



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 13, 1999

Kerr-McGee Oil & Gas Company
c/o W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Administrative Order NSL-4280(SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator Kerr McGee Oil & Gas Company ("Kerr-McGee") dated April 23, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file in Case No. 12066: all concerning Kerr-McGee's request for an infill gas well to be drilled at an unorthodox gas well location within an existing non-standard 320-acre gas spacing and proration unit comprising the W/2 of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

(1) Kerr-McGee is proposing to drill its Lowe State Well No. 5 at a location that is 1650 feet from the South line and 2540 feet from the West line (Unit K) of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico;

(2) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Sections 2 through 5:	All
Sections 8 through 11:	All
Section 12:	W/2
Section 13:	W/2
Sections 14 through 17:	All
Section 21:	N/2
Section 22:	All;

(3) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre gas spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(4) By Order No. R-9922-D, issued in Case No. 12006 dated December 7, 1998, the Division authorized in part: (i) the formation of a non-standard 320-acre gas spacing and proration unit in the Indian Basin-Upper Pennsylvanian Gas Pool comprising the W/2 of Section 33; and (ii) the unorthodox location of Kerr-McGee's existing Lowe State Gas Com. Well No. 1 (**API No. 30-015-10342**), located 1995 feet from the North line and 1712 feet from the West line (Unit F) of Section 33, being the well which is dedicated to this non-standard 320-acre unit

(6) The subject application for Kerr-McGee's proposed Lowe State Well No. 5 has been duly filed under the provisions of Division Rule 104.F; and

(7) Under the provisions of: (i) **RULE 2(d)** of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, and Division **RULE 104.F(2)**, the subject application for the above-described unorthodox infill gas well location for Kerr-McGee's proposed Lowe State Well No. 5 should therefore be approved.

It Is Therefore Ordered That:

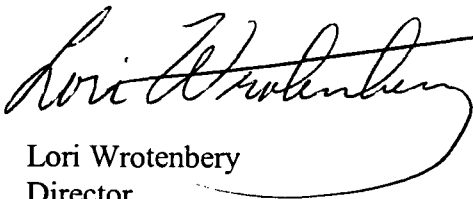
(1) Kerr-McGee Oil & Gas Company ("Kerr-McGee") is hereby authorized to drill its Lowe State Well No. 5 at an unorthodox infill gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool 1650 feet from the South line and 2540 feet from the West line (Unit K) of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing 320-acre non-standard gas spacing and proration unit ("GPU") within the Indian Basin-Upper Pennsylvanian Gas Pool that comprises the W/2 of Section 36 is to be simultaneously dedicated to Kerr-McGee's existing Lowe State Gas Com. Well No. 1 (**API No. 30-015-10342**), located 1995 feet from the North line and 1712 feet from the West line (Unit F) of Section 33 and its proposed Lowe State Well No. 5, as described.

(3) As prescribed in Division Order No. R-9922-D, issued in Division Case No. 12006 dated December 7, 1998, Kerr-McGee is hereby permitted to produce the allowable assigned the subject GPU from both wells in any proportion; **provided however**, total combined gas production from both wells shall not exceed that volume assigned this GPU with its assessed acreage factor of 0.50.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director



LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: Case No. 12006