

**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. 13408
ORDER NO. R-12405**

**APPLICATION OF LATIGO PETROLEUM, INC. FOR AN EXCEPTION TO
DIVISION RULE 104.C.(3), LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 19, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones. The case came on again for hearing on July 14, 2005, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 10th day of August, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Latigo Petroleum, Inc. ("Latigo" or "applicant"), seeks approval to simultaneously dedicate an existing standard 160-acre gas spacing unit consisting of the SW/4 of Section 13, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, to the following two wells for production from the Bough-San Andres Gas (72680) Pool:

(a) Federal A 13 Well No 2 (API 30-025-02651) located at a standard gas well location 990 feet from the South line and 660 feet from the West line; and

(b) Federal A Well No 5 (API 30-025-21304) located at a standard gas well location 810 feet from the South line and 1980 feet from the West line.

(3) The applicant presented exhibits and testimony of this case to the Division on May 19, 2005. Proof of notice was provided at that hearing to all mineral interest owners and lessees (approximately 86 addresses) in all spacing units surrounding the subject spacing unit. At that time the newspaper notice was deemed to be lacking.

(4) Notice of this matter was published June 30, 2005 in a Lea County newspaper, and the case was again heard by the Division at the July 14, 2005, examiner hearing.

(5) No party other than the applicant entered an appearance in this case in either of these hearings.

(6) The Bough-San Andres Gas Pool has no special pools rules and is therefore governed solely by statewide rules. Since these wells are located in Lea County and produce gas from a formation younger than the Wolfcamp, the applicable statewide well spacing and location rule is 19.15.3.104 NMAC Section C. (3) shown here:

19.15.3.104 **WELL SPACING AND LOCATION:**

C. *Gas Wells Acreage And Well Location Requirements.*

(3) *160-acre spacing applies to any other gas well not covered above [Sections C (1) and (2)]. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. public land surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.*

(7) As shown in (6) above, 160 acre gas spacing units are not allowed more than one well. The applicant in this case seeks an exception to Rule 104 C. (3) under the procedure set out in Rule 104 D. (3).

(8) The applicant presented testimony from Mr. Robert G. Setzler, who was qualified as an expert petroleum reservoir engineer. Mr. Setzler testified to the following:

(a) The Federal A 13 Well No. 2 has produced from the San Andres since August 1, 1986. The Federal "A" Well No. 5 was previously a salt water disposal well completed and injecting into a deeper formation. The No. 5 well was re-completed as a San Andres producer in the same spacing unit on November 5, 2004.

(b) Both of these wells are relatively low producers. The No. 2 well produces at a rate of 200 Mcf per day and the No. 5 well produces at a rate of 230 Mcf per day. Both wells produce by flowing, produce very little water, and produce against the same line pressure.

(c) The perforations are correlative from well to well.

(d) This 160 acres consists solely of federal minerals and is leased 100 percent by Latigo.

(e) Significant differences exist in the water taken from each well, such as the chloride content, the dissolved H₂S, the total solids, the magnesium, the bicarbonates, and the free iron content.

(f) The gas samples showed a 477 percent difference between individual H₂S gas contents.

(g) There is an 8.2% difference between the measured bottom hole pressures. The bottom hole pressures for each well was measured by shutting in the well for 72 hours, then lowering a gauge into the hole - pressure transients were not analyzed.

(h) Calculation of drainage areas shows that neither well will interfere with its neighbor.

(i) Typical San Andres gas wells in this pool exhibit long producing lives at low rates of production decline.

(j) It can therefore be concluded that each well is draining its own stratigraphic unit and is recovering gas that would not otherwise be recovered.

(9) The applicant's evidence presented in this case demonstrate that the simultaneous production of these two wells located at standard gas well locations in this existing standard 160 acre spacing unit is necessary in order to recover reserves that would otherwise not be recovered.

(10) Approval of this application will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

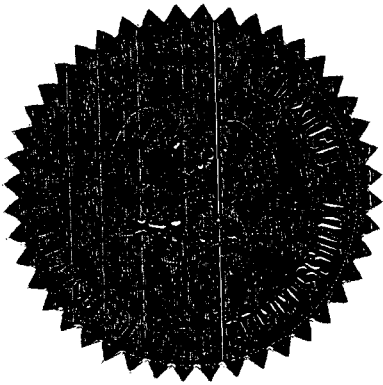
(1) The application of Latigo Petroleum, Inc. to simultaneously dedicate an existing standard 160-acre gas spacing unit consisting of the SW/4 of Section 13, Township 9 South, Range 35 East, NMPM, Lea County, New Mexico, to the following two wells for production from the Bough-San Andres Gas (72680) Pool is hereby approved:

(a) Federal A 13 Well No 2 (API 30-025-02651) located at a standard gas well location 990 feet from the South line and 660 feet from the West line; and

(b) Federal A Well No 5 (API 30-025-21304) located at a standard gas well location 810 feet from the South line and 1980 feet from the West line.

(2) Jurisdiction 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire", with a long horizontal flourish extending to the right.

MARK E. FESMIRE, P.E.
Director