

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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]

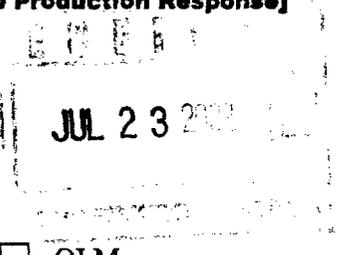
[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Application - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [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

[D] Other: Specify _____



[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] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 Print or Type Name

James Bruce
 Signature

Attorney for Applicant
 Title

7/20/02
 Date

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

jamesbruc@aol.com
 e-mail Address

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

324 MCKENZIE STREET
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 20, 2002

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Pogo Producing Company applies for administrative approval of an unorthodox gas well location for the following well:

Well: Davis "7" Well No. 3
Location: 100 feet FSL & 2550 feet FEL
Unit: S $\frac{1}{2}$ of Section 7, Township 20 South, Range 27 East,
N.M.P.M., Eddy County, New Mexico

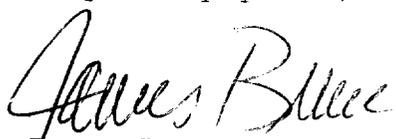
The well will be drilled to test the Morrow formation (McMillan-Morrow Gas Pool). Under Order No. R-2917, as amended, the pool is spaced on 640 acres, with one well allowed per quarter section, and wells to be no closer than 660 feet to a quarter section line. A non-standard unit comprising the S $\frac{1}{2}$ of Section 7 was approved by Division Order No. R-11308. A Form C-102 is attached as Exhibit A. The existing Davis "7" Well No. 1, located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 7, is a Morrow producer.

The application is based on geologic reasons. Attached as Exhibit B is an isopach of the Morrow "Singer" Sand, which is the producing Morrow zone in this area. Attached as Exhibit C is a statement of geologic reasons why the unorthodox location is necessary. The proposed location will minimize risk and increase the chances of obtaining a commercial well.

Attached as Exhibit D is a land plat of the area. The S $\frac{1}{2}$ of Section 7 and all of Section 18 are fee land in which royalty, overriding royalty, and working interest ownership are common. Thus, the unorthodox location does not adversely affect anyone, and notice has not been given to any offset interest owner.

Please call me if you need any further information on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the typed name.

James Bruce

Attorney for Pogo Producing Company

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 86211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
	81240	McMILLIAN-MORROW GAS
Property Code	Property Name	Well Number
	DAVIS 7	3
OGRID No.	Operator Name	Elevation
17891	POGO PRODUCING COMPANY	3338'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	7	20-S	27-E		100	SOUTH	2550	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
640			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

#1
660' FS & WL

DETAIL

#3
100'
SEE DETAIL

2550'

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Joe T. Janica
Signature

Joe T. Janica
Printed Name

Agent
Title

06/13/02
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MAY 24, 2002

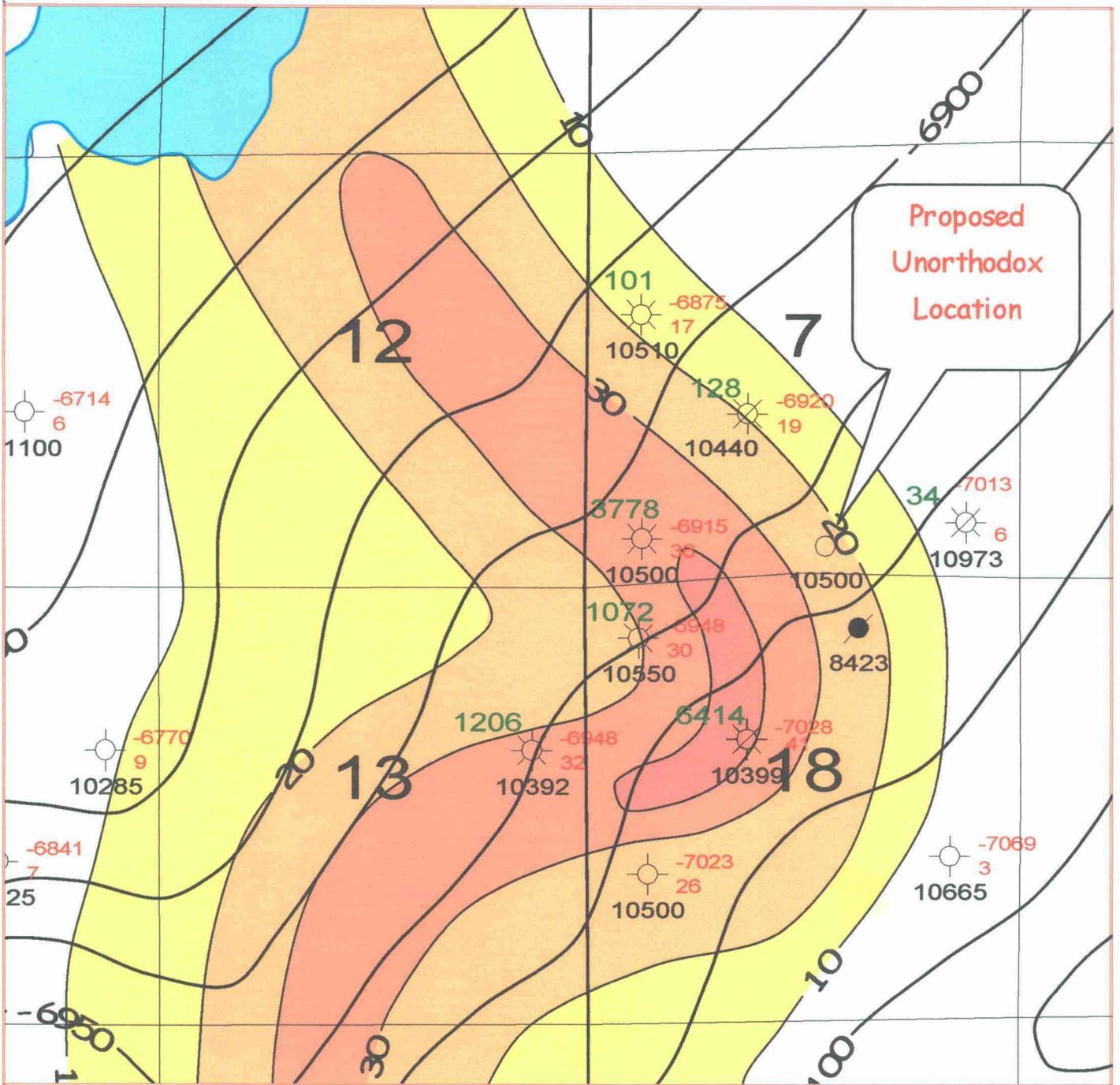
Date Surveyed A.W.B.

Signature *Donald E. Johnson*
Professional Surveyor

NEW MEXICO
DONALD E. JOHNSON
Professional Surveyor
06/13/02

EXHIBIT
A

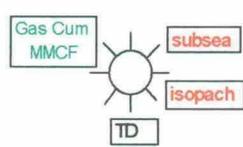
Case No. 5208 ON 3239
12641



POGO PRODUCING COMPANY
 Western Division Midland, Texas

McMillan Morrow Field
 Isopach: Morrow "Singer" Sand
 Structure: Top "Singer" Sand
 Eddy County, New Mexico

WEH		dav7_3.gpf
7/17/02		

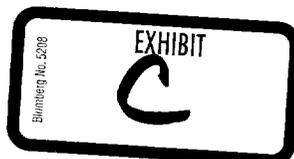


Blumberg No. 5208
EXHIBIT B

Pogo Producing Company
Davis "7" #3

Geologic Reasons for Unorthodox Location

1. The Middle Morrow "Singer" Sand is the productive zone in the McMillan Morrow Gas Field.
2. The attached exhibit shows an Isopach of the gross sand thickness for the Morrow "Singer" Sand, in colorfilled contours. Thick black contours show the elevation on the top of the "Singer" Sand.
3. The structural configuration shows regional dip to the southeast.
4. The "Singer" Sand averages 25-30 feet thick in producing wells.
5. Drilling results thus far indicate that wells with less than 20' of gross sand thickness will not produce commercial gas quantities. The proposed location is expected to encounter 25' of "Singer" Sand.
6. Because of the low permeability of the Middle Morrow Sands, individual wells are expected to drain, on average, less than 160 acres.



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. 3252
Order No. R-2917
NOMENCLATURE

APPLICATION OF HARVEY E. YATES
AND YATES DRILLING COMPANY FOR
THE CREATION OF A NEW GAS POOL
AND FOR SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

See Also Orders No.
R-2917-A
R-2917-B
R-2917-C

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 26, 1965, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of June, 1965, 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 applicants, Harvey E. Yates and Yates Drilling Company, seek the creation of a new gas pool for Morrow production in Eddy County, New Mexico, and the promulgation of special rules and regulations, including a provision for 640-acre spacing units.

(3) That the Hondo Singer "C" Well No. 1, located in Unit F of Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, has discovered a separate common source of supply which should be designated the McMillan-Morrow Gas Pool; that the vertical limits of said pool should be the Morrow zone of the Pennsylvanian formation; and that the horizontal limits of said pool should be all of Section 13, Township 20 South,

CASE No. 3252
Order No. R-2917

Range 26 East, and all of Sections 7 and 18, Township 20 South,
Range 27 East, NMPM, Eddy County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the McMillan-Morrow Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the McMillan-Morrow Gas Pool, at which time the operators in the subject pool should appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the McMillan-Morrow Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated the McMillan-Morrow Gas Pool, with vertical limits comprising the Morrow zone of the Pennsylvanian formation, and horizontal limits comprising all of Section 13, Township 20 South, Range 26 East, and all of Sections 7 and 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

(2) That temporary Special Rules and Regulations for the McMillan-Morrow Gas Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
McMILLAN-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the McMillan-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent

to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the McMillan-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before July 1, 1965.

(2) That each well presently drilling to or completed in the McMillan-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive a 320-acre allowable until a Form C-102 dedicating 640 acres to the well has been filed with the Commission.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the McMillan-Morrow Gas Pool, at which time the operators in the subject pool may appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

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CASE No. 3252

Order No. R-2917

(4) That the first operator to obtain a pipeline connection for a well in the McMillan-Morrow Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

(5) 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, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

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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. 3252
Order No. R-2917-A

APPLICATION OF HARVEY E. YATES
AND YATES DRILLING COMPANY FOR
THE CREATION OF A NEW GAS POOL
AND FOR SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

See Also Order No.
R-2917
R-2917-B
R-2917-C

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 19, 1966,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 27th day of July, 1966, 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 by Order No. R-2917, dated June 8, 1965, temporary
Special Rules and Regulations were promulgated for the McMillan-
Morrow Gas Pool, Eddy County, New Mexico.

(3) That pursuant to the provisions of Order No. R-2917,
this case was reopened to allow the operators in the subject pool
to appear and show cause why the McMillan-Morrow Gas Pool should
not be developed on 320-acre spacing units.

(4) That the applicants have not presented sufficient evidence
concerning the reservoir characteristics of the McMillan-Morrow

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CASE No. 3252
Order No. R-2917-A

Gas Pool to enable the Commission to determine that said temporary Special Rules and Regulations should be made permanent.

(5) That the temporary Special Rules and Regulations for the McMillan-Morrow Gas Pool, promulgated by Order No. R-2917, should be continued in effect until further order of the Commission in order to allow the operators in the subject pool sufficient time to gather additional information concerning the reservoir characteristics of the pool.

(6) That this case should be reopened at an examiner hearing in January, 1968, at which time the applicants and all interested parties should appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That the temporary Special Rules and Regulations for the McMillan-Morrow Gas Pool, promulgated by Order No. R-2917, are hereby continued in full force and effect until further order of the Commission.

(2) That this case shall be reopened at an examiner hearing in January, 1968, at which time the applicants and all interested parties may appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

(3) 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, Chairman

GUYTON B. HAYS, Member

S E A L

A. L. PORTER, Jr., Member & Secretary

esr/

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:

See Also Orders No.

R-2917

R-2917-A

R-2917-C

CASE NO. 3252
Order No. R-2917-B

APPLICATION OF HARVEY E. YATES AND YATES
DRILLING COMPANY FOR THE CREATION OF A
NEW GAS POOL AND FOR SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 10,
1968, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 16th day of January, 1968, 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 by Order No. R-2917, dated June 8, 1965,
temporary Special Rules and Regulations were promulgated for
the McMillan-Morrow Gas Pool, Eddy County, New Mexico.
- (3) That by Order No. R-2917-A, dated July 27, 1966,
said temporary Special Rules and Regulations were continued in
full force and effect for an additional period of 18 months.
- (4) That pursuant to the provisions of Order No. R-2917-A,
this case was reopened to allow the operators in the subject pool
to appear and show cause why the McMillan-Morrow Gas Pool should
not be developed on 320-acre spacing units.

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Case No. 3252

Order No. R-2917-B

(5) That the evidence establishes that one well in the McMillan-Morrow Gas Pool can efficiently and economically drain and develop 640 acres.

(6) That the Special Rules and Regulations promulgated by Orders Nos. R-2917 and R-2917-A have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool.

(7) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Orders Nos. R-2917 and R-2917-A should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the McMillan-Morrow Gas Pool, promulgated by Orders Nos. R-2917 and R-2917-A, are hereby continued in full force and effect until further order of the Commission.

(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

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

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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:

See Also Orders No.
R-2917
R-2917-A
R-2917-B

CASE NO. 12463
Order No. R-2917-C

APPLICATION OF POGO PRODUCING COMPANY TO AMEND THE
SPECIAL POOL RULES FOR THE MCMILLAN-MORROW GAS POOL, OR IN
THE ALTERNATIVE FOR AN UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 27, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this *28th* day of August, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Pogo Producing Company ("Pogo"), seeks to amend the special pool rules for the McMillan-Morrow Gas Pool, Eddy County, New Mexico, to provide:

- (a) the option to drill a well on each quarter section within a standard 640-acre gas spacing and proration unit; and
- (b) well setback requirements such that wells shall be located no closer than 660 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(3) In the alternative, the applicant seeks approval to drill its Davis "18" Well No. 1 at an unorthodox gas well location for the McMillan-Morrow Gas Pool 660 feet from the North and West lines (Unit D) of Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

(4) Harvey E. Yates Company, an operator within Section 7, Township 20 South, Range 27 East, NMPM, appeared at the hearing through legal counsel.

(5) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" as established by Division Order No. R-2917, as amended, dated June 8, 1965, currently require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the section nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary. In addition, the pool rules do not currently provide the option of drilling more than one well on a standard gas proration unit.

(6) The McMillan-Morrow Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 13: All
Section 24: All
Section 23: SE/4
Section 26: N/2

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 7: All
Section 18: All
Section 19: All

(7) By Order No. R-5829 issued in Case No. 6337 on October 6, 1978, the Division, upon application of Mark D. Wilson, limited the area subject to the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" to a five section area comprising Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East.

(8) There are currently three active producing wells within the McMillan-Morrow Gas Pool, described as follows:

- (a) the Yates Drilling Company Pecos River Deep Unit Well No. 3 located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 13;
 - (b) the Atasca Resources, Inc. State "19" Com Well No. 1 located 1650 feet from the North and West lines (Unit F) of Section 19; and
 - (c) the newly drilled Pogo Davis "7" Well No. 1 located 660 feet from the South and West lines (Unit M) of Section 7.
- (9) The applicant presented geologic evidence that demonstrates:
- (a) the "Singer" sand within the Middle Morrow section is the predominant producing interval within the McMillan-Morrow Gas Pool;
 - (b) the "Singer" sand traverses the McMillan-Morrow Gas Pool in a north-south direction and varies in thickness from 0-40 feet; and
 - (c) the approximate gas-water contact within the "Singer" reservoir occurs at a depth of approximately 7,100 feet. The majority of the McMillan-Morrow Gas Pool is at a structural position above the gas-water contact.
- (10) The applicant presented engineering evidence that demonstrates:
- (a) its Davis "7" Well No. 1, which was recently drilled at an unorthodox gas well location in Section 7 (approved by Division Order No. R-11308 dated January 13, 2000) has been completed in the McMillan-Morrow Gas Pool at an initial producing rate of approximately 7.0 MMCFGPD. The well encountered a relatively high reservoir pressure of approximately 3,200 psi. Initial pressure for this gas reservoir was approximately 4,235 psi;

- (b) Section 7 has previously been tested and developed in the McMillan-Morrow Gas Pool by the: (i) Harvey E. Yates Company Hondo Singer "A" Well No. 1 located in Unit P; and (ii) Harvey E. Yates Company Singer Davis Well No. 1 located in Unit K. These wells cumulatively produced approximately 161 MMCFG from the Morrow formation;
- (c) the drainage areas for the three existing producing wells are as follows:

<u>Well Name</u>	<u>Drainage Area</u>
Pecos River Deep Unit No. 3	72 acres
State "19" Com No. 1	234 acres
Davis "7" No. 1	90 acres; and

- (d) the overall average drainage area for all wells that have produced from the McMillan-Morrow Gas Pool is approximately 144 acres.

(11) A portion of the McMillan-Morrow Gas Pool comprising the SE/4 of Section 23 and the N/2 of Section 26, Township 20 South, Range 26 East, NMPM, is governed by Division Rule 104.C. which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. In addition, Rule 104.C. also provides the option to drill a second well on a standard 320-acre proration unit within the quarter section not containing the initial well.

(12) The geologic and engineering evidence presented demonstrates that approval of infill drilling within the McMillan-Morrow Gas Pool will provide the operators in the pool the opportunity to recover additional gas reserves, which may otherwise not be recovered by the existing wells, thereby preventing waste.

(13) The applicant's proposal to allow up to four wells per section is supported by its geologic and engineering evidence, and is consistent with current Division rules governing Morrow gas development in Southeast New Mexico.

(14) The proposed well setback requirements will allow for greater flexibility in locating infill gas wells.

(15) The applicant notified all operators and interest owners within the area affected by this application, as described in Finding No. (7). No operator or interest owner appeared at the hearing in opposition to the application.

(16) Approval of the application is in the best interest of conservation, prevention of waste and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Pogo Producing Company to amend the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," located in all or portions of Sections 13, 23, 24 and 26, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," are hereby amended to read in their entirety as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
McMILLAN-MORROW GAS POOL**

RULE 1. Each well completed or recompleted in the McMillan-Morrow Gas Pool within Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East, NMPM, shall be spaced, drilled, operated and produced in accordance with the special rules and regulations set forth herein.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section, provided, however, up to four wells may be drilled on a standard 640-acre proration unit. Each infill well shall be drilled in a quarter section that does not contain a well.

RULE 3. The Director may grant an exception to Rule (2) for non-standard spacing units after notice and opportunity for hearing when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U.S. Public Land Survey or the following facts exist:

- i) the non-standard spacing unit consists of quarter-quarter sections or lots joined by a common side; and
- ii) the non-standard unit lies wholly within a single governmental section.

Applications for administrative approval of non-standard spacing units shall be filed in accordance with the procedure set forth in Division Rule 104.D.(2).

RULE 4. Each initial and infill well shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 5. The Director may grant an exception to the requirements of Rule (4) after notice and opportunity for hearing when the exception is necessary to prevent waste and protect correlative rights.

Applications for administrative approval of unorthodox well locations shall be filed in accordance with the procedure set forth in Division Rule 104.F.

(3) 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


LORI WROTENBERY
Director

SEAL

CMD : ONGARD
 OG5SECT INQUIRE LAND BY SECTION

07/31/02 11:54:51
 OGOMES -TPN4
 PAGE NO: 1

Sec : 07 Twp : 20S Rng : 27E Section Type : NORMAL

	C	B	A
1 39.04 Federal owned	40.00 Federal owned	40.00 Federal owned	40.00 Federal owned
2 39.18 Federal owned A	F 40.00 Federal owned	G 40.00 Federal owned	H 40.00 Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
 PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/31/02 11:54:58
OGOMES -TPN4
PAGE NO: 2

Sec : 07 Twp : 20S Rng : 27E Section Type : NORMAL

3	K	J	I
39.34	40.00	40.00	40.00
Fee owned	Fee owned	Fee owned	Fee owned
4	N	O	P
39.48	40.00	40.00	40.00
Fee owned	Fee owned	Fee owned	Fee owned
A A			

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD : ONGARD
OG6ACRE C102-DEDICATE ACREAGE

07/31/02 11:56:06
OGOMES -TPN4
Page No : 1

API Well No : 30 15 31255 Eff Date : 10-13-2000
Pool Idn : 81240 MCMILLAN;MORROW (GAS)
Prop Idn : 26355 TURNER 7 DEEP FEDERAL
Spacing Unit : 53688 OCD Order :
Sect/Twp/Rng : 7 20S 27E Acreage : 318.22 Revised C102? (Y/N) :
Dedicated Land:

S	Base U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
A	7	7	20S	27E	40.00	N	FD		
B	7	7	20S	27E	40.00	N	FD		
C	7	7	20S	27E	40.00	N	FD		
F	7	7	20S	27E	40.00	N	FD		
G	7	7	20S	27E	40.00	N	FD		
D	1	7	20S	27E	39.04	N	FD		
E	2	7	20S	27E	39.18	N	FD		

E00005: Enter data to modify or PF keys to scroll
PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD : ONGARD 07/31/02 11:56:25
OG6IWCM INQUIRE WELL COMPLETIONS OGOMES -TPN4

API Well No : 30 15 30932 Eff Date : 03-07-2000 WC Status : A
Pool Idn : 81240 MCMILLAN;MORROW (GAS)
OGRID Idn : 17891 POGO PRODUCING CO
Prop Idn : 25273 DAVIS 7

Well No : 001
GL Elevation: 3341

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : 4 7 20S 27E FTG 660 F S FTG 660 F W P
Lot Identifier:
Dedicated Acre: 318.82
Lease Type : P
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll
PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD :
 OG6ACRE :
 ONGARD
 C102-DEDICATE ACREAGE

07/31/02 11:56:30

OGOMES -TPN4

Page No : 1

API Well No : 30 15 30932 Eff Date : 03-07-2000
 Pool Idn : 81240 MCMILLAN,MORROW (GAS)
 Prop Idn : 25273 DAVIS 7
 Spacing Unit : 52719 OCD Order :
 Sect/Twp/Rng : 7 20S 27E Acreage : 318.82 Revised C102? (Y/N) :
 Dedicated Land:

Well No : 001
 Simultaneous Dedication:
 Dedicated Land:

S	Base	U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
I	7	20S	27E	40.00	N	FE				
J	7	20S	27E	40.00	N	FE				
K	7	20S	27E	40.00	N	FE				
N	7	20S	27E	40.00	N	FE				
O	7	20S	27E	40.00	N	FE				
P	7	20S	27E	40.00	N	FE				
L	3	20S	27E	39.34	N	FE				
M	4	20S	27E	39.48	N	FE				

E0005: Enter data to modify or PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD : ONGARD

07/31/02 11:56:40

OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

OGOMES -TPN4

Page No: 1

OGRID Identifier : 17891 POGO PRODUCING CO
 Pool Identifier : 81240 MCMILLAN;MORROW (GAS)
 API Well No : 30 15 30932 Report Period - From : 01 2000 To : 06 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
30	15 30932	03 00	31	52556	794		F
30	15 30932	04 00	30	76464	1072		F
30	15 30932	05 00	31	68770	827		F
30	15 30932	06 00	30	120441	1532		F
30	15 30932	07 00	31	219734	2533		F
30	15 30932	08 00	31	230414	2452		F
30	15 30932	09 00	30	206124	2369		F

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD :
 OGIIPRD INQUIRE PRODUCTION BY POOL/WELL

ONGARD
 07/31/02 11:56:43
 OGOMES -TPN4
 Page No: 2

OGRID Identifier : 17891 POGO PRODUCING CO
 Pool Identifier : 81240 MCMILLAN,MORROW (GAS)
 API Well No : 30 15 30932 Report Period - From : 01 2000 To : 06 2002

API Well No	Property Name	Prodn. Days MM/yy Prod	Production Volumes Gas Oil Water	Well Stat
30 15 30932	DAVIS 7	10 00 30	211845 2535	52 F
30 15 30932	DAVIS 7	11 00 30	97320 1563	58 F
30 15 30932	DAVIS 7	12 00 31	162057 2202	42 F
30 15 30932	DAVIS 7	01 01 31	277670 2651	53 F
30 15 30932	DAVIS 7	02 01 28	198315 1788	37 F
30 15 30932	DAVIS 7	03 01 31	212069 1620	58 F
30 15 30932	DAVIS 7	04 01 30	151872 1181	54 F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

ONGARD

07/31/02 11:56:44

CMD :
 OGIIPRD INQUIRE PRODUCTION BY POOL/WELL

OGOMES -TPN4

Page No: 3

OGRID Identifier : 17891 POGO PRODUCING CO
 Pool Identifier : 81240 MCMILLAN;MORROW (GAS)
 API Well No : 30 15 30932 Report Period - From : 01 2000 To : 06 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil	Water Stat	Well
30	15 30932 DAVIS 7	05 01 31	198942	1327	44 F
30	15 30932 DAVIS 7	06 01 30	187228	1079	31 F
30	15 30932 DAVIS 7	07 01 31	173995	928	31 F
30	15 30932 DAVIS 7	08 01 31	163866	773	32 F
30	15 30932 DAVIS 7	09 01 30	141569	680	30 F
30	15 30932 DAVIS 7	10 01 31	130806	539	31 F
30	15 30932 DAVIS 7	11 01 30	116590	525	69 F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

ONGARD

07/31/02 11:56:46

CMD :

OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

OGOMES -TPN4

Page No: 4

OGRID Identifier : 17891 POGO PRODUCING CO

Pool Identifier : 81240 MCMILLAN;MORROW (GAS)

API Well No : 30 15 30932 Report Period - From : 01 2000 To : 06 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30	15 30932 DAVIS 7	12 01 31	99898 441 70	F
30	15 30932 DAVIS 7	01 02 31	96785 288 63	F
30	15 30932 DAVIS 7	02 02 28	87111 398 88	F
30	15 30932 DAVIS 7	03 02 31	95431 277 65	F
30	15 30932 DAVIS 7	04 02 30	82788 121 7	F
30	15 30932 DAVIS 7	05 02 31	74373 166 39	F

Reporting Period Total (Gas, Oil) : 3935033 32661 1274

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

**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. 12309
ORDER NO. R-11308**

**APPLICATION OF POGO PRODUCING COMPANY FOR A NON-STANDARD
GAS SPACING AND PRORATION UNIT AND AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 16, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of January, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Pogo Producing Company, seeks an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," set forth in Division Order No. R-2917, as amended; for: (i) the formation of a non-standard 318.82-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, and (ii) the dedication of this unit to its proposed Davis "7" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.
- (3) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" currently require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the section and no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(4) The McMillan-Morrow Gas Pool currently comprises the following described area:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 13: All
Section 24: All
Section 23: SE/4
Section 26: N/2

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 7: All
Section 18: All
Section 19: All

(5) By Order No. R-5829 issued in Case No. 6337 on October 6, 1978, the Division, upon application of Mark D. Wilson, limited the area subject to the "Special Rules and Regulations for the McMillan-Morrow Gas Pool" to a five-section area comprising Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East.

(6) The applicant presented geologic evidence indicating that:

- (a) the primary target within the proposed Davis "7" Well No. 1 is the "Singer" sand within the Morrow formation;
- (b) based upon the performance of other wells in the pool, the applicant estimates that the Davis "7" Well No. 1 needs to encounter at least 30 feet of gross "Singer" sand in order to produce commercial quantities of gas from the Morrow formation;
- (c) the "Singer" sand traverses Section 7 in a northwest to southeast direction and is present within the entire SW/4 and in portions of the SE/4 and NW/4 of Section 7;
- (d) the area of greatest "Singer" sand thickness (>40 feet) occurs within the SW/4 SW/4 of Section 7;

- (e) the proposed unorthodox gas well location is necessary in order to encounter the "Singer" sand in the area of greatest sand thickness within the SW/4 of Section 7; and
 - (f) due to the limited extent of the "Singer" sand within the N/2 of Section 7, this area should not contribute production to the Davis "7" Well No. 1.
- (7) The applicant presented engineering evidence and testimony indicating that:
- (a) the McMillan-Morrow Gas Pool has previously been tested in Section 7 by the (i) Harvey E. Yates Company Hondo Singer "A" Well No. 1 located in Unit P; and (ii) Harvey E. Yates Company Singer Davis Well No. 1 located in Unit K;
 - (b) the Singer "A" Well No. 1 was completed in the Morrow formation in 1965 and IP'd at a rate of approximately 306 MCFGD. The well cumulatively produced 34 MMCFG from the McMillan-Morrow Gas Pool prior to being plugged and abandoned;
 - (c) the Singer Davis Well No. 1 was completed in the Morrow formation in 1976 and IP'd at a rate of approximately 2.9 MMCFGD. The well cumulatively produced 127 MMCFG from the McMillan-Morrow Gas Pool prior to being plugged and abandoned;
 - (d) the drainage areas for wells within the McMillan-Morrow Gas Pool varies considerably and is generally less than 220 acres; and
 - (e) there are currently only two wells producing from the McMillan-Morrow Gas Pool, the Atasca Resources Inc. State "19" Com Well No. 1, located in Unit F of Section 19, Township 20 South, Range 27 East, and the Yates Drilling Company Pecos River Deep Unit Well No. 3, located in Unit H of Section 13, Township 20 South, Range 26 East.

(8) The applicant testified it provided notice of its proposed non-standard gas proration unit and unorthodox gas well location to all working, royalty and overriding royalty interest owners within the N/2 of Section 7, Township 20 South, Range 27 East, and the E/2 and SW/4 of Section 12, Township 20 South, Range 26 East.

(9) Notice of this application was also provided to Yates Drilling Company, the operator of the Pecos River Deep Unit Well No. 3 in Section 13.

(10) The remaining affected acreage is located to the south in Section 18 and is currently owned by the applicant.

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

(12) Approval of the proposed non-standard gas proration unit and unorthodox gas well location will provide the applicant the opportunity to recover the remaining gas reserves in the McMillan-Morrow Gas Pool within the S/2 of Section 7, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Pogo Producing Company, is hereby granted an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" for (i) the formation of a non-standard 318.82-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, and (ii) the dedication of this unit to its Davis "7" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.

(2) 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


LORI WROTENBERY
Director

S E A .