

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. 9666
Order No. R-8951

APPLICATION OF BILL FENN, INC.
FOR AN UNORTHODOX GAS WELL
LOCATION AND DUAL COMPLETION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of June, 1989, 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, Bill Fenn, Inc., seeks approval of an unorthodox gas well location for a well to be drilled 825 feet from the North line and 1650 feet from the East line (Unit B) of Irregular Section 7, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico, to be dually completed in the Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool.
- (3) All of said Irregular Section 7 is to be dedicated to the well forming a 617.68-acre gas spacing and proration unit for both pools.
- (4) 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. Both pools are also prorated gas pools governed by the Rules and Regulations for the Prorated Gas Pools in New Mexico as promulgated by Division Order No. R-8170, as amended.

(5) The evidence presented at the hearing and information obtained from Division records indicate that the Amoco Production Company Federal "D" Well No. 2 located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 7, which was drilled in August 1965 and plugged and abandoned in October 1983, had a cumulative production of 14,202,222 MCF gas and 124,554 barrels of condensate from the Indian Basin-Upper Pennsylvanian Gas Pool. While this well was producing an acreage factor of .97 was assigned the proration unit for gas proration purposes due to its irregular size.

(6) Geologic evidence and testimony presented at the hearing indicate that a well at the proposed unorthodox location will better enable the applicant to produce the gas underlying the proposed proration unit.

(7) Musselman, Owen and King Operating, Inc., operator of the northwest offsetting acreage, and Hondo Oil and Gas Company, operator of the north offsetting acreage, both entered appearances at the hearing in this case.

(8) Evidence and testimony presented at the hearing indicate that the applicant has voluntarily reached an agreement with Musselman, Owen and King Operating, Inc., which at the time of the hearing was supported by Hondo Oil and Gas Company, as to a production penalty to be assessed against the subject well due to its proposed unorthodox location.

(9) The proposed 16 percent production penalty is based upon the assumption that the proposed well has a drainage area of 640 acres; the subject well has a drainage area of approximately 104 acres outside its permitted drainage area more than a well located at the nearest standard gas well location (1650 feet from the North and East lines (Unit G) of said Section 7) within the unit.

(10) The proposed 16 percent production penalty as described above should be modified in this case somewhat

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to reflect the acreage factor that would be assigned a well located at a standard location due to the size differential of said Irregular Section 7.

(11) 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 (100% - 16% x 0.93 acreage factor = 78%).

(12) No other offset operator objected to the proposed unorthodox gas well location.

(13) Said well should be dually completed in such a manner as to permit Undesignated Indian Basin-Morrow Gas Pool production through a long string of 2 3/8-inch tubing and the production of Indian Basin-Upper Pennsylvanian gas through a parallel short string of 2 3/8-inch tubing with separation of both zones to be accomplished by a packer in the 4 1/2-inch liner and at a depth of approximately 7800 feet.

(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 affected pools, 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 Bill Fenn, Inc. for an unorthodox gas well location for the Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool is hereby approved for a well to be drilled 825 feet from the North line and 1650 feet from the East line (Unit B) of Irregular Section 7, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

(2) Said well is to be dually completed in such a manner as to permit production of gas from the Undesignated Indian Basin-Morrow Gas Pool through a long string of 2 3/8-inch tubing and the production of gas from the Indian Basin-Upper Pennsylvanian Gas Pool through a parallel short string

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of 2 3/8-inch tubing; separation between said zones is to be accomplished by a packer to be set in a 4 1/2-inch liner at a depth of approximately 7800 feet.

(3) All of said Irregular Section 7 shall be dedicated to the above-described well forming a 617.68-acre gas spacing and proration unit for both pools.

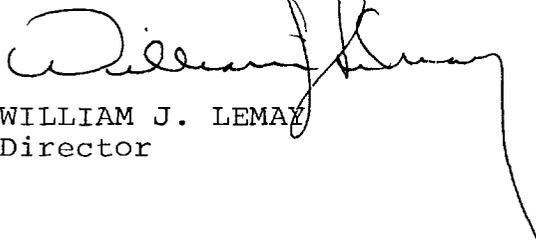
(4) Said well is hereby assigned a production limitation factor of 0.78 in both of the aforementioned pools to be applied as set out in Finding No. (11) of this order.

(5) 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.

(6) 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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