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. 11453
Order No. R-10549

APPLICATION OF OXY USA INC. 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 January 25 and February 22, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of February, 1996, 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, Oxy USA Inc., seeks authority to drill its Government "S" Well No. 9 at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 3, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, to test all prospective formations from the top of the Wolfcamp to the base of the Morrow formation. The N/2 of Section 3 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit within said vertical extent.

(3) According to Division records the proposed Government "S" Well No. 9 is located within the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Strawn Gas Pool, the Winchester-Atoka Gas Pool, and the Winchester-Morrow Gas Pool.

(4) Applicant's evidence and testimony indicates that the primary objective within the Government "S" Well No. 9 is the Bone Spring formation, Old Millman Ranch-Bone Spring Associated Pool. The Old Millman Ranch-Bone Spring Associated Pool is currently governed by the General Rules and Regulations for the Associated Oil and Gas

Pools of Northwest and Southeast New Mexico as promulgated by Division Order No. R-5353, as amended, and by the Special Rules and Regulations for the Old Millman Ranch-Bone Spring Associated Pool as promulgated by Division Order No. R-5353-M. Oil wells within the Old Millman Ranch-Bone Spring Associated Pool are spaced on 40 acres with wells to be located no closer than 330 feet from the outer boundary of the proration unit.

(5) The subject well, which is projected to be an oil well within the Old Millman Ranch-Bone Spring Associated Pool, is located at a standard oil well location. The NE/4 NE/4 of Section 3 is to be dedicated to the proposed Government "S" Well No. 9 in the Old Millman Ranch-Bone Spring Associated Pool.

(6) According to applicant's evidence and testimony, the subject well is located at the edge of the Bone Spring reservoir.

(7) Applicant proposes to "package" the Bone Spring interval with secondary objectives which include the Wolfcamp, Strawn, Atoka and Morrow formations in order to reduce the risk associated with drilling a stand-alone Bone Spring well at this location.

(8) Further testimony by the applicant indicates that the economics of the project necessitate drilling the subject well with multiple pay targets.

(9) According to applicant's geologic and engineering evidence and testimony, the proposed unorthodox gas well location is necessary for the following reasons:

a) within the NE/4 of Section 3, the NE/4 NE/4 is the only undrilled Bone Spring proration unit;

b) a well at the proposed unorthodox gas well location should encounter a greater amount of net pay within the Wolfcamp formation than a well drilled at a standard gas well location within the N/2, thereby increasing the likelihood of encountering commercial gas production from this zone;

c) a well at the proposed unorthodox gas well location should encounter a greater amount of net pay and better permeability development within the Morrow formation than a well drilled at a standard gas well location within the N/2, thereby increasing the likelihood of obtaining commercial gas production from this zone.