

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. 10522
ORDER NO. R-9736

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 3, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 29th day of September, 1992 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 in this matter, Southland Royalty Company, is the owner and operator of the South Corbin Federal Well No. 3, located 554 feet from the South and East lines (Unit P) of Section 20, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, which was drilled in February/March, 1992 to a total depth of 11,500 feet to test the South Corbin-Wolfcamp Pool. Pursuant to the special rules and regulations governing the South Corbin-Wolfcamp Pool (Division Order No. R-8181-B) said well location is considered standard.

(3) At this time, the applicant seeks approval to deepen and recomplete from the Wolfcamp interval to the Undesignated South Corbin-Morrow Gas Pool, where the location will be considered unorthodox pursuant to Division General Rule 104.C(2). Further, the E/2 of said Section 20 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit in the Morrow interval.

(4) Within the area comprising the E/2 of said Section 20, Aztec Oil and Gas Company drilled its Federal "PA" Well No. 1 in Unit J, and in 1967, whereby the Morrow interval was tested dry. Further, geological evidence presented by the applicant indicates that the Morrow formation at the subject unorthodox location should have adequate thickness and properties to sufficiently make a commercial well.

(5) Such recompletion and deepening of the existing well will serve to alleviate the need to drill another well in order to test the Morrow formation. Further, such deepening of the subject well should enable the applicant to produce the gas underlying the proration unit.

(6) No offset operator objected to the proposed unorthodox gas well location.

(7) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pools, 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.

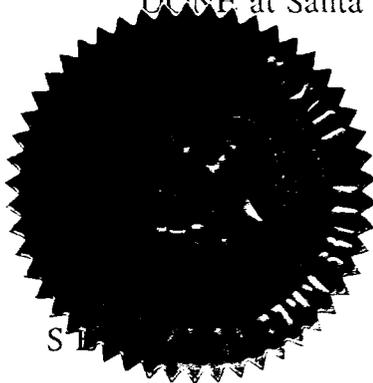
IT IS THEREFORE ORDERED THAT:

(1) The application of Southland Royalty Company for an unorthodox gas well location for the Undesignated South Corbin-Morrow Gas Pool is hereby approved for its existing South Corbin Federal Well No. 3 located 554 feet from the South and East lines (Unit P) of Section 20, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

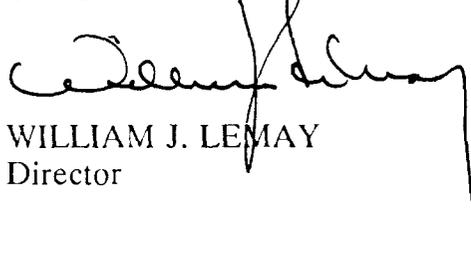
(2) The E/2 of said Section 20 shall be dedicated to the above-described well forming a 320-acre gas spacing and proration unit for said pool.

(3) Jurisdiction of this cause is 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