



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 25, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Texaco Exploration and Production Inc.
Attention: **Denise Wann**
P. O. Box 3109
Midland, Texas 79702

Case 12743

RE: Administrative application of Texaco Exploration and Production Inc. ("Texaco") for exceptions to Division Rules 104.C (3) and 104.D (3) (application reference No. pKRV0-123649254) filed with the New Mexico Oil Conservation Division ("Division") on August 29, 2001 for the C. H. Weir "A" Well No. 7 (API No. 30-025-06073) to be recompleted as a horizontal drainhole into the Skaggs-Abo Gas Pool within an existing 160-acre non-standard gas spacing unit comprising the S/2 NW/4 and N/2 SW/4 of section 12, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, with production to be simultaneously dedicated with Texaco's C. H. Weir "A" Well No. 14 (API No. 30-025-27829), located at a standard gas well location in Unit "F" of Section 12.

Dear Ms. Wann:

The Skaggs-Abo Gas Pool is an unprorated gas pool that is subject to Division Rules 111.C (2), 104.C (3), and 104.D (3). Whereupon Division Rule 104.D (3) states, "exceptions to the provisions of statewide rules or special pool orders (meaning "special pool rules") concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing." This rule was further defined by a memorandum issued by the Director on October 25, 1999, which states, "Unless otherwise provided by special pool rules or amended Rule 104, only **one** well per spacing unit is permitted in non-prorated pools."

This application cannot be processed administratively; therefore, this matter will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for October 18, 2001. I have prepared the following advertisement in this matter:

Application of Texaco Exploration and Production Inc. for an unorthodox subsurface gas well location and an exception to Division Rule 104.D (3), Lea County, New Mexico. Applicant, in accordance with Division Rule 111.C (2), seeks an exception to Division Rule 104.C (3) for its C. H. Weir "A" Well No. 7 (API No. 30-025-06073), located at a standard surface gas well location 1985 feet from the South line and 660 feet from the West line (Unit L) of Section 12, Township 20 South, Range 37 East, to be recompleted into the Skaggs-Abo Gas Pool (85410) by kicking-off in a northern direction and drilling horizontally an approximate distance of 1,645 feet within an existing non-standard 160-acre gas spacing unit comprising the S/2 NW/4 and N/2 SW/4 of Section 12 (approved by Division Order No. R-7179, issued in Case No. 7761 on January 5, 1983) such that the resulting producing area extends to within 330 feet to the northern boundary of this unit. Further, the applicant seeks an exception to Division Rule 104.D (3) in order to simultaneously dedicate Skaggs Abo gas production from the above-described C. H. Weir "A" Well No. 7 with the existing C. H. Weir "A" Well No. 14 (API No. 30-025-27829), located at a standard gas well location 1980 feet from the South line and 1815 feet from the West line (Unit F) of Section 12. This unit is located approximately nine miles southwest of Hobbs, New Mexico.

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Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
William F. Carr, Legal Counsel for Texaco Exploration and Production Inc. - Santa Fe
Kathy Valdes, NMOCD - Santa Fe