

**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. 11752
Order No. R-10797**

**APPLICATION OF KCS MEDALLION
RESOURCES INC. FOR AN
UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 17, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st day of May, 1997, 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, KCS Medallion Resources, Inc., seeks approval to drill its Empire "A" Federal Com Well No. 2 at an unorthodox gas well location 560 feet from the North and East lines (Unit A) of Section 27, Township 18 South, Range 29 East, NMPM, North Turkey Track-Morrow Gas Pool, Eddy County, New Mexico. The N/2 of Section 27 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) MYCO Industries, Inc., an affected offset operator, appeared at the hearing through legal counsel.

(4) At the time of the hearing, the applicant testified that it has amended the proposed well location for the Empire "A" Federal Com Well No. 2 to a less unorthodox location 990 feet from the North and East lines (Unit A) of Section 27.

(5) The subject well is located within the North Turkey Track-Morrow Gas Pool which is currently governed by Rule No. 104.C.(2) of the Division General Rules and Regulations which require wells to be located no closer than 1650 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(6) Applicant's geologic evidence and testimony indicates that a well drilled at the proposed unorthodox location should encounter a greater amount of net sand within the Morrow formation than a well drilled at a standard gas well location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(7) Applicant testified that it has reached a voluntary agreement with MYCO Industries, Inc., being the only affected offset operator, whereby production from the Empire "A" Federal Com Well No. 2 will be limited to 75 percent of its deliverability as determined from production tests into a pipeline to be conducted every three months during the first two years of production and every six months thereafter.

(8) In order to protect the correlative rights of MYCO Industries, Inc., the provisions contained within the subject production limitation agreement, identified as applicant's Exhibit No. (7) in this case, should be adopted.

(9) No other offset operator and/or interest owner appeared in opposition to the application.

(10) Approval of the application, subject to the production limitation agreement, will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, 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 applicant, KCS Medallion Resources, Inc., is hereby authorized to drill its Empire "A" Federal Com Well No. 2 at an unorthodox gas well location 990 feet from the North and East lines (Unit A) of Section 27, Township 18 South, Range 29 East, NMPM, North Turkey Track-Morrow Gas Pool, Eddy County, New Mexico.

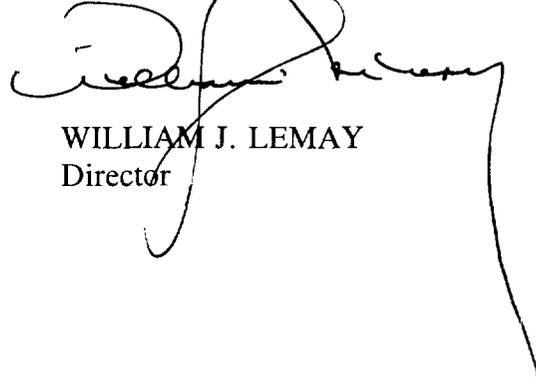
(2) The N/2 of Section 27 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) Production and testing of the Empire "A" Federal Com Well No. 2 shall be in conformance with the provisions contained within the production limitation agreement, identified as applicant's Exhibit No. (7) in this case.

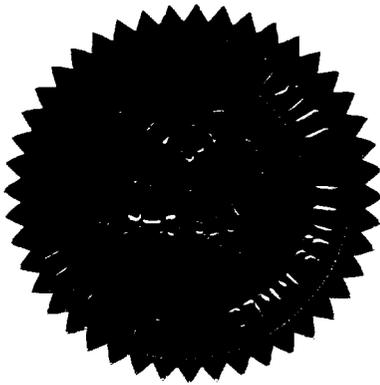
(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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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