

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. 9332
Order No. R-8629

APPLICATION OF TERRA RESOURCES, INC. FOR COMPULSORY POOLING AND AN UNORTHODOX GAS WELL LOCATION, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 16, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of April, 1988, 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, Terra Resources, Inc., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 22, Township 14 South, Range 27 East, NMPM, Undesignated Springer Basin Atoka-Morrow Gas Pool, Chaves County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing to be dedicated to its Federal Comm "22" Well No. 1 to be drilled at an unorthodox gas well location 330 feet from the South and East lines (Unit P) of said Section 22.

(3) At the time of the hearing the applicant requested that that portion of the application requesting the pooling of all mineral interests in the E/2 of said Section 22 be dismissed.

(4) Also at the time of the hearing the applicant further requested that the proposed unorthodox gas well location be amended to a location 660 feet from the South and East lines (Unit P) of said Section 22.

(5) The E/2 of said Section 22 is to be dedicated to the proposed well.

(6) The applicant presented geologic evidence which indicates that a well drilled at the proposed amended location would penetrate the Morrow formation at a more structurally advantageous position than a well drilled at a standard well location thereon, thereby increasing the likelihood of obtaining a commercial producing well.

(7) No offset operator objected to the originally proposed or amended non-standard gas well location.

(8) 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 THAT:

(1) The applicant, Terra Resources, Inc., is hereby authorized to drill its Federal Comm "22" Well No. 1 at an unorthodox gas well location 660 feet from the South and East lines (Unit P) of Section 22, Township 14 South, Range 27 East, NMPM, Undesignated Springer Basin Atoka-Morrow Gas Pool, Chaves County, New Mexico.

(2) The E/2 of said Section 22 shall be dedicated to the above described well.

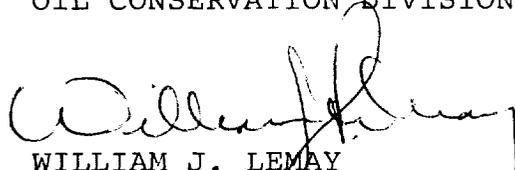
(3) That portion of the application requesting the pooling of all mineral interests in the E/2 of said Section 22 is hereby dismissed.

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(4) Jurisdiction of this cause is 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



WILLIAM J. LEMAY
Director

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