

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:

NOMENCLATURE
CASE NO. 9862
Order No. R-9133

APPLICATION OF MEWBOURNE OIL COMPANY
FOR THE CONTRACTION OF THE ATOKA-
PENNSYLVANIAN GAS POOL AND THE
CONCOMITANT EXTENSION OF THE WEST
ATOKA-MORROW GAS POOL AND FOR AN
UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of March, 1990, 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, Mewbourne Oil Company, seeks approval to drill its Gin Well No. 1 at an unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 9, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, to test the Morrow formation. The W/2 of said Section 9 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for the West Atoka-Morrow Gas Pool.

(3) The applicant further seeks an order contracting the horizontal limits of the Atoka-Pennsylvanian Gas Pool by the deletion therefrom of the W/2 of said Section 9, and the concomitant expansion of the West Atoka-Morrow Gas Pool to include said acreage.

(4) The W/2 of said Section 9 is currently dedicated to the Mewbourne Oil Company Spencer Com Well No. 1 located 1650 feet from the North and West lines (Unit F) of said Section 9 which was drilled and completed in the Atoka-Pennsylvanian Gas Pool in 1977, and is currently uneconomic to produce.

(5) The applicant has testified that should its application be approved, the above-described Spencer Com Well No. 1 will be plugged and abandoned.

(6) According to the geologic evidence presented by the applicant, the primary objective within the proposed Gin Well No. 1 is what the applicant has identified as the Lower Morrow "A" Channel Sand.

(7) The geologic evidence and testimony further indicates that a well at the proposed unorthodox location should encounter a greater amount of net sand within the Lower Morrow "A" Channel Sand than would a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(8) No offset operator or interest owner appeared at the hearing in opposition to the proposed unorthodox gas well location.

(9) The Atoka-Pennsylvanian Gas Pool, which currently encompasses, in part, all of said Section 9, is a prorated gas pool subject to the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended.

(10) The West Atoka-Morrow Gas Pool, which currently encompasses, in part, all of Section 8, Township 18 South, Range 26 East, NMPM, is a non-prorated gas pool.

(11) The Lower Morrow "A" Channel Sand is present in portions of Sections 5, 8, 9, 15 and 16, all in said Township 18 South, Range 26 East, NMPM, and is currently encompassed by the Atoka-Pennsylvanian Gas Pool, the West Atoka-Morrow Gas Pool, and the Eagle Creek Atoka-Morrow Gas Pool.

(12) The geologic evidence indicates that the majority of the wells producing from the Morrow formation in the West Atoka-Morrow and Atoka-Pennsylvanian Gas Pools, including the Spencer Com Well No. 1 as described in Finding No. (4) above, are not producing and are not capable of producing from said Lower Morrow "A" Channel Sand but are in fact producing from various other sand lenses within the Morrow formation.

(13) The geologic evidence further indicates that there are currently only five wells producing from the Lower Morrow "A" Channel Sand in this immediate area, these being the:

a) Yates Petroleum Corporation Armstrong "CT" Com Well No. 1 located in the SW/4 of said Section 5 and currently classified within the Eagle Creek Atoka-Morrow Gas Pool;

b) Yates Petroleum Corporation Chumbley "XS" Com Well No. 1 located in the NE/4 of said Section 8 and currently classified within the West Atoka-Morrow Gas Pool.

c) Harvey E. Yates Company Dayton Com Well No. 1 located in the NW/4 of said Section 16 and currently classified within the Atoka-Pennsylvanian Gas Pool;

d) Chevron USA Inc. C. R. Martin Well No. 1 located in the SE/4 of said Section 15 and currently classified within the Atoka-Pennsylvanian Gas Pool; and

e) Chevron USA Inc. Paul Terry Com Well No. 2 located in the NE/4 of said Section 15 and currently classified within the Atoka-Pennsylvanian Gas Pool.

(14) The three wells located in Sections 15 and 16, as described in Finding No. (13) above, have been producing from the Lower Morrow "A" Channel Sand for several years and are currently classified as marginal gas wells within the Atoka-Pennsylvanian Gas Pool.

(15) In support of its pool redesignation request, the applicant presented engineering evidence and testimony which indicates that the Chumbley "XS" Com Well No. 1, which was drilled in 1988, essentially encountered virgin reservoir pressure within the Lower Morrow "A" Channel Sand.

(16) This evidence supports the applicant's contention that there may exist, within the Lower Morrow "A" Channel Sand, a permeability barrier which effectively isolates Sections 8 and 9 from Sections 15 and 16.

(17) This evidence further tends to indicate that the proposed classification of the subject Gin Well No. 1 to the West Atoka-Morrow Gas Pool will not adversely affect the correlative rights of those operators in said Sections 15 and 16.

(18) The proposed classification will also allow the subject Gin Well No. 1 to compete fairly with the currently non-prorated Chumbley "XS" Com Well No. 1, a direct northwest offset well which is currently capable of producing in excess of the average non-marginal well allowable for the Atoka-Pennsylvanian Gas Pool.

(19) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed pool contraction and expansion.

(20) The engineering and geologic evidence presented indicates that the W/2 of said Section 9 should be properly placed within the West Atoka-Morrow Gas Pool, provided however, that should the Gin Well No. 1 be completed in any other Morrow producing interval besides the Lower Morrow "A" Channel Sand, this case should be reopened and the applicant should be required to appear and present evidence and testimony which would demonstrate that the correlative rights of those operators in the Atoka-Pennsylvanian Gas Pool are not being violated.

(21) Approval of the proposed unorthodox gas well location will afford the applicant the opportunity to produce its just and equitable share of the gas in the West Atoka-Morrow Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Mewbourne Oil Company, is hereby authorized to drill its Gin Well No. 1 at an unorthodox Morrow gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 9, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico.

(2) The W/2 of said Section 9 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit.

(3) The Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, is hereby contracted by the deletion therefrom of the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 9: W/2

(4) The West Atoka-Morrow Gas Pool, Eddy County, New Mexico, is hereby expanded to include the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 9: W/2

(5) Should the above-described Gin Well No. 1 be completed as a producing well in the West Atoka-Morrow Gas Pool, the applicant shall plug and abandon its Spencer Com Well No. 1 located 1650 feet from the North and West lines (Unit F) of said Section 9.

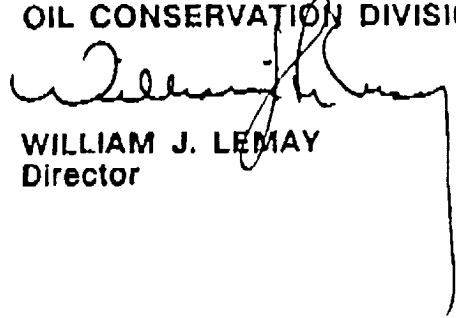
(6) Should the above-described Gin Well No. 1 be completed in any other Morrow producing interval besides the Lower Morrow "A" Channel Sand, this case shall be reopened and the applicant shall be required to appear and present evidence and testimony which would demonstrate that the correlative rights of those operators in the Atoka-Pennsylvanian Gas Pool are not being violated.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 9862
Order No. R-9133
Page -6-

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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