

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:

APPLICATION OF MURCHISON OIL & GAS, INC.
FOR AN EXCEPTION TO THE SPECIAL RULES AND
REGULATIONS FOR THE WHITE CITY-PENNSYLVANIAN
GAS POOL, EDDY COUNTY, NEW MEXICO.

Case No. 11624

APPLICATION OF MATADOR OPERATING COMPANY
FOR AN EXCEPTION TO THE SPECIAL RULES AND
REGULATIONS FOR THE WHITE CITY-PENNSYLVANIAN
GAS POOL, EDDY COUNTY, NEW MEXICO.

Case No. 11636

Order No. R-10718

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 7, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of December, 1996, 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) By Order No. R-1857, dated January 20, 1961 and made effective February 1, 1961, the Division created and defined the White City-Pennsylvanian Gas Pool for the production of gas from the entire Pennsylvanian system. The horizontal limits for said

pool, as currently designated, include the following described lands in Eddy County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Sections 8 and 9:	All
Sections 15 through 17:	All
Sections 19 through 22:	All
Sections 26 through 35:	All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Sections 1 through 4:	All
Sections 10 through 13:	All.

(3) The White City-Pennsylvanian Gas Pool is governed by "*Special Rules and Regulations For The White City-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-2429-A, as amended, which provides:

- (i) for 640-acre spacing and proration units (**Rule 2.A**);
- (ii) that wells be located no closer than 1650 feet to the outer boundary of the spacing unit and no closer than 330 feet to any governmental quarter-quarter section line (**Rule 4**);
- (iii) that no more than two producible wells be allowed at any one time on a single spacing unit (**Rule 2.B**); and,
- (iv) for an exception to the two well limit for good cause (**Rule 2.C**).

(4) All of Section 2, Township 25 South, Range 26 East, NM^{PM}, Eddy County, New Mexico, being a standard 640.32-acre gas spacing and proration unit in the White City-Pennsylvanian Gas Pool, is currently dedicated to:

- (i) the Ogden State Well No. 1 (API No. 30-015-21967), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 2, which is producing gas from the Morrow formation of the White City-Pennsylvanian Gas Pool through the perforated interval from 10,985 feet to 11,416 feet; and,

(ii) the Ogden State Com Well No. 2 (**API No. 30-015-24068**), located at a standard gas well location 1650 feet from the North and East lines (Unit G) of said Section 2, which is producing gas from the Atoka formation of the White City-Pennsylvanian Gas Pool through the perforated interval from 10,320 feet to 10,372 feet.

The operator of this 640.32-acre unit and Ogden State No. 1 and Ogden State Com No. 2 wells is Murchison Oil & Gas, Inc. ("Murchison").

(5) All of Section 11, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, being a standard 640-acre gas spacing and proration unit in the White City-Pennsylvanian Gas Pool, is currently dedicated to:

(i) the Grynberg "11" Federal Com Well No. 1 (**API No. 30-015-22085**), located at a standard gas well location 1650 feet from the North and East lines (Unit G) of said Section 11, which is producing gas from the Morrow formation of the White City-Pennsylvanian Gas Pool through the perforated interval from 11,097 feet to 11,434 feet; and,

(ii) the Grynberg "11" Federal Com Well No. 2 (**API No. 30-015-24224**), located at a standard gas well location 1650 feet from the South and East lines (Unit J) of said Section 11, which is producing gas from the Atoka formation of the White City-Pennsylvanian Gas Pool through the perforated interval from 10,650 feet to 10,654 feet.

The operator of this 640-acre unit and Grynberg "11" Federal Com Well Nos. 1 and 2 is Matador Operating Company ("Matador").

(6) Murchison, as the applicant in **Case 11624**, seeks an exception to **Rule 2.B** of the *"Special Rules and Regulations For The White City-Pennsylvanian Gas Pool"* in order to drill its proposed Ogden State Well No. 3 as a third gas well in the White City-Pennsylvanian Gas Pool on its existing 640.32-acre gas spacing and proration unit at a standard gas well location 1650 feet from the South and West lines (Unit K) of said Section 2.

(7) In **Case 11636** Matador seeks an exception to **Rule 2.B** of the "*Special Rules and Regulations For The White City-Pennsylvanian Gas Pool*" in order to drill its proposed Grynberg "11" Federal Com Well No. 4 as a third gas well in the White City-Pennsylvanian Gas Pool on its existing 640-acre gas spacing and proration unit at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 11.

(8) At the time of the hearing both cases were consolidated for purposes of testimony.

(9) Chevron USA, Inc., an offset operator, appeared at the hearing, but presented no evidence either in opposition to or in support of applicant's request.

(10) Both the Murchison Ogden State Com Well No. 2 and Matador Grynberg "11" Federal Com Well No. 2 were originally completed in the Morrow interval of the White City-Pennsylvanian Gas Pool and upon depleting this interval down to an uneconomic flow rate both wells were subsequently recompleted into the Atoka zone.

(11) Both Murchison and Matador intend to drill their respective wells and test both the Morrow and Atoka intervals for gas production. For Murchison, its proposed Ogden State Well No. 3 is to be utilized to further drain potential gas reserves underlying the undeveloped portion of its existing 640.32-acre gas spacing and proration unit that comprises the S/2 of said Section 2. Similarly, the undeveloped W/2 of said Section 11 is Matador's intended area for capturing potential reserves from the White City-Pennsylvanian Gas Pool that might otherwise not be recovered by its two existing wells located in the E/2 of said Section 11.

(12) Because both proposed well locations offset the other by equal distance and are considered to be standard gas well locations for the White City-Pennsylvanian Gas Pool, it does not appear that either operator will have an unfair advantage over any offsetting properties. No other offset operator or interested party appeared at the hearing in opposition to the subject requests. Correlative rights within the subject pool should therefore remain properly protected. Both wells should serve to prevent waste by allowing each respective operator to capture reserves that might otherwise not be drained by existing wells on their respective drilling tracts. Both applicants further testified that wells will eventually be drilled within both the S/2 of said Section 2 and W/2 of said Section 11 in order to fully deplete both existing drilling tracts; therefore, the drilling of unnecessary wells is a moot issue.

FINDING: Both Murchison and Matador have shown that a third White City-Pennsylvanian gas well on each of their respective drilling tracts is warranted, therefore, the applications in both Case Nos. 11624 and 11636 should be approved.

IT IS THEREFORE ORDERED THAT:

(1) In **Case 11624**, Murchison Oil & Gas, Inc. ("Murchison"), is hereby authorized to drill its Ogden State Well No. 3 as a third gas well in the White City-Pennsylvanian Gas Pool on its existing 640.32-acre gas spacing and proration unit at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 2, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico. Upon completion of said well within the White City-Pennsylvanian Gas Pool, its gas production is to be simultaneously and concurrently dedicated with gas production from the Ogden State Well No. 1 (**API No. 30-015-21967**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 2 and from the Ogden State Com Well No. 2 (**API No. 30-015-24068**), located at a standard gas well location 1650 feet from the North and East lines (Unit G) of said Section 2 to said 640.32-acre tract.

(2) In **Case 11636**, Matador Operating Company ("Matador"), is hereby authorized to drill its Grynberg "11" Federal Com Well No. 4 as a third gas well in the White City-Pennsylvanian Gas Pool on its existing 640-acre gas spacing and proration unit at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 11, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico. Upon completion of said well within the White City-Pennsylvanian Gas Pool, its gas production is to be simultaneously and concurrently dedicated with gas production from the Grynberg "11" Federal Com Well No. 1 (**API No. 30-015-22085**), located at a standard gas well location 1650 feet from the North and East lines (Unit G) of said Section 11 and from the Grynberg "11" Federal Com Well No. 2 (**API No. 30-015-24224**), located at a standard gas well location 1650 feet from the South and East lines (Unit J) of said Section 11 to said 640-acre tract.

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

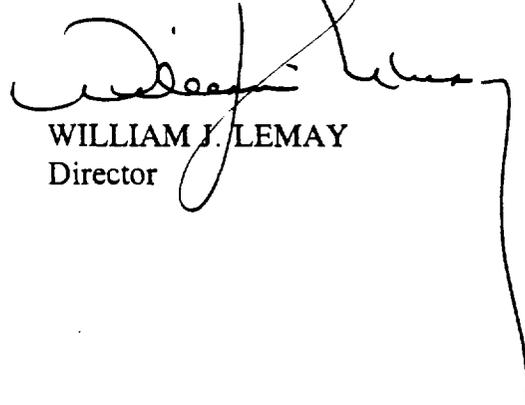
Case Nos. 11624/11636

Order No. R-10718

Page 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the typed name and extends downwards with a long vertical stroke.

WILLIAM J. LEMAY
Director

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