

**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. 13506
ORDER NO. R-12404**

**APPLICATION OF EDGE PETROLEUM EXPLORATION COMPANY FOR A
NON-STANDARD GAS SPACING UNIT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. 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 Examiner,

FINDS THAT:

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

(2) By Order No. R-2373, issued in case No. 2691 on November 21, 1962, the Division created the Lusk-Morrow Gas Pool and promulgated Temporary Special Rules and Regulations including a provision for 640-acre spacing and proration units, and said Rules and Regulations were made permanent by Division Order No. R-2373-B issued on May 19, 1965. The horizontal limits of the Lusk-Morrow Gas Pool currently include the following described lands in Lea and Eddy Counties, New Mexico:

EDDY COUNTY	
<u>TOWNSHIP 19 SOUTH. RANGE 31 EAST. NMPM</u>	
Section 13:	All
Section 24 and 25:	All

LEA COUNTY
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Sections 9 and 10:	All
Sections 15 and 16:	All
Sections 18 through 21:	All
Sections 27 through 30:	All
Section 32:	All

(3) The Special Rules and Regulations for the Lusk-Morrow Gas Pool include a provision that read as follows:

RULE 3 Each well completed or recompleted in said pool shall be located not closer than 330 feet to the outer boundary of the SW/4NE/4, NW/4SE/4, NE/4SW/4, or SE/4NW/4 of the section. Any well drilling to or completed in the Strawn or Morrow formation on the date of this order is hereby granted an exception to the well location requirements of this rule.

(4) By Order No. R-2373-D, issued in case No. 12444, on September 12, 2000, to Marbob Energy Corporation, the Division amended Rule 3 of the Special Rules and Regulations for the Lusk-Morrow Gas Pool as follows:

RULE 3(a): The initial well within a gas spacing and proration unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Each infill well within an existing gas spacing and proration unit shall be located in a quarter section that does not contain a producing Morrow gas well and shall be located with respect to the assigned unit boundaries.

RULE 3(b): The Division Director may grant an exception to the footage requirements for a Morrow gas well of Rule 3 (a) above without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 3(c) No more than one Morrow gas well shall be located within a single governmental quarter section. Any deviation from this well density requirement shall be authorized only after hearing.

(5) The applicant, Edge Petroleum Exploration Company ("Edge" or "Applicant"), now seeks approval of a 320-acre non-standard gas spacing and proration unit in the Morrow formation (Lusk-Morrow Gas Pool) comprised of the S/2 of Section 28, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico. This unit is to be dedicated to the applicant's proposed South Lusk 28 "H" Fed. Com Well No. 1 to be drilled at an orthodox location 660 feet from the South line and 830 feet from the West line (Unit M) in the SW/4SW/4 of Section 28.

(6) Cimarex Energy Company appeared at the hearing through legal counsel in support of the application.

(7) Edge presented land evidence that demonstrates that:

- (a) the U.S. Bureau of Land Management (USBLM) is the mineral interest owner in all of Section 28;
- (b) the working interest owners in the N/2 of Section 28 are Wilbur Shackelford and Mobile Producing Company;
- (c) with respect to these working interest owners, Wilbur Shackelford is the only interest owner in the Morrow formation;
- (d) pursuant to Division Procedural Rules and Special Pool Rules for the Lusk-Morrow Gas Pool, Edge provided notice of this application to all working, royalty, overriding royalty, and all offset operators in the unit; and
- (e) no interest owner appeared at the hearing in opposition to the application.

(8) Further, Edge presented geologic and engineering evidence that demonstrate that:

- (a) there are three (3) productive sand bodies in the middle Morrow formation and one of these sand bodies is absent in the N/2 of Section 28;

- (b) the Gruy Petroleum Company's Plains Unit Well No. 2 that was drilled in the NW/4 of Section 28, penetrated the Morrow formation, however, it has not produced from the Morrow formation for the last twelve (12) years;
- (c) the mineral interest owners in the S/2 of Section 28 acquired their interests after the Plains Unit Well No. 2 depleted in the Morrow formation, and they never shared in the production from this well in the NW/4 of Section 28; and
- (d) by the amended Rule 3 (c) of Order No. R-23 73-D, Marbob Energy Corporation has shown that the drainage in the Morrow formation in this area is based on 160 acres, and therefore the Applicant's proposed well is likely to drain 160 acres.

(9) The Applicant's proposed non-standard 320-acre gas spacing and proration unit in the Lusk-Morrow Gas Pool for its South Lusk 28 "H" Fed. Com Well No. 1 will afford the applicant the opportunity to produce its just and equitable share of gas from the subject pool, will prevent economic loss caused by drilling of unnecessary wells, and will prevent waste and protect correlative rights.

(10) The application should be approved.

IT IS THEREFORE ORDERED THAT:

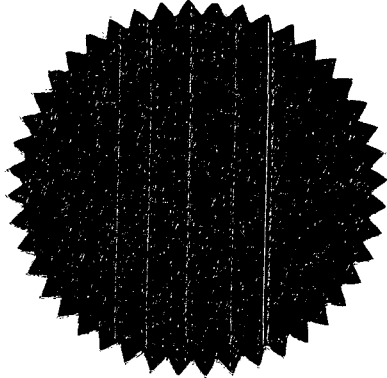
(1) The application of Edge Petroleum Exploration Company ("Edge") to establish a non-standard 320-acre spacing and proration unit within the Lusk-Morrow Gas Pool comprising the S/2 of Section 28, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) This unit shall be dedicated to Edge's South Lusk 28 "H" Fed. Com Well No. 1 to be drilled at an orthodox location 660 feet from the South line and 830 feet from the West line (Unit M) in the SW/4SW/4 of Section 28.

(3) Edge shall file a Form C-102 with the Division reflecting the non-standard 320-acre spacing and proration unit within 30 days from the date of this order. Failure to file Form C-102 as stipulated above shall subject the well to cancellation of allowable.

(4) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive.

MARK E. FESMIRE, P.E.
Director