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Santa Fé, New Mexico 87504-2265  
May 17, 1988

RECEIVED

MAY 18

OIL CONSERVATION DIVISION

Mr. William J. LeMay  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

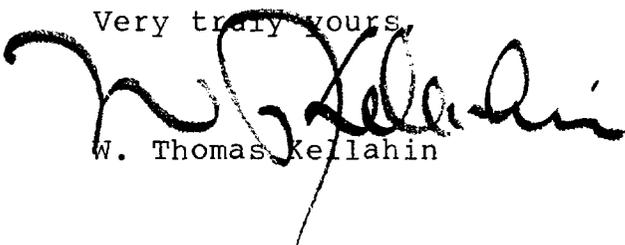
"Hand Delivered"

Re: Application of Phillips Petroleum Company  
for a DeNovo Hearing in Case 9331,  
Order R-8644

Dear Mr. LeMay:

I would appreciate you setting the enclosed  
application for a DeNovo hearing before the Commission.

Very truly yours,

  
W. Thomas Kellahin

WTK:ca  
Enc.

cc: Jim Gallogly, Esq.  
Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762

"Certified Return-Receipt Requested"

James Bruce, Esq.  
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Santa Fe, New Mexico 87504

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KELLAHIN, KELLAHIN & AUBREY

Mr. William J. LeMay  
May 17, 1988  
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Mobil Producing Texas and New Mexico, Inc.  
Nine Greenway Plaza, Suite 2700  
Houston, Texas 77046

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, New Mexico 87504

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702

Amerada Hess Corporation  
Regional Office  
P. O. Box 840  
Seminole, Texas 79360

Sun Exploration and Production Company  
Southwestern Production District  
P. O. Box 1861  
Midland, Texas 79702

C. W. Trainer  
P. O. Box 755  
Hobbs, New Mexico 88240

Shell Exploration and Production Company  
Southwestern Production District  
P. O. Box 1861  
Midland, Texas 79702

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

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MAY 18 1988

IN THE MATTER OF THE APPLICATION  
OF PHILLIPS PETROLEUM COMPANY FOR  
APPROVAL OF A NON-STANDARD  
PRORATION AND SPACING UNIT AND AN  
UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION

CASE: 9331  
ORDER R-8644

APPLICATION OF PHILLIPS PETROLEUM COMPANY  
FOR A DENOVO HEARING

COMES NOW PHILLIPS PETROLEUM COMPANY, by and through  
its attorneys, Kellahin, Kellahin & Aubrey, and pursuant  
to Section 70-2-13, N.M.S.A. 1978 states that it is a  
party adversely affected by Division Order R-8644 entered  
on April 27, 1988 in Case 9331 (Exhibit "A") and  
accordingly requests that this case be set for a DeNovo  
hearing before the New Mexico Oil Conservation  
Commission.

Respectfully submitted:

By 

W. Thomas Kellahin, Esq.  
P. O. Box 2265  
Santa Fe, NM 87504

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. 9331  
Order No. R-8644

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR A NON-STANDARD GAS  
PRORATION UNIT AND 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 March 16 and April 13, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of April, 1988, 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 (Phillips), seeks approval for an unorthodox gas well location for its proposed State "22" Well No. 1 to be located 660 feet from the North and West lines (Unit D) of Section 22, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, to test the South Shoe Bar-Atoka Gas Pool and the Morrow formation, said well to be dedicated either to a 160-acre non-standard gas proration and spacing unit consisting of the N/2 SW/4 and W/2 NW/4 of said Section 22, or in the alternative, to an 80-acre non-standard gas proration and spacing unit consisting of the W/2 NW/4 of said Section 22.

(3) The applicant is the leasehold owner of the W/2 NW/4 of said Section 22, and at the time of the hearing, the applicant testified that Phillips had reached a verbal agreement with Amerada Hess to obtain by farmout its acreage consisting of the N/2 SW/4 of said Section 22 contingent upon approval of the subject application by the Division.

(4) At the time of the hearing, the applicant requested that the portion of the case requesting approval of an 80-acre non-standard spacing and proration unit to be dedicated to subject well be dismissed.

(5) Arco Oil & Gas Company (Arco), the leasehold owner of the S/2 SW/4 of said Section 22, appeared at the hearing in opposition to the application.

(6) The evidence in this case indicates that by Administrative Order No. NSP-1470, the Division approved a 240-acre non-standard gas spacing and proration unit consisting of the NE/4 and the E/2 NW/4 of said Section 22, said acreage dedicated to the T. H. McElvain Oil and Gas Properties New Mexico "AC" State Well No. 1 located at an unorthodox gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 22, which was completed in the South Shoe Bar-Atoka Gas Pool in January, 1986.

(7) The evidence further indicates that Sun Exploration and Production Company currently operates the South Shoe Bar State Com Well No. 1 located 660 feet from the South line and 2030 feet from the West line of Section 15, Township 17 South, Range 35 East, NMPM, which was completed in the South Shoe Bar-Atoka Gas Pool in December, 1987.

(8) Phillips presented as evidence initial bottomhole pressure data from the two aforementioned wells which indicates that, prior to its completion, the South Shoe Bar State Com Well No. 1 likely experienced drainage from the New Mexico "AC" State Well No. 1 which is located a distance of approximately 3698 feet away.

(9) At the time of the hearing it was determined that Arco has proposed and is willing to contribute its acreage in the SW/4 SW/4 of said Section 22 to the proposed non-standard proration unit.

(10) Arco further proposed that its acreage in the SE/4 SW/4 of said Section 22 could be included in a possible non-standard proration unit consisting of the SE/4 SW/4 and the SE/4 of said Section 22, which could be dedicated to a well drilled in the S/2 of Section 22.

(11) At the time of the hearing, Arco requested that the Division impose a production penalty factor on the subject well, said penalty factor to equal the proportion that the non-standard proration unit bears to a standard proration unit within the pool (160/320) or 0.50.

(12) The evidence supports the applicability of the general rules in that a well in this reservoir will drain at least 320 acres.

(13) Applicant's request will result in waste from the drilling of unnecessary wells.

(14) Applicant failed to address how correlative rights will be protected in an unprorated gas pool with the proposed unorthodox location and non-standard proration unit.

(15) In the absence of evidence on the record demonstrating the need for an exception, the Division should administer a program of uniform well density and well spacing in performing its statutory duty of protecting correlative rights.

(16) The application should be denied.

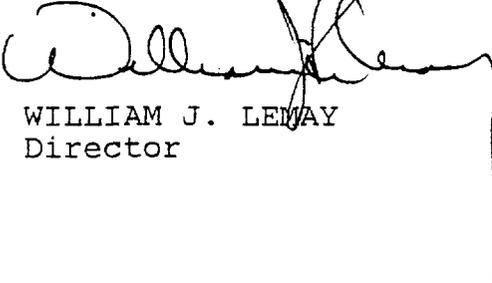
IT IS THEREFORE ORDERED THAT:

(1) The granting of this application would tend to cause waste and would impair correlative rights and is therefore denied.

(2) 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

S E A L