

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. 10766
Order No. R-10009*

APPLICATION OF DAVID H. ARRINGTON OIL & GAS, INC. FOR AN
UNORTHODOX GAS WELL LOCATION AND A NON-STANDARD GAS PRORATION
UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NCW, on this 4th day of November, 1993, 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, David H. Arrington Oil & Gas, Inc. ("Arrington"), seeks approval for an unorthodox gas well location for its proposed McQuatters Well No. 1 to be drilled 1980 feet from the North line and 1830 feet from the West line (Unit F) of Section 11, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, the S/2 NE/4, SE/4 NW/4, and NW/4 SE/4 of said Section 11 (resulting in a "T" shaped unit) to be dedicated to said well forming a non-standard 160-acre gas spacing and proration unit for said pool.

(3) The Eumont Gas Pool is governed under the Division's *General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Eumont Oil and Gas Pool*, as promulgated by Division Order No. R-8170, as amended, which require wells to be located no closer than 660 feet from the outer boundary of a gas spacing and proration unit with a maximum acreage of 160 acres. A standard gas proration and spacing unit for said pool is 640 acres.

(4) Testimony presented at the hearing and Division records indicate that a portion of the subject acreage has previously been utilized for a 120-acre non-standard Eumont gas spacing and proration unit comprising S/2 NE/4 and NW/4 SE/4 in which was dedicated the Two States Oil Company McQuatters Well No. 1, located at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 11, said unit approved by Division Administrative Order NSP-154, dated June 15, 1955. This unit ceased to exist in 1987 when the Eumont perforations were abandoned and the well was recompleted in the Eunice Monument Grayburg San Andres Pool and transferred to Chevron U.S.A., Inc. for use in its Eunice Monument South Unit Waterflood Project as a water injection well. There is no indication that the 40-acre tract comprising the SE/4 NW/4 was ever dedicated to a Eumont Gas proration unit.

(5) The applicant is now the current leasehold owner of the Eumont rights underlying the subject 160 acres and proposes to drill its McQuatters Well No. 1 to produce the remaining gas reserves in the Eumont Gas Pool underlying the proposed 160-acre unit.

(6) The remaining acreage in Section 11 is currently being utilized in five existing non-standard Eumont Gas proration units:

- the 80 acres comprising the N/2 NE/4, approved by Division Administrative Order NSP-106, dated March 16, 1955 and amended October 27, 1989, are currently dedicated to John H. Hendrix Corporation's McQuatters Well No. 1, located at an unorthodox gas well location 860 feet from the North line and 2100 feet from the East line (Unit B);
- the 80 acres comprising the N/2 NW/4 are incorporated into a 320-acre non-standard gas spacing and proration unit that includes Lots 13 and 14 and the SW/4 of the adjacent Section 2 to the north, approved by Division Order No. R-1227, dated August 6, 1958, and has currently dedicated to it the Chevron U.S.A., Inc. J. F. Janda (NCT-D) Com Well Nos. 1 and 4, both located at standard gas well locations in Units "T" and "M", respectively, of said Section 2 (see also Division Administrative Order SD-92-12, dated December 15, 1992, as corrected October 13, 1993);
- the 200 acres comprising the SW/4 NW/4 and the SW/4, approved by Division Administrative Order NSP-504, September 14, 1959, and reconfirmed by Division Administrative Order NSL-2153, dated September 27, 1985 and May 13, 1986, are currently dedicated to the Conoco, Inc. State "D" Well No. 16, located at an unorthodox gas well location 2080 feet from the South line and 660 feet from the West line (Unit L);

- the 40 acres comprising the SW/4 SE/4 (Unit O), approved by Division Administrative Order NSP-265, dated May 16, 1956, are currently dedicated to John H. Hendrix Corporation's M. S. Berryman Well No. 1, located 330 feet from the South line and 1650 feet from the East line (Unit O); and,
- the 80 acres comprising the E/2 SE/4 are incorporated into a 160-acre non-standard gas spacing and proration unit that includes the W/2 SW/4 of the adjacent Section 12 to the east, approved by Division Order No. R-674, dated August 17, 1955, and has currently dedicated to it the Lewis B. Burleson, Inc. Marshall Well No. 1, located at a standard gas well location 660 feet from the South and East lines (Unit P).

(7) The operator of the above-described offsetting 200-acre non-standard unit to the west, Conoco, Inc., appeared at the hearing and objected to approval of the proposed unorthodox location portion of this application.

(8) The closest standard gas well location for this unit is 1980 feet from the North and West lines of said Section 11, however this particular location is occupied by a Chevron U.S.A., Inc. Eunice Monument South Unit/Eunice Monument Grayburg San Andres Pool water injection well, thereby making this an impossible alternate drill site.

(9) Considering the geological evidence submitted by both parties in this case, there appears to be only a very minimal structural advantage to the applicant by locating the well at the proposed location and considering further that Arrington possesses the right to develop the Eumont Gas Pool underlying his acreage, the requested location should be approved. However, to ensure that the correlative rights of the other operators in the pool are being protected, an allowable penalty should be imposed on the subject gas spacing and proration unit.

(10) The penalty imposed for the Eumont gas production upon the subject acreage, as long as the well is classified a "gas well", should be based simply upon the footage variation of the unorthodox location that this well is crowding the outer boundary of the unit than a well at the closest standard gas well location for this size and shaped proration unit. The subject well, being 1980 feet from the North line and 1830 feet from the West line (Unit F) of said Section 11, is 150 feet or 23 percent, closer than permitted to the extreme western boundary of this "T" shaped unit.

(11) An allowable factor of 77 percent (a penalty of 23 percent) for the subject 160-acre unit, which should be assigned as an acreage factor, will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, is in the best interest of conservation and will prevent waste.

(12) Should, at any future date the subject well be reclassified as an oil well, pursuant to said rules and regulations governing wells in the Eumont Pool, this order should be placed in abeyance until further notice.

IT IS THEREFORE ORDERED THAT:

(1) The application of David H. Arrington Oil & Gas, Inc. for an exception to the Division's *General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Eumont Oil and Gas Pool*, as promulgated by Division Order No. R-8170, as amended, authorizing an unorthodox gas well location and a 160-acre gas spacing and proration unit, is hereby approved for its McQuatters Well No. 1 to be drilled 1980 feet from the North line and 1830 feet from the West line (Unit F) of Section 11, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

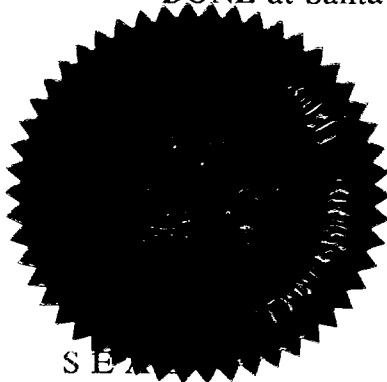
(2) A 160-acre non-standard gas spacing and proration unit comprising the S/2 NE/4, SE/4 NW/4, and NW/4 SE/4 of said Section 11 is hereby established and shall be dedicated to said well.

(3) For the purposes of assigning a gas allowable in the Eumont Gas Pool, the subject non-standard proration unit shall be assigned an acreage factor of 0.77.

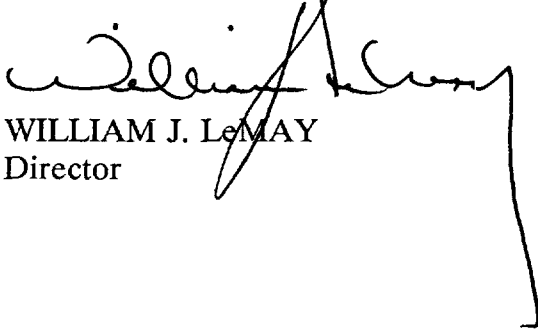
(4) Should, at any future date the subject well be reclassified as an oil well, pursuant to said rules and regulations governing wells in the Eumont Pool, this order shall be placed in abeyance until further notice.

(5) Jurisdiction of this cause 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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November 4, 1993


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RE: CASE NO. 10766
ORDER NO. R-10009

Dear Sir:

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

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM Carlsbad Office
Tom Kellahin