

**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. 12788
ORDER NO. R-11765**

**APPLICATION OF ARCO (BP) FOR SIMULTANEOUS DEDICATION, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 10, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st day of May, 2002, 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) The applicant, Arco (BP), seeks an exception to Division Rule 104.C.(2)(b) to permit the simultaneous dedication of the following wells to an existing 233.79-acre non-standard gas proration unit in the Morrow formation, Undesignated Little Box Canyon-Morrow Gas Pool, comprised of Irregular Section 31, Township 20.5 South, Range 22 East, NMPM, Eddy County, New Mexico:

Well Name

Well Location

Sweet Thing Federal Unit No. 5

To be drilled at a standard gas well location
660' FNL & 1800' FWL (Lot 3)

Sweet Thing Federal Unit No. 2
(API No. 30-015-30338)

660' FNL & 660' FWL (Lot 4)
(Surface Location)
675' FNL & 480' FWL (Lot 4)
(Bottomhole Location)

(3) By Order No. R-11082 issued in Case No. 12004 on November 16, 1998, the Division, upon application of Stevens & Tull, Inc., established the subject non-standard gas proration unit, and approved the unorthodox bottomhole gas well location for the Sweet Thing Federal Unit No. 2.

(4) The Little Box Canyon-Morrow Gas Pool is currently governed by Division Rule 104.C.(2) which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) Additionally, Rule 104.C.(2)(b) provides that:

“only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is located no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.”

(6) The applicant presented geologic and engineering evidence that demonstrates:

- a) the Morrow formation within Section 31 contains two separate and distinct channel sands identified by Arco (BP) as the Morrow “A” Sand and the Morrow “B” Sand;
- b) the Sweet Thing Federal Unit No. 2, which was drilled by Stevens & Tull, Inc. in August, 1998, is currently producing from the Morrow “B” Sand through the perforated interval from 8,042 feet to 8,088 feet. The well is currently producing at a rate of several million cubic feet of gas per day, however, the well is on a steep decline and should deplete this channel sand within 18 months;
- c) the Morrow “A” Sand traverses Section 31 in a north-south direction and is located primarily within the western portion of the spacing unit, however, the

Morrow "A" Sand is not present within the Sweet Thing Federal Unit No. 2;

- d) in order to access the Morrow "A" sand, it is necessary to drill an additional well within the W/2 of this spacing unit; and
- e) at least two offset wells, the Arco (BP) Little Box State No. 5, located in Section 36, Township 20 South, Range 22 East, NMPM, and the Arco (BP) Sweet Thing Federal Unit No. 1, located in Section 6, Township 21 South, Range 22 East, NMPM, currently produce from the Morrow "A" Sand.

(7) The applicant proposes to produce the Morrow "B" Sand only within the Sweet Thing Federal Unit No. 2, and produce the Morrow "A" Sand only within the proposed Sweet Thing Federal Unit No. 5.

(8) The applicant testified that with the exception of the Sweet Thing Federal Unit Nos. 1 and 5, no additional wells will be drilled within Section 31 to access the Morrow formation.

(9) The applicant provided notice of its application to all offset operators and all working interest owners within those offset spacing units operated by Arco (BP).

(10) No offset operator or interest owner appeared at the hearing in opposition to the application.

(11) Approval of the subject application will provide the applicant the opportunity to recover the gas reserves from the Morrow "A" Sand underlying the subject gas proration unit, thereby preventing waste, will allow the applicant to protect its acreage from offset drainage that may be occurring within the Morrow "A" Sand interval, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Arco (BP), is hereby authorized to simultaneously dedicate the following-described wells to an existing 233.79-acre non-standard gas proration unit in the Morrow formation, Undesignated Little Box Canyon-Morrow Gas Pool, comprised of Irregular Section 31, Township 20.5 South, Range 22 East, NMPM, Eddy County, New Mexico:

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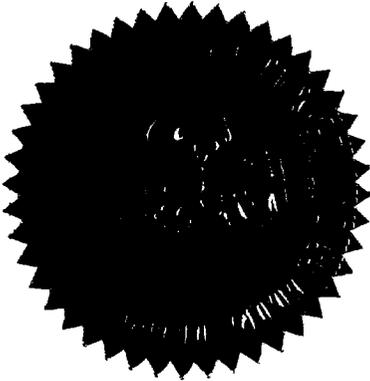
660' FNL & 660' FWL (Lot 4)
(Surface Location)
675' FNL & 480' FWL (Lot 4)
(Bottomhole Location)

(2) Arco (BP) may produce only the Morrow "B" Sand within the Sweet Thing Federal Unit No. 2, and may produce only the Morrow "A" Sand within the proposed Sweet Thing Federal Unit No. 5.

(3) No additional Morrow wells may be drilled within the subject non-standard gas proration unit.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrottenbery
LORI WROTENBERY
Director