

**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. 12183
Order No. R-11193**

**APPLICATION OF MCKAY OIL CORPORATION FOR AN UNORTHODOX
INFILL GAS WELL LOCATION, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 13, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of May, 1999, 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, McKay Oil Corporation (McKay), seeks approval to drill its South Four Mile Draw Federal "B" Com Well No. 12 (API No. 30-005-63175) at an unorthodox infill gas well location in the West Pecos Slope-Abo Gas Pool 600 feet from the North line and 1958 feet from the East line (Unit B) of Section 24, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.

(3) The NE/4 of Section 24 is to be dedicated to the South Four Mile Draw Federal "B" Com Well No. 12 and to McKay's existing Remmele Federal Com Well No. 8 (API No. 30-005-62328) located at a previously approved unorthodox gas well location 1905 feet from the North line and 585 feet from the East line (Unit H) of Section 24.

(4) The West Pecos Slope-Abo Gas Pool is currently governed by the Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool as set forth in Division Order No. R-9976-C dated March 19, 1996, which require:

- a) standard 160-acre gas spacing and proration units;

- b) the initial and infill well shall be located at any location on the spacing unit provided neither well shall be located closer than 660 feet to any outer boundary of a governmental quarter section nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
 - c) all location exceptions shall be considered only after notice and hearing.
- (5) The applicant presented evidence in this case which demonstrates that:
- a) McKay has drilled the South Four Mile Draw Federal "B" Com Well No. 12 and has completed the well in the West Pecos Slope-Abo Gas Pool;
 - b) the well was drilled at the unorthodox gas well location due to topographic conditions, namely the presence of an earthen dam and surface water impoundments;
 - c) McKay, who operates the affected offset acreage to the north in Section 13, notified all interest owners within the affected acreage; and
 - d) no offset operator and/or interest owner appeared at the hearing in opposition to the application.

(6) Approval of the proposed unorthodox gas well location will allow the applicant the opportunity to recover its just and equitable share of the gas in the West Pecos Slope-Abo Gas Pool underlying the NE/4 of Section 24, will prevent the drilling of unnecessary wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of McKay Oil Corporation, approval is hereby granted for an unorthodox infill gas well location in the West Pecos Slope-Abo Gas Pool for the South Four Mile Draw Federal "B" Com Well No. 12 located 600 feet from the North line and 1958 feet from the East line (Unit B) of Section 24, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.

(2) The NE/4 of Section 24 shall be dedicated to the South Four Mile Draw Federal "B" Com Well No. 12 and to McKay's existing Remmele Federal Com Well No. 8 (API No. 30-005-62328) located at a previously approved unorthodox gas well location 1905 feet from the North line and 585 feet from the East line (Unit H) of Section 24.

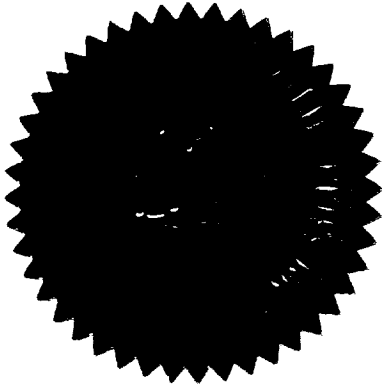
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(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director