

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

jamesbruc@aol.com

2004 AUG 9 PM 4 44

August 9, 2004

Hand Delivered

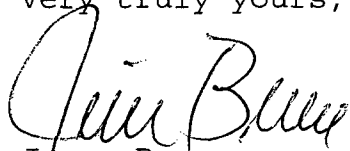
Michael E. Stogner  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case 13301: Application of HEC Petroleum, Inc. to amend  
the special rules and regulations for the Catclaw Draw-  
Morrow Gas Pool, Eddy County, New Mexico

Dear Mr. Stogner:

Enclosed is a proposed order in the above case. The order is also  
on the enclosed disk.

Very truly yours,

  
James Bruce

Attorney for HEC Petroleum, Inc.

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:

APPLICATION OF HEC PETROLEUM, INC. TO  
AMEND THE SPECIAL RULES AND REGULATIONS  
FOR THE CATCLAW DRAW-MORROW GAS POOL,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 13301  
ORDER NO. R-

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 22, 2004, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of August, 2004, 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, HEC Petroleum, Inc. ("HEC"), seeks to amend the special pool rules for the Catclaw Draw-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 a quarter-quarter section line or subdivision inner boundary.

(3) The Special Rules and Regulations for the Catclaw Draw-Morrow Gas Pool, as established by Division Order No. R-8170, as amended, currently require (a) standard 640-acre gas spacing and proration units, (b) two wells per proration unit, to be located in different quarter sections, (c) initial wells to be located no closer than 1650 feet to the outer boundary of the section, nor closer than 330 feet to a quarter-quarter section line, and (d) second wells to be located no closer than 1650 feet to the outer boundary of the section, nor closer than 330 feet to a quarter-quarter section line, nor closer than 990 feet to any existing Morrow well in a proration unit.

(4) The Catclaw Draw-Morrow Gas Pool currently comprises the following lands in Eddy County, New Mexico:

Township 21 South, Range 25 East, N.M.P.M.

Section 1:	Lots 1-16 and S $\frac{1}{2}$ (All)
Section 2:	Lots 1-16 and S $\frac{1}{2}$ (All)
Section 11-14:	All
Section 23-28:	All
Section 34-36:	All

Township 21 South, Range 26 East, N.M.P.M.

Section 19:	All
-------------	-----

(5) HEC presented geologic evidence which demonstrates:

- (a) the Morrow reservoir in this area trends north-south;
- (b) there are several productive Morrow intervals in the Catclaw Draw-Morrow Gas Pool, which can be correlated across the pool;
- (c) the Morrow sands are lenticular in nature.

(6) HEC presented engineering evidence which demonstrates:

- (a) The initial reservoir pressure was approximately 4500 psi;
- (b) a pressure versus time chart for wells in the Catclaw Draw-Morrow Gas Pool shows no pattern, indicating the lenticular nature of the reservoir;
- (c) since the Catclaw Draw-Morrow Gas Pool was discovered, it has produced approximately 128 BCF of gas and 127,000 barrels of condensate;
- (d) current production from all wells in the Catclaw Draw-Morrow Gas Pool was approximately 3.5 MMCF/day; and
- (e) HEC recently completed its Catclaw Draw Unit Well No. 18, located in the NW $\frac{1}{4}$  of Section 23, Township 21 South, Range 25 East, N.M.P.M.. This well is the third Morrow drilled in Section 23, and it encountered virgin pressures in certain Morrow intervals. It is producing at a rate of approximately 3 MMCF/day, almost doubling current production from the Catclaw Draw-Morrow Gas Pool.

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

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

(9) The proposed well setback requirements will allow for greater flexibility in locating infill gas wells. In addition, the evidence shows that approximately half of the wells previously drilled in the Catclaw Draw-Morrow Gas Pool have been drilled at locations which are unorthodox under existing rules.

(10) HEC notified all operators within the area affected by this application, as described in Finding No. (4). No one appeared at the hearing in opposition to the application.

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

**IT IS THEREFORE ORDERED THAT:**

(1) The application of HEC Petroleum, Inc. to amend the Special Rules and Regulations for the Catclaw Draw-Morrow Gas Pool, located in all or portions of Sections 1, 2, 11-14, 23-28, and 34-36, Township 21 South, Range 25 East, N.M.P.M., and Section 19, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, is hereby approved.

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

SPECIAL RULES AND REGULATIONS  
FOR THE  
CATCLAW DRAW-MORROW GAS POOL

RULE 1: Each well completed or re-completed in the Catclaw Draw-Morrow Gas Pool, or in the Morrow formation within one mile thereof and not nearer to or within the limits of another designated Morrow pool, 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 located on 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 when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivisions of the U.S. Public Land Survey, or the following facts exist:

- (i) The non-standard spacing unit consists of quarter sections 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 in 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 5 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 date and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

[Seal]

MARK E. FESMIRE  
Director