



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

November 16, 1999

Kerr-McGee Oil & Gas Onshore, LLC
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

***Administrative Order NSL-4379
(Non-Standard Subsurface Location/Producing Area)***

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator Kerr-McGee Oil & Gas Onshore, LLC ("Kerr-McGee") dated October 26, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Kerr-McGee's request for a non-standard subsurface gas producing area/bottomhole gas well location, pursuant to Division Rules 104.F, 111.C(2), and 111.A(7), within an existing 640-acre gas spacing and proration unit comprising all of Section 17, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico in the Indian Basin-Upper Pennsylvanian Gas Pool.

The Division Director Finds That:

(1) The subject application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, Rule 111.C(2), and 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;

(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) The West Indian Basin Unit Well No. 1 (API No. 30-015-10209), located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 17 was drilled to a total depth of 9025 feet in 1963 and was subsequently completed within the Indian Basin-Upper Pennsylvanian Gas Pool;

(5) The location of the West Indian Basin Unit Well No. 1, which is unorthodox under the current special pool rules, was grandfathered in as standard under the special pool rules at the time they were adopted;

(6) It is our understanding that Kerr-McGee proposes to recomplete the West Indian Basin Unit Well No. 1 by kickoff from vertical in a northerly direction and directionally drill as to bottom the well back into the Indian Basin-Upper Pennsylvanian Gas Pool at a subsurface location that is considered to be unorthodox;

(7) The applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C(2) and 104.F, and the applicable provisions of the rules governing the Indian Basin-Upper Pennsylvanian Gas Pool; therefore the subject application should be approved and a producing area should be established for this well based on Kerr-McGee's proposed directional drilling plan; and

(8) The subject 640-acre project area is to be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

It Is Therefore Ordered That:

(1) Kerr-McGee Oil & Gas Onshore, LLC ("Kerr-McGee") is hereby authorized to recomplete its West Indian Basin Unit Well No. 1 (API No. 30-015-10209), located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 17, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico by kickoff from vertical in a northerly direction and directionally drill as to bottom the well back into the Indian Basin-Upper Pennsylvanian Gas Pool at a subsurface location that is considered to be unorthodox.

(2) The existing 640-acre gas spacing and proration unit/project area within the Indian Basin-Upper Pennsylvanian Gas Pool comprising all of Section 17 is to be dedicated to the subject well.

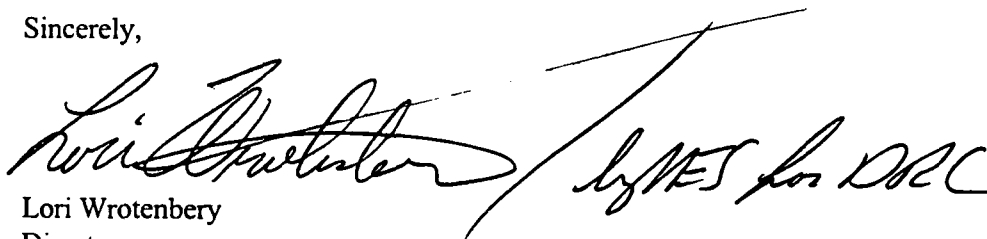
(3) The applicable drilling window or producing area within the Indian Basin-Upper Pennsylvanian Gas Pool for this wellbore shall include that area within the subject 640-acre project area that is:

- (a) no closer than 1650 feet to the northern, eastern, and western boundaries of Section 17; and
- (b) no closer than 660 feet to the South line of Section 17.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

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

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: Case No. 12288