

Entered September 20, 1979

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6555 DE NOVO
Order No. R-6029-A

APPLICATION OF JAKE L. HAMON FOR
AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 28, 1979, 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 September, 1979, 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:

(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, Jake L. Hamon, seeks approval of an unorthodox gas well location 660 feet from the North line and 560 feet from the East line of Section 30, Township 20 South, Range 36 East, NMPM, to test the Morrow formation, Osudo-Morrow Gas Pool, Lea County, New Mexico.

(3) That all of said Section 30 is to be dedicated to the well.

(4) That upon receipt of the application of Jake L. Hamon in this matter, the same was set for hearing on May 23, 1979, before Examiner Richard L. Stamets.

(5) That subsequent to said hearing the Oil Conservation Division entered Order No. R-6029 approving the unorthodox location of said well for the Morrow formation.

(6) That subsequent to the entry of said Order No. R-6029, Texas Oil and Gas Corporation, an offset operator, filed timely application for hearing De Novo of Case No. 6555, and the matter was set for hearing before the Commission.

(7) That the matter came on for hearing De Novo on August 28, 1979.

(8) That a well at said unorthodox location will better enable applicant to produce gas underlying the proration unit.

(9) That offsetting applicant's proposed unorthodox location to the East is a 320-acre non-standard proration unit consisting of the N/2 of Section 29, said unit being dedicated to a well at an unorthodox location 660 feet from the North and West lines of said Section 29.

(10) That the offset operator in the N/2 of said Section 29 has objected to the proposed unorthodox location in Section 30.

(11) That said offset operator would not have objected to an unorthodox location 660 feet from the North and East lines of said Section 30.

(12) That a shallow dry hole located 660 feet from the North and East lines of said Section 30 precludes the applicant from drilling at such location.

(13) That it is reasonable for an operator to locate a drilling well at least 100 feet from an existing dry hole to ensure against intercepting the existing well bore during drilling operations.

(14) That to offset any advantage to be gained by a well at said unorthodox location the offset operator requested that applicant's proposed well be penalized based on productive acres in the main Morrow zone of interest.

(15) That the evidence presented at the hearing was insufficient to accurately determine the amount of productive acres under applicant's tract or under any of the offsetting tracts.

(16) That because of this inability to accurately measure productive acreage under any of the tracts, acreage should not be used in any penalty formula which might be established.

(17) That penalty formulas may also be based upon well location and drainage estimates.

(18) That a well located at the proposed unorthodox location would have a drainage radius that extends into the N/2 of said Section 29 approximately 4.8 acres more than a well located 660 feet from the North and East lines of said Section 30.

(19) That this 4.8-acre net additional drainage outside said Section 30 constitutes approximately 0.75 percent of a standard proration unit (640 acres) within said pool.

(20) That it would be impractical to implement a procedure to offset so small an advantage as would be gained by the applicant over the objecting offset operator resulting from the drilling and completion of a well at the proposed unorthodox location.

(21) That approval of the subject application 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:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for a well to be located at a point 660 feet from the North line and 560 feet from the East line of Section 30, Township 20 South, Range 36 East, NMPM, Osudo-Morrow Gas Pool, Lea County, New Mexico.

(2) That all of said Section 30 shall be dedicated to the above-described well.

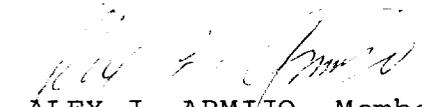
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

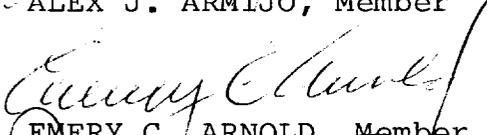
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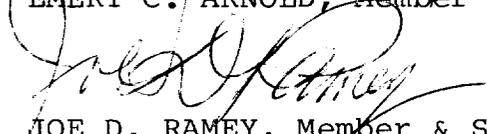
Case No. 6555 De Novo
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DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


ALEX J. ARMIJO, Member


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

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