

NSL 3/9/98

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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SANTA FE, NEW MEXICO 87504-2265

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 17, 1998

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87501

RE: **Lowe State Gas Com Well No. 3**
Section 36, T21S, R23E, NMPM, Eddy County, New Mexico
Administrative Application of
Oryx Energy Company for Approval
of an Unorthodox Gas Well Location,
Eddy County, New Mexico

RECEIVED

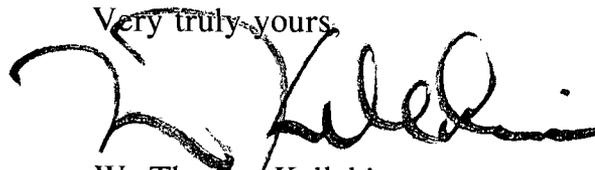
FEB 17 1998

Dear Mr. Stogner:

Oil Conservation Division

On behalf of Oryx Energy Company, please find enclosed our administrative application for approval of an unorthodox gas well location for its Lowe State Gas Com Well No. 3 to be drilled 835 feet FSL and 660 feet FEL (Unit P) Section 36, T21S, R23E, Eddy County, New Mexico, in and dedicated to a standard 640-acre gas proration and spacing unit consisting of all of said Section 36 for gas production from the Cisco Canyon formations and currently within the boundary of the Indian Basin-Upper Pennsylvanian Gas Pool.

Very truly yours,



W. Thomas Kellahin

fx: Oryx Energy Company
Attn: Mike Malone

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF ORYX ENERGY COMPANY
FOR APPROVAL OF AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO**

RECEIVED

FEB 17 1998

Oil Conservation Division

ADMINISTRATIVE APPLICATION

Oryx Energy Company ("Oryx"), by and through its attorneys, Kellahin and Kellahin, and in accordance with Division General Rule 104.F applies to the New Mexico Oil Conservation Division for administrative approval of an unorthodox gas well location for its Lowe State Gas Com Well No. 3 to be drilled 835 feet FSL and 660 feet FEL (Unit P) Section 36, T21S, R23E, Eddy County, New Mexico, and to be dedicated to a standard 640-acre gas proration and spacing unit consisting of all of said Section 36 for gas production from the Cisco Canyon formations and currently within the boundary of the Indian Basin-Upper Pennsylvanian Gas Pool.

and in support thereof states:

1. Oryx Energy Company is a working interest owner in and the proposed operator for Section 36, T21S, R23E, NMPM, Eddy County, New Mexico which is located within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool. See Exhibit "A"
2. All of Section 36, T21S, R23E was simultaneously dedicated to production from the Indian Basin-Upper Pennsylvanian gas Pool from the Lowe-State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line and to the Lowe-State Gas Com Well No. 2 located 330 feet from the South line and 330 feet from the West line of said Section 36.
3. Gas production from the Lowe-State Gas Com Well No. 1 within the vertical limits of the Indian Basin-Upper Pennsylvanian Gas Pool was temporarily abandoned on March 5, 1986.
4. Gas production from the Lowe-State Gas Com Well No. 2 within the vertical limits of the Indian Basin-Upper Pennsylvanian Gas Pool was temporarily abandoned on December 28, 1990.

5. The Cisco/Canyon formations are the principal productive formations within the area described in paragraph (1) above and are included within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool ("Indian Gas Pool") which provides, among other things, for 640-acre proration and spacing units with well locations to be not closer than 1650 feet to the outer boundary of said units with a current maximum gas allowable of 6.5 MMCFPD.

6. The southeastern corner of Section 36 is also the current northwestern boundary of the Indian Basin-Upper Pennsylvanian Associated Pool.

7. Indian-Upper Pennsylvanian Associated Pool's principal productive formations are also the Cisco/Canyon formations but its pool's rules provide, among other things, for 320-acre proration and spacing units with well locations to be not closer than 660 feet to the outer boundary of said units with a current maximum gas allowable of 9.8 MMCFPD.

8. On October 8, 1997, the Division entered Order R-10892 in Case 11841 which granted the application of Yates Petroleum Corporation to expand the Indian Basin-Upper Pennsylvanian Associated Pool to include all of Section 1, Township 22 South, Range 24 East, Eddy County, New Mexico and the corresponding contract the Indian Basin-Upper Pennsylvanian Gas Pool to delete this acreage from that pool.

9. Yates Petroleum Corporation has re-entered the Brannigan ANF Federal Well No 1, located 440 feet from the north and 400 feet from the west line of Section 6, T22S, R24E, NMPM and is now producing gas from the Cisco/Canyon formations in acreage that was formerly dedicated to the Indian Basin Upper Pennsylvanian Gas Pool and is now within the current boundary of the Indian Basin Upper Pennsylvanian Associated Pool.

10. The northwestern corner of Section 6 which was the subject of the Yates' application adjoins the southeastern corner of Section 36 which is the subject of this application by Oryx Energy Company.

11. Oryx Energy Company has determined that it is necessary to located a well at an unorthodox gas well location 835 feet from the south line and 660 feet from the east line of Section 36 in order to produce gas from the Cisco/Canyon formation which might otherwise be drained by the Yates' well.

12. Oryx's proposed location would be a standard well location within the Indian Basin-Upper Pennsylvanian Associated Pool but is at an unorthodox well location within the Indian Basin-Upper Pennsylvanian Gas Pool.

13. For geologic reasons, the subject well is to be drilled at an unorthodox well location so that it is located at the point of greatest potential gross dolomite thickness in the Upper Pennsylvanian formations with reservoir characteristics not available at the closest standard location:

- (a) locator and Production map, Exhibit 1
- (b) geologic top of Penn structure map, Exhibit 2
- (c) geologic gross dolomite map, Exhibit 3
- (d) geologic narrative discussing necessity for unorthodox location, Exhibit 4.

14. Oryx's geologic conclusion is that a well drilled at the closest standard location would place the well in an unfavorable position in the Morrow formation which will substantially increase the risk of a non-commercial well while the proposed unorthodox well location has the best opportunity of encountering a productive reservoir.

15. Applicant attests that on or before the date this application was submitted to the Division that notice (See Exhibit 5) was sent along with a copy of this application to all offset operators and/or interest owners of Cisco-Canyon reservoir spacing units as identified on Exhibit "6" attached.

WHEREFORE, Oryx Energy Company requests that this matter be approved administratively by the Division.

Respectfully submitted,



W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
Attorneys for Applicant

DATE IN	SUSPENSE	ENGINEER	LOGGED BY	TYPE
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

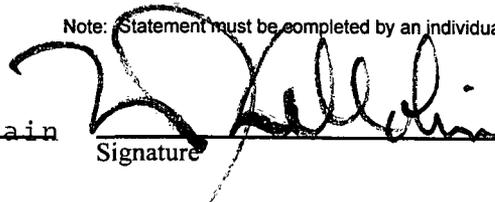
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

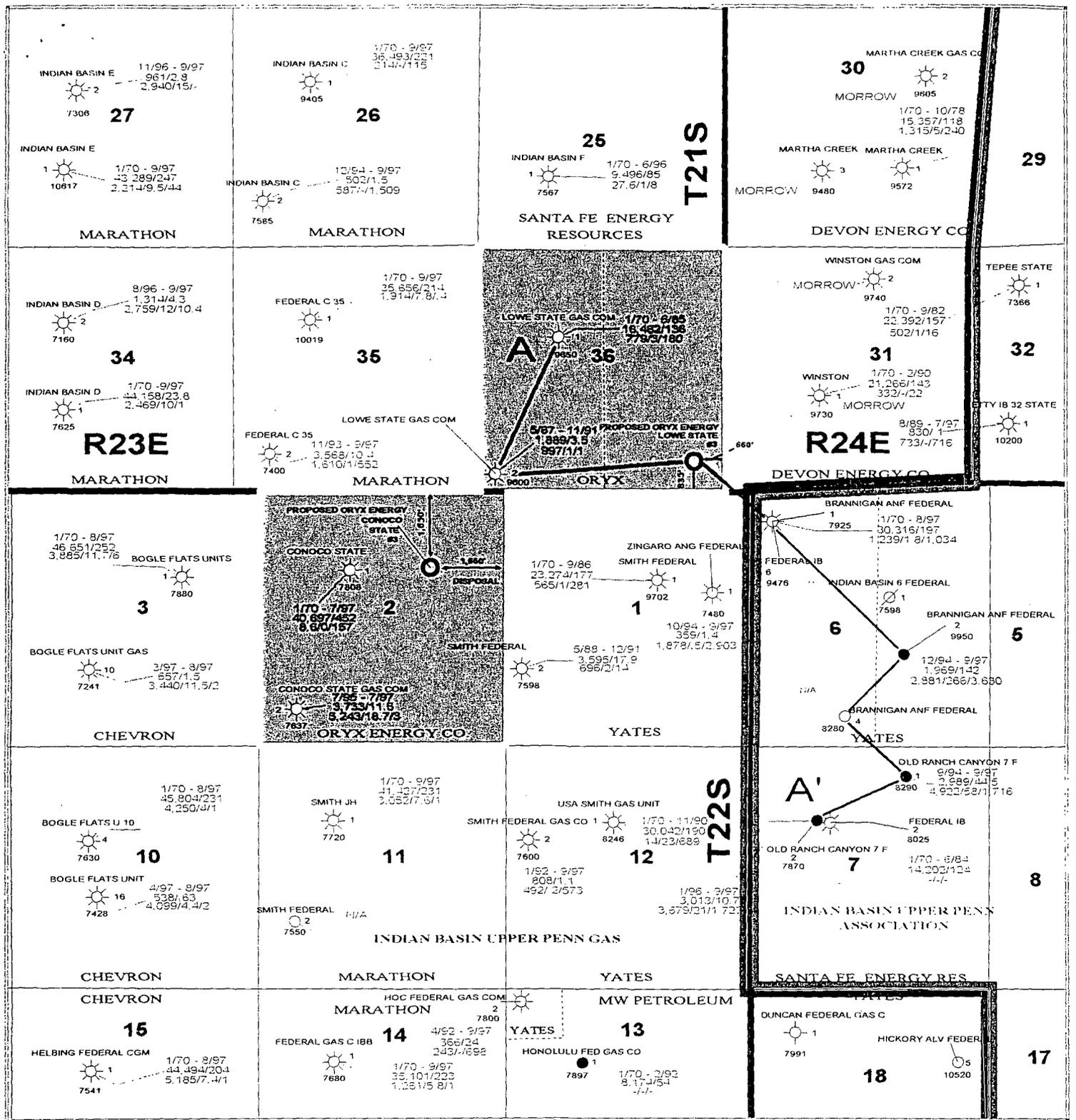
Note: Statement must be completed by an individual with supervisory capacity.

W. Thomas Kellain
Print or Type Name


Signature

Attorney for Applicant
Title

2/17/98
Date



1st - Last
9/94 - 9/97
Cum Gas Cum Cond
MMCF MBbls
2,889 / 44.5
GAS Cond Water
MCFD BPD
4,922 / 58 / 1,716

ORYX ENERGY COMPANY

PRODUCTION MAP

INDIAN BASIN AREA
EDDY COUNTY - NEW MEXICO

ROY WOLIN	CONTOUR INTERVAL 50'	2/06/98
NCONTOUR.GPF	SCALE 1" = 3,000'	FEDDY.PROJ

ORYX OPERATED LEASE
INDIAN BASIN UPPER PENN GAS
INDIAN BASIN UPPER PENN ASSOCIATED

Scale 1:3000



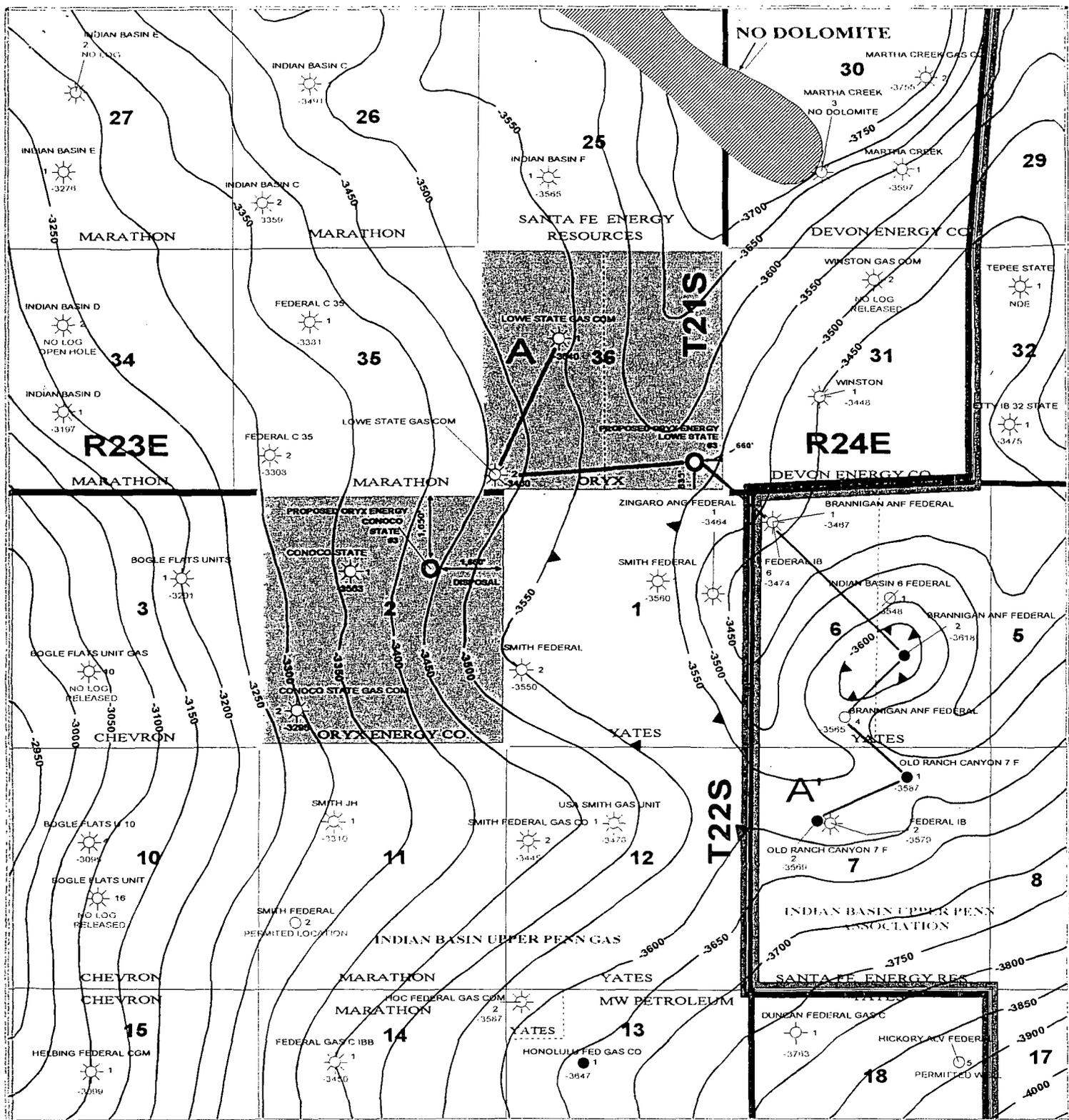


EXHIBIT
2

ORYX ENERGY COMPANY

TOP PENN DOLOMITE

INDIAN BASIN AREA
EDDY COUNTY - NEW MEXICO

ROY WOLIN	CONTOUR INTERVAL 50'	2/06/98
PDOLOMIT.GPF	SCALE 1" = 3,000'	FEDDY.PROJ

ORYX OPERATED LEASE

INDIAN BASIN UPPER PENN GAS

INDIAN BASIN UPPER PENN ASSOCIATED



Scale 1:3000

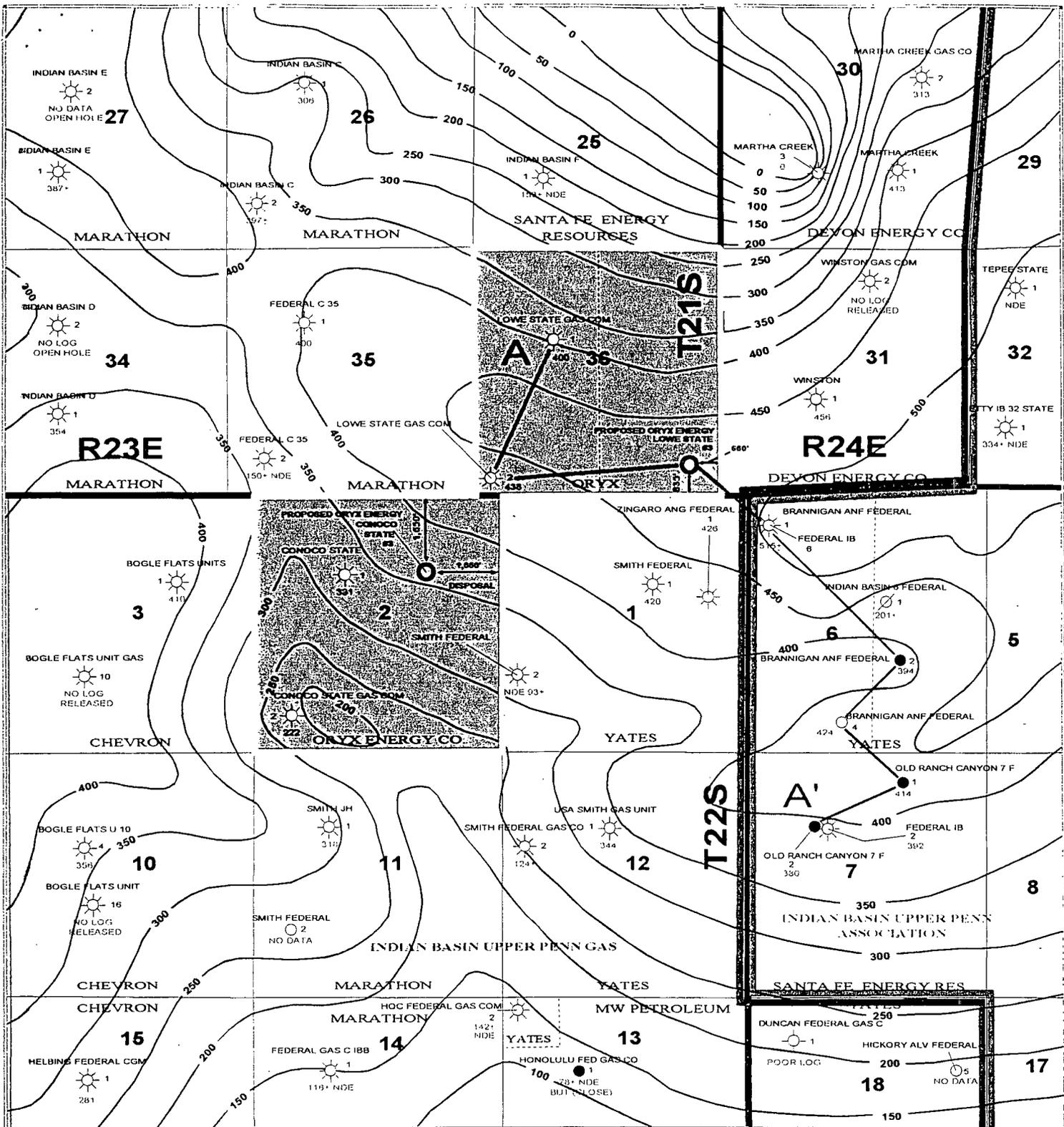


EXHIBIT
3

ORYX OPERATED LEASE
INDIAN BASIN UPPER PENN GAS
INDIAN BASIN UPPER PENN ASSOCIATED



Scale: 1:30000



ORYX ENERGY COMPANY		
GROSS DOLOMITE THICKNESS		
UPPER PENN		
INDIAN BASIN AREA		
EDDY COUNTY - NEW MEXICO		
ROY WOLIN	CONTOUR INTERVAL 50'	2/06/98
GDOLOMIT.GPF	SCALE 1" = 3,000'	FEDDY.PROJ

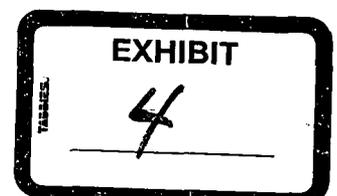
**Geologic Summary for Unorthodox Location for the Oryx Energy
Lowe State #3.**

Oryx Energy is a working interest owner and operator for Section 36,T21S,R23,NMPM, Eddy County, New Mexico, which is located within the current boundaries of the Indian Basin Upper Pennsylvanian Gas Pool. Gas production from the Lowe State lease was abandoned from both existing wells by late 1991 due to high water cut.

Oryx Energy has determined that it is necessary to locate a well at an unorthodox gas well location of 835 feet from the south line and 660 feet from the east line of Section 36 in order to effectively produce gas from the Cisco/Canyon formation.

Geologic reasons indicate the well location is better located as an unorthodox well location rather than an orthodox 1650' FSL and 1650' FEL. It should be noted that the proposed unorthodox location will provide a better up dip structural position at the Upper Pennsylvanian Dolomite formation. Mapping indicates at least 50 feet of gained structure elevation. Also a total of 50 feet of dolomite productive section thickness will be gained at the proposed unorthodox location.

Yates Petroleum Corporation re-entered the Federal IB #6 located 660' FNL and 400' FWL of Section 6, T22S, R24E, NMPM and recompleted this well in February of 1994 as an unorthodox Upper Pennsylvanian gas well at 1740mcfpd and 4633 bwpd. When recompleted this well was renamed the Brannigan ANF #1 and is producing from the Cisco/Canyon of the Upper Pennsylvanian Formation.



On October 8, 1997, the division entered Order R-10892 in Case 11841 which granted the application of Yates Petroleum Corporation to expand the Indian Basin Upper Pennsylvania associated Pool to include all of Section 6, T22S, R24E, Eddy County, New Mexico. The northwestern corner of Section 6, which was the subject of the Yates application, adjoins the southeastern corner of Section 36 which is the subject of this application by Oryx Energy Company. Based on Yates's Indian Basin-Upper Pennsylvanian Associated Pool status for the west half of Section 6 for and the proration unit of 320 acres would have a current maximum gas allowable of 9.8 mmcfpd, Oryx Energy Company has determined that an unorthodox location would put Oryx at a better structural position (only 100 feet structurally downdip rather than 150 feet downdip for a standard location) and thereby produce gas which might otherwise be drained by the updip Yates Brannigan ANF #1 well.

Sample waiver letter

Yates Petroleum Corporation
Attn: Mr. Randy Patterson

Re: **OFFSET OPERATOR NOTICE AND REQUEST FOR WAIVER OF OBJECTION**

Application of Oryx Energy Company for administrative approval of an unorthodox gas well location for its Lowe State Gas Com Well No. 3 to be located 835 feet from south line and 660 feet from east line of Section 36, T21S, R23, Eddy County, New Mexico

Dear Mr. Patterson:

Oryx Energy Company plans to drill its Lowe State Gas Com Well No. 3 at an unorthodox gas well location 835 feet from south line and 660 feet from east line of Section 36, T21S, R23, Eddy County, New Mexico to be dedicated to a 640-acre gas proration and spacing unit consisting of all of said Section 36 for production from the Cisco/Canyon formations within the current boundary of the Indian Basin-Upper Pennsylvanian Gas Pool. This location is unorthodox and therefore we have file administrative application requesting an exception with the New Mexico Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505. **See copy of application enclosed.**

Our information is that _____ is the offset operator towards whom this location encroaches. If you have no objection to this unorthodox gas well location, please signify your approval by signing one copy of this letter in the space provided below and returning it to me by facsimile using Fax number 972-715-3187. If you have an objection then you must file a written objection with the Division within twenty days (20) of the date of this letter.

Very truly yours,

Mike Malone

the undersigned hereby WAIVES OBJECTION to the New Mexico Oil Conservation Division granting approval to drill this requested unorthodox well location without penalty.

Company: _____

By: _____

Title: _____

Date: _____



EXHIBIT "6"

Marathon Oil Company
Box 552
Midland, Texas 79702
Attn: Thomas C. Lowry, Esq.

Devon Energy Corporation (Nevada)
20 North Broadway, Suite 1500
Oklahoma City, OK 73102
Attn: Ken Gray

Santa Fe Energy Resources, Inc.
550 W. Texas, Suite 1330
Midland, Texas 79701
Attn:

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Randy Patterson

Nolan Brunson, Jr.
P. O. Box 1039
Hobbs, New Mexico 88240

R. G. Hanagan
P. O. Box 1887
Santa Fe, New Mexico 87504

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF NEW
MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE NO. 8758 DE NOVO
Order No. R-8162-A

APPLICATION OF MONSANTO COMPANY FOR
AN UNORTHODOX GAS WELL LOCATION AND
DUAL COMPLETION, EDDY COUNTY, NEW
MEXICO.

See Also Order No.

R-8162

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 9, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of May, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Monsanto Company, seeks approval of an unorthodox gas well location for a well to be drilled 330 feet from the South and West lines of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, to be dually completed in the Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools, all of said Section 36 to be dedicated in both zones to said well.

(3) This matter came on for hearing at 8 a.m. on November 21, 1985, at Santa Fe, New Mexico, before Oil Conservation Division Examiner, Michael E. Stogner and, pursuant to his hearing, Order No. R-8162 was issued on February 21, 1986, which granted Monsanto's application but imposed a 67 percent penalty factor to offset the advantage gained over offset operators as a result of the unorthodox location.

(4) On March 13, 1986, application for Hearing De Novo was made by Monsanto and the matter was set for hearing before the Commission.

(5) The matter came on for hearing de novo on April 9, 1986.

(6) Both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool are governed by Special Pool Rules which provide for 640-acre gas well spacing with wells to be located no closer than 1650 feet from the outer boundary of the section and no closer than 330 feet to any governmental quarter-quarter section line or inner boundary.

(7) Both of said pools are prorated gas pools with acreage being the only factor used in determining the allocation of allowable to non-marginal wells.

(8) The proposed well is to be drilled on the same 640-acre proration unit currently dedicated to applicant's Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line of said Section 36.

(9) The Lowe State Well No. 1 has "watered out" in the upper Pennsylvanian Zone, is no longer capable of commercial production from either zone, and has been shut-in since May 1985.

(10) At the time of the hearing, Amoco Production Company, owner and operator of a well in Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, immediately offsetting this unit to the west, appeared and objected to the proposed unorthodox location.

(11) The State Land Office is the owner of royalty under said Section 36 and, as such, intervened on behalf of the applicant in this case.

(12) Both the applicant and the Land Office presented testimony relative to the original gas in place under said Section 36 and various of the surrounding proration units.

(13) Both the applicant and the Land Office proposed that the new well in Section 36 be permitted to produce a volume of gas equal to an amount derived by subtracting the production from the Lowe State Well No. 1 from the calculated original gas in place under such Section without restriction.

(14) Such proposal would result in the imposition of two allowable formulas in the same pool, one based on acreage and one based on calculated original gas in place.

(15) No party presented evidence as to the actual volumes of gas now remaining under said Section 36 and nearby proration units or the pool as a whole nor the impact of implementing a second proration formula in this pool at this time and such proposal should therefore be rejected.

(16) The geological evidence presented in the case establishes that while a portion of the proration unit dedicated to said Lowe State Well No. 1 has watered out in the Upper Pennsylvanian Zone, a substantial number of productive acres remain in the southern and western portions of the unit.

(17) The applicant presented geologic testimony which, when examined, indicates that there remain 378 productive acres in the Upper Pennsylvanian Zone under said Section 36.

(18) Amoco presented engineering testimony designed to show that no more than 233 acres remain productive within said interval in said Section.

(19) The expert testimony presented on this issue by either party did not conclusively establish the exact number of productive acres in the interval in question but did establish both upper and lower limits to such number.

(20) In the absence of conclusive evidence, the Commission should use a figure for the productive acres remaining in said section half way between the limits testified to or 306 productive acres.

(21) The nature of the Indian Basin-Upper Pennsylvanian reservoir, including its structure and water encroachment from the north and east in the vicinity of Section 36, is such that if the proposed well is assigned a 306-acre allowable (a 0.48 acreage factor) in that pool, such well can be produced, even at its extreme unorthodox location, without violation of correlative rights.

(22) A well at said unorthodox location is necessary in order for the owners of interests in said Section 36 within the Indian Basin-Upper Pennsylvanian interval to recover their share of the gas from said pool, thereby protecting their correlative rights.

(23) No evidence was presented at the hearing which would show the nature or extent of any Morrow gas zones which might be encountered by the well at the proposed unorthodox location.

(24) In the absence of such evidence and to offset the advantage gained over offset operators as a result of the unorthodox location in the Indian Basin-Morrow Gas Pool, a production limitation factor should be determined for the Morrow Zone production as set out in Findings Nos. (8), (9), (11) and (12) in Order No. R-8162 (See also Findings Nos. (12) through (23) of Order No. R-8025-A), and the resultant well should be assigned an acreage factor of 0.36 in such pool.

(25) Nothing herein should be considered to prohibit the applicant from seeking an amendment of this factor based upon presentation of data derived from drilling, completion, or production of this well in the Morrow formation.

(26) The proposed method of dual completion is appropriate and adequate and should be approved.

(27) Approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, 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 application of Monsanto Oil Company for an unorthodox gas well location for the Upper Pennsylvanian and Morrow formations is hereby approved to be located at a point 330 feet from the South and West lines of Section 36, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools, Eddy County, New Mexico.

(2) All of said Section 36 shall be dedicated to the above-described well.

(3) The above described well is hereby assigned acreage factors of 0.48 and 0.36 in the Upper Pennsylvanian and Morrow formations respectively.

(4) The aforesaid acreage factors shall be used in calculating the well's monthly allowable in the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool.

(5) The applicant is further authorized to complete said well as a dual completion from said pools with production through parallel strings of tubing with separation of the intervals by means of packers set at approximately 7280 feet and 9170 feet.

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

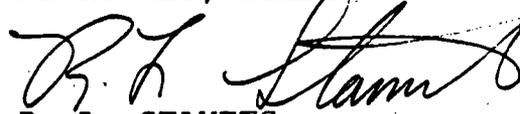
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



R. L. STAMETS,
Chairman and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3115
Order No. R-2786

APPLICATION OF MONSANTO COMPANY
FOR A DUAL COMPLETION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 13, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 21st day of October, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Monsanto Company, seeks authority to complete its Lowe-State Well No. 1, located in Unit F of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from the Indian Basin-Upper Pennsylvanian Gas Pool and an undesignated Morrow gas pool through parallel strings of 2 1/16-inch tubing, with separation of zones by a packer set at approximately 9265 feet.
- (3) That the mechanics of the proposed dual completion are feasible and in accord with good conservation practices.
- (4) That approval of the subject application will prevent waste and protect correlative rights.

CASE No. 3115
Order No. R-2786

IT IS THEREFORE ORDERED:

(1) That the applicant, Monsanto Company, is hereby authorized to complete its Lowe-State Well No. 1, located in Unit F of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from the Indian Basin-Upper Pennsylvanian Gas Pool and an undesignated Morrow gas pool through parallel strings of 2 1/16-inch tubing, with separation of zones by a packer set at approximately 9265 feet;

PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order;

PROVIDED FURTHER, that the applicant shall take packer-leakage tests upon completion and annually thereafter during the Annual Shut-in Pressure Test Period for the Morrow formation.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
Jack M. Campbell
JACK M. CAMPBELL, Chairman
E. S. Walker
E. S. WALKER, Member
A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8758
Order No. R-8162

APPLICATION OF MONSANTO COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
DUAL COMPLETION, AND SIMULTANEOUS
DEDICATION, EDDY COUNTY, NEW MEXICO.

See Also Order

No. R-8162-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on November 21, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of February, 1986, 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, Monsanto Company, seeks approval of an unorthodox gas well location for a well to be drilled 330 feet from the South and West lines of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, to be dually completed in the Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools, all of said Section 36 to be simultaneously dedicated in both zones to the well and to the existing Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line of said Section.

(3) Both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool are governed by Special Pool Rules which provide for 640-acre gas well spacing with wells located no closer than 1650 feet from the outer boundary of the section and no closer than 330 feet to any governmental quarter-quarter section line or inner boundary.

(4) The Lowe State Well No. 1 is no longer capable of commercial production from either zone and has been shut-in since May 1985.

(5) The proposed well would be the only producing well on the 640-acre spacing unit in both zones, and that portion of the application which seeks simultaneous dedication of wells in this unit is unnecessary and therefore should be dismissed.

(6) A well on said unorthodox gas well location will better enable applicant to produce the gas underlying the proration unit in both zones.

(7) At the time of the hearing Amoco Production Company, owner and operator of a well in Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, immediately offsetting this unit to the west appeared and objected to the proposed unorthodox location.

(8) A well at the proposed location is 1320 feet or 80 percent closer to the southern and western boundaries of the subject unit than a well at the closest standard location.

(9) Assuming 640-acre radial drainage, the subject well has a drainage area of approximately 210 acres outside its permitted drainage area more than a well located at the most southwesternly standard location (1650 feet from the South and West lines of said Section 35) within the unit, an amount of acreage equivalent to 33 percent of a standard proration unit in both pools.

(10) To offset the advantage gained over the protesting offset operator, production from the well at the proposed unorthodox location should be limited from both pools.

(11) Such limitation should be based upon the variation of the location from a standard location and the 210 net acre encroachment; this may be accomplished by assigning a well at the proposed location an allowable limitation factor calculated as being equal to 0.20 for East/West factor plus 0.20 North/South factor plus 0.67 net acre factor, divided by 3, which equals 0.36 or 36 percent.

(12) The aforesaid production limitation factor should be applied against the well's monthly allowable as set by the Division for both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool (this may be accomplished by assigning said well an acreage factor of 0.360).

(13) The applicant did not provide sufficient evidence on the method to be used to dually complete this well and that portion of this application for dual completion should be denied.

(14) Approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, 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 application of Monsanto Oil Company for an unorthodox gas well location for the Upper Pennsylvanian and Morrow formations is hereby approved to be located at a point 330 feet from the South and West lines of Section 36, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools, Eddy County, New Mexico.

(2) All of said Section 36 shall be dedicated to the above-described well.

(3) Said well is hereby assigned a production limitation factor of 0.36 in both of the aforementioned pools to be applied as set out in Finding No. 12 of this order.

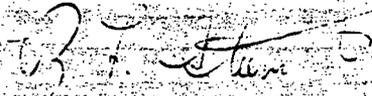
(4) The aforesaid production limitation factor shall be applied against the well's monthly allowable as set by the Division in the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool.

(5) The portion of this application for dual completion is hereby denied.

(6) 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



R. L. STAMETS,
Director

SEAL