

**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. 13546
ORDER No. R-12445**

APPLICATION OF XTO ENERGY, INC. FOR AN UNORTHODOX INFILL GAS WELL LOCATION WITHIN BOTH THE PRORATED SOUTH BLANCO-PICTURED CLIFFS AND BLANCO-MESAVERDE POOLS AND AN EXCEPTION TO THE WELL DENSITY PROVISIONS OF THE SPECIAL RULES GOVERNING THE BLANCO-MESAVERDE POOL, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 25, 2005, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 27th day of October, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) XTO Energy, Inc. ("Applicant") seeks an exception to the well density and location requirements for the South Blanco-Pictured Cliffs Pool and Blanco-Mesaverde Pool in order to drill its Florance "D" Well No. 18, 595 feet from the South line and 520 feet from the East line (Unit P) of Section 20, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico. This well is to be drilled as (i) a third infill Mesaverde gas well within an existing standard 320-acre stand-up gas spacing and proration unit comprising the E/2 of Section 20, and (ii) an infill Pictured Cliffs gas well within an existing standard 160-acre gas spacing and proration unit comprising the SE/4 of Section 20.

(3) The SE/4 of Section 20 is currently dedicated to Applicant's Florance Well No. 70 (API No. 30-045-29718), located at a surface location 2025 feet from the South line and 2035 feet from the East line (Unit J) of Section 20, and directionally drilled to a standard subsurface location within the SE/4SE/4 (Unit P) of Section 20. The Applicant's proposed Florance "D" Well No. 18 is unorthodox pursuant to Division Rule 104.C (3) in the South Blanco-Pictured Cliffs Pool.

(4) The E/2 of Section 20 is currently dedicated to Applicant's (i) Florance Well No. 62-M (API No. 30-045-29273), drilled at a standard location 1880 feet from the North line and 1780 feet from the East line (Unit G) of Section 20, (ii) Florance "D-LS" Well No. 4-A (API No. 30-045-29258), drilled at an unorthodox location (approved by Division Administrative Order NSL-3569 on August 29, 1995) 1310 feet from the South line and 2190 feet from the East line (Unit O) of Section 20, and (iii) Florance "D" Well No. 4-B (API No. 30-045-31082), drilled at standard location 2350 feet from the South line and 1105 feet from the East line (Unit I) of Section 20. The proposed Florance "D" Well No. 18 is unorthodox pursuant to rule I.C (1) of the "Special Rules for the Blanco-Mesaverde Pool" as promulgated by Division Orders No. R-10987-A and No. R-10987-A(1).

(5) The Applicant further seeks an exception to Rule I.B(1)(e) of the "Special Rules for the Blanco-Mesaverde Pool to drill and complete the Florance "D" Well No. 18 within the same quarter section (SE/4) of Section 20 as its two existing Florance "D-LS" Well No. 4-A, and Florance "D" Well No. 4-B.

(6) The "Special Rules and Regulations for the Blanco-Mesaverde Pool provide in part as follows:

"I. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): A standard GPU in the Blanco-Mesaverde Pool shall be 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.

B. Well density: Up to four wells may be drilled on a standard 320-acre spacing unit, provided that: (i) the first optional infill well shall be located in the quarter section not containing the initial Mesaverde well; (ii) the second optional infill well shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one Mesaverde well; and (iii) the third optional infill well shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one Mesaverde well; (iv) no more than two wells shall be located within

either quarter section in a GPU, and (v) any deviation from the above described well density requirements shall be authorized only after hearing.

C Well Location: Wells drilled on a GPU shall be located no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary".

(7) Division Rule 104.C (3) requires that "160-acre Spacing applies to any other gas well not covered above. Such well shall be located in a Spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. Public Land surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary".

(8) The Applicant presented testimony that demonstrates that:

- (a) the proposed Florance "D" Well No. 18 will produce from both the Pictured Cliffs and Mesaverde Pools;
- (b) the Florance Well No. 70 (API No. 30-045-29718) in the Pictured Cliffs Pool will be plugged and abandoned; and
- (c) the Florance "D-LS" Well No. 4-A (API No. 30-045-29258) in the Mesaverde Pool will be plugged and abandoned.

(9) With the plugging and abandonment of Well No. 70 and Well No. 4-A, the portion of this application seeking approval for the well density requirements of Division Rule 104.C(3), and Rule I.B of the "Special Rules for the Blanco-Mesaverde Pool should be dismissed.

(10) The Applicant's witness also testified as follows:

- (a) The topography of the area is very steep and rugged and standard well location will be beneath a waterfall during a rainstorm;
 - (b) the well cannot be moved to the North because there is already a Mesaverde well in the North; and
 - (c) The Bureau of Land Management (BLM) requested that the well be moved to a more gentle and stable location.
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(11) Pursuant to the applicable Division Rules, the Applicant provided notice of this application to all interest owners in the unit including BLM. No interest owner appeared at the hearing in opposition to this application.

(12) Approval of this application will provide the Applicant the opportunity to produce its just and equitable share of the gas within the prorated Pictured Cliffs and Blanco-Mesaverde Pools underlying the SE/4 of Section 20, will allow increased recovery from both Pools, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of XTO Energy, Inc. for an unorthodox infill gas well location within both the prorated South Blanco-Pictured Cliffs and Blanco-Mesaverde Pools for its Florance "D" Well No. 18 to be drilled 595 feet from the South line and 520 feet from the East line (Unit P) of Section 20, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) The Florance Well No. 70 shall be plugged and abandoned and there shall be no concurrent production from this well and the proposed Florance "D" Well No. 18 in the Pictured Cliffs Pool.

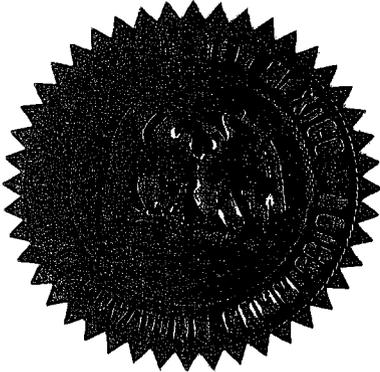
(3) The Florance "D-LS" Well No. 4-A shall be plugged and abandoned and there shall be only four producing wells at any one time in the Blanco-Mesaverde Pool.

(4) The portion of this application seeking exception to the well density requirements of Division Rule 104.C(3), and Rule I.B of the "Special Rules for the Blanco-Mesaverde Pool is hereby dismissed.

(5) Jurisdiction is hereby 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', is written over the printed name.

MARK E. FESMIRE, P.E.
Director
