9) The applicant presented geologic evidence and testimony which indicate that a well drilled at the proposed location should penetrate the Indian Basin-Upper Pennsylvanian Gas Pool at a structurally higher position in its proration unit that is up-dip of the encroaching gas/water contact zone.

(10) The evidence presented indicates that a well drilled at the proposed location should enable the applicant to produce the remaining gas reserves underlying Section 35.

(11) The applicant requested that a voluntary 38% production penalty (62% allowable/acreage factor) be assessed against the subject 640-acre unit at such time as the Federal "C" Well No. 1 is abandoned and the No. 2 well is placed on production in the prorated Indian Basin-Upper Pennsylvanian Gas Pool, said production penalty having been agreed to by MW Petroleum Corporation/Apache Corporation and the surrounding offset operators to the west, southwest, and south of the proposed unit.

(12) Until that time the subject unit will remain unchanged as it is currently listed in the proration schedule.

(13) In order to assure that correlative rights are protected, the proposed production penalty should be adopted in this case.

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

(15) 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 and will otherwise prevent waste and protect correlative rights.

(16) In addition to filing the required Form C-104 (Request For Allowable) the operator should notify in writing the Division's Chief Gas Proration Engineer in Santa Fe, New Mexico at such time as the subject Federal "C" Well No. 1 is abandoned and the No. 2 well is completed and ready to produce.

(17) Authorization granted by this order should terminate one year after the effective date of this order if the operator has not commenced with due diligence the drilling of the Federal "C" Well No. 2; provided however, the Division, upon written request by the operator prior to the "one-year deadline date", may grant a "one-time only" 6-month extension thereof for good cause shown.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, MW Petroleum Corporation/Apache Corporation, is hereby authorized to drill its Federal "C" Well No. 2 as a replacement well in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location 800 feet from the South and West lines (Unit M) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing standard 640-acre gas spacing and proration unit comprising all of said Section 35 and currently dedicated to MW's Federal "C" Well No. 1 shall be dedicated to said well.

PROVIDED HOWEVER THAT:

(3) The Federal "C" Well No. 1 shall be plugged and rendered non-productive from the Indian Basin-Upper Pennsylvanian Gas Pool prior to placing the proposed Well No. 2 on production.

IT IS FURTHER ORDERED THAT:

(3) At that time a 38% production penalty (62% allowable/acreage factor) shall be assessed against the subject 640-acre unit.

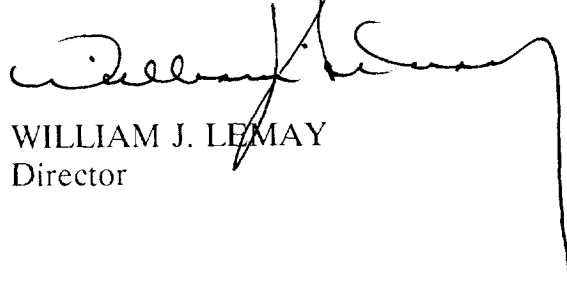
(4) In addition to filing the required Form C-104 (Request For Allowable) the operator shall notify in writing the Division's Chief Gas Proration Engineer in Santa Fe, New Mexico at such time as the subject Federal "C" Well No. 1 is abandoned and the No. 2 well is completed and ready to produce.

(5) Authorization granted by this order shall terminate one year after the effective date of this order if the operator has not commenced with due diligence the drilling of the Federal "C" Well No. 2; provided however, the Division, upon written request by the operator by the "one-year deadline date", may grant a "one-time only" 6-month extension thereof for good cause shown.

(6) Jurisdiction is hereby 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

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