

BEFORE THE OIL CONSERVATION DIVISION
OF THE ENERGY AND MINERALS DEPARTMENT

STATE OF NEW MEXICO

APPLICATION OF DAMSON OIL CORPORATION)
FOR EXTENSION OF UNDESIGNATED DELAWARE)
POOL AND FOR RELIEF FROM POSSIBLE)
SHUT-IN REQUIREMENTS UPON THE EVENT OF)
EXCESS PRODUCTION, LEA COUNTY, NEW)
MEXICO)

APPLICATION

DAMSON OIL CORPORATION, by its undersigned attorneys, hereby makes application for and requests approval of an order extending the horizontal limits of an undesignated Delaware pool, described below, to include Damson Oil Corporation's Southern California Federal No. 1 Well (the Damson well) located 1,980 feet FNL and 660 feet FEL of Section 29, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico; Applicant proposes that notwithstanding an accidental casing leak existing in such well at depths of 4,615 feet to 4,677 feet beneath the surface that said well be classified as producing from 6,452 feet to 6,463 feet beneath the surface; Applicant also requests approval of an order giving relief from possible shut-in requirements of the Division relative to oil produced from the Damson well in excess of the assigned monthly allowable; Applicant proposes that in the event of over-production, said well be permitted to accrue daily allowable to offset any excess production by a reduced production rate, and that Applicant would not be required by the Division to completely shut-in the Damson well pending the accrual of daily allowable to offset any such excess production. In support of this Application, the Applicant would show:

1. Applicant is the operator of the Damson well at the location specified above. Said well was originally dually completed in July 1962 as a Strawn-Morrow producer, with such production continuing for time periods from the date of completion of said well until late 1986.

2. On or about September 28, 1986, a casing leak developed in the Damson well between 4,631 feet and 4,646 feet beneath the surface. Because of the age of said well and the manner in which it was completed when first drilled in 1962, its downhole condition is fragile and the normal methods of establishing a precise identification of the horizons from which it is producing through the casing leak could not be utilized without the likelihood of a complete casing collapse and loss of the well. However, through certain other testing procedures, Applicant believes that said well is producing from the Delaware Formation between depths of 6,452 feet and 6,463 feet beneath the surface.

3. The Texaco Inc. State of New Mexico "CR" No. 1 Well (the Texaco well) was originally completed as a Strawn producer and was temporarily abandoned in 1972; the Texaco well was recently re-entered by Texaco Inc. and was completed as a Delaware producer and is producing from perforations in said well between 6,416 feet and 6,422 feet beneath the surface. The Texaco well is located 660 feet FNL and 660 FWL of Section 32, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico. Texaco has dedicated the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 32 to said well. Applicant has been advised that the Delaware pool from which said Texaco well is producing is as of this time yet to be designated by the Division.

4. Notwithstanding the fact that the Damson well lies more than one mile away from the Texaco well, Applicant would show that pursuant to geological and petroleum engineering data, Damson's well should properly be included within the horizontal limits of the undesignated Delaware pool in which the Texaco well has been completed.

5. Applicant would further show that because of the unusual and fragile nature of the downhole condition of the Damson well that completely shutting in the well would most probably have a damaging effect on the well such that any such complete shut-in of the well could easily result in a loss of the well and the consequent loss of the ability to produce the significant amounts of oil and other hydrocarbons now producible by Applicant from the Delaware formation through the Damson well. Accordingly, Applicant would seek relief from the usual requirements imposed by the Oil Conservation Division for the shutting in of a well upon the event of excess production over and above the assigned monthly allowable, pending accrual to the well of the daily allowable to offset such excess production. In lieu of such a remedy, the Applicant would respectfully request that the Oil Conservation Division impose a requirement for a reduction in volume of production to a level which is reasonable under the circumstances and consistent with production procedures which will not endanger the Damson well because of such curtailed production.

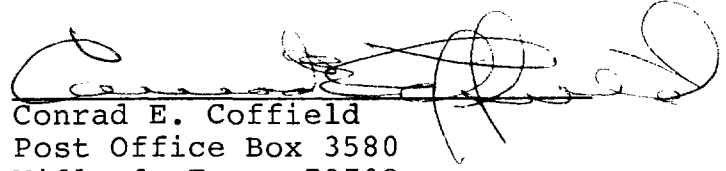
6. Approval of the above matters and entry of the orders requested is in the interest of conservation and will prevent waste and protect correlative rights.

7. Applicant respectfully requests the setting of this matter before the Division on the May 20, 1987 docket.

Dated this 22nd day of April, 1987.

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