

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.

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).

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(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.

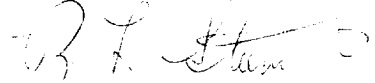
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DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

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