



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

November 10, 1992

KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 10546
ORDER NO. R-9758

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM - Carlsbad

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. 10546
ORDER NO. R-9758

**APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR AN UNORTHODOX GAS WELL
LOCATION AND SIMULTANEOUS DEDICATION,
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 10th day of November, 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, Phillips Petroleum Company, seeks approval of an unorthodox gas well location for its South Four Lakes Unit Well No. 13 to be drilled within a fifty-foot radius of a point 2450 feet from the North line and 960 feet from the East line (Unit H) of Section 2, Township 12 South, Range 34 East, NMPM, South Four Lakes Unit, Four Lakes-Devonian Gas Pool, Lea County, New Mexico.

(3) Further, the applicant seeks an exception to Division General Rule 104.C(2) to allow the existing 160.14-acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes-Devonian Gas Pool to the proposed well and to the South Four Lakes Well No. 8 located at a standard gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of said Section 2.

(4) The proposed South Four Lakes Unit Well No. 13 will be located within the current boundaries of the Four Lakes-Devonian Gas Pool which was created by Division Order No. R-928 dated December 13, 1956 and was reclassified as a gas pool by Division Order No. R-1371 issued April 17, 1959.

(5) Even though said Order No. R-1371 contained a provision regarding a limitation that gas production from the Four Lakes-Devonian Gas Pool in any calendar month must not exceed five million standard cubic feet of gas times the number of days in the month, said pool is not considered to be a "prorated gas pool" and does not fall under the provisions therefor.

(6) The applicant's engineering and geologic evidence provides substantial evidence that this pool has always been an oil pool, continues to be an oil pool and should probably not have been classified as a gas pool in 1959.

(7) The applicant seeks approval of this application as a temporary solution and, within 6 months of completion of the South Four Lakes Unit Well No 13, will notify the Division concerning whether the pool should remain classified as a gas pool or reclassified as an oil pool, and the need, if any, for any special rules.

(8) Under the existing classification of this pool as a gas pool, the Division General Rule 104.C(2)(a) requires 160-acre spacing and proration units and requires standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 1320 feet to any existing pool well.

(9) The proposed South Four Lakes Unit Well No. 13 would be at an unorthodox location and will require an exception to said Rule 104.

(10) A well at the proposed unorthodox gas well location should penetrate productive intervals of the Devonian formation at a more favorable geologic point than a well drilled at a standard location in the proposed spacing unit thereby increasing the likelihood of obtaining commercial production.

(11) The South Four Lakes Unit Well No. 13 will be dedicated to a 160-acre, more or less, gas spacing unit which currently is dedicated to the South Four Lakes Unit Well No. 8.

(12) Applicant seeks approval to simultaneously dedicate the South Four Lakes Unit Wells Nos. 8 and 13 to the same spacing unit and have the option to produce both wells continuously and concurrently.

(13) Pursuant to the Division Memorandums dated July 27, 1988 and August 3, 1990 regarding Rule 104.C(2) of the General Rules and Regulations, the Division may authorize, only after notice and hearing, the continuance and concurrent production of two wells on the same proration unit in a non-prorated gas pool provided that the applicant demonstrates that its correlative rights will be impaired unless both wells are produced.

(14) The South Four Lakes Unit Well No. 8 is only capable of very marginal production, is draining only a limited area of this 160-acre spacing unit, cannot be deepened due to mechanical problems and is separated by a sealing fault from that portion of the spacing in which the South Four Lakes Well No. 13 will be located.

(15) The South Four Lakes Unit Well No 13 will provide an efficient means to recover hydrocarbons from the reservoir which might not otherwise be recovered.

(16) The applicant is the operator of the South Four Lakes Unit Area which comprises all of Section 35 and the W/2 of Section 36, Township 11 South, Range 34 East, NMPM, the NW/4 of Section 1 and all of Section 2, Township 12 South, Range 34 East, NMPM, all in Lea County, New Mexico. Also, Phillips Petroleum Company owns and controls the state minerals lease underlying the N/2 SW/4 of said Section 1, which offsets the subject proration unit to the southeast.

(17) No interested party objected to the subject application.

(18) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, 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, Phillips Petroleum Company, is hereby authorized to drill its South Four Lakes Well No. 13 at an unorthodox gas well location within a fifty foot radius of a point 2450 feet from the North line and 960 feet from the East line (Unit H) of Section 2, Township 12 South, Range 34 East, South Four Lakes Unit, Four Lakes-Devonian Gas Pool, Lea County, New Mexico.

(2) The applicant is further granted an exception to Division General Rule 104.C(2) to allow the existing 160.14-acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes-Devonian Gas Pool to the proposed well and to the South Four Lakes Well No. 8 located at a standard gas well location in Unit A of said Section 2.

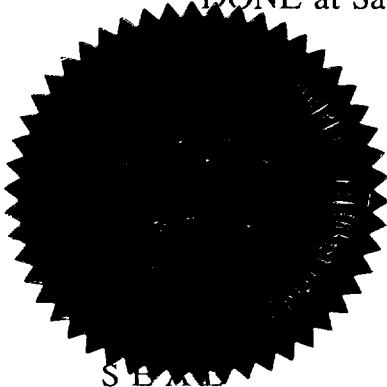
(3) The applicant shall have the option to produce both wells continuously and concurrently.

IT IS FURTHER ORDERED THAT:

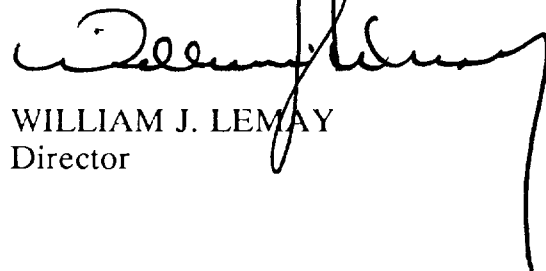
(4) Within six (6) months of completion of the South Four Lakes Unit Well No. 13, the applicant will provide data to the Division so that the Division can consider reclassifying the subject pool from a gas pool to an oil pool, and if necessary, request special rules.

(5) 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