

INDIAN BASIN-MORROW GAS POOL
(Order Nos. R-8170-O-1/R-2441-B)
Eddy County, New Mexico

Order Nos. R-8170-O-1 and R-2441-B, Creating and Adopting Operating Rules for the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, August 1, 1996.

Application of Marathon Oil Company, Kerr-McGee Corporation, and Santa Fe Energy Resources, Inc. to Terminate Gas Prorating, to "Infill" Drill, and to Amend the Special Rules and Regulations for the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico.

CASE NO. 11512
Order Nos. R-8170-1 and R-2441-B

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on May 2, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of July, 1996, the Division Director, having considered 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) By Division Order No. R-2441, dated February 28, 1963, the Indian Basin-Morrow Gas Pool was created and designated as a gas pool for the production of gas from the Morrow formation underlying all of Sections 22 and 23, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico. Said order further provided for 640-acre spacing units with well location requirements such that each well completed or recompleted in the Indian Basin-Morrow Gas Pool shall be no closer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(3) Gas production allocation or gas prorating based on acreage alone was instituted in the Indian Basin-Morrow Gas Pool by Division Order No. R-1670-F, issued in Case 3237 and dated May 6, 1965. Both the "Special Rules and Regulations for the Indian Basin-Morrow Gas Pool" that were originally adopted by said Order No. R-2441 and the subsequent prorating under R-1670-F were later recodified and combined in Division Order No. R-8170, as amended. Because this pool is "prorated", an infill or second well on an individual 640-acre gas spacing and prorating unit is acceptable; further any allowable issued to such a unit can usually be produced from both wells in any proportion (see Division Memorandums dated July 27, 1988 and August 3, 1990).

(4) The reasons stated in said Order No. R-1670-F for instituting gas prorating in this pool in the year 1963 were as follows:

(a) there were a total of eight wells completed in the Indian Basin-Morrow Gas Pool; however no Morrow gas had been transported from these wells because no transportation facilities to this area were in existence;

(b) there existed a market demand for this production and two purchasers were planning construction of gas transportation facilities to these wells; and,

(c) the wells that were completed at the time were capable of producing in excess of the reasonable market demand for gas from the pool and were capable of producing in excess of the gas transportation facilities to be constructed.

THEREFORE, production from the Indian Basin-Morrow Gas Pool was restricted to reasonable market demand and the capacity of the gas transportation facilities to be constructed.

(5) By Division Order R-8170-O, dated November 27, 1995, entered in Case 11333, the Division granted, in part, an application of Marathon Oil Company ("Marathon") to expand the nearby and unprorated Cemetery-Morrow Gas Pool and to contract the Indian Basin-Morrow Gas Pool because:

(a) the Morrow formation underlying the area encompassing both the Indian Basin and Cemetery Morrow Gas Pools is approximately 1600 feet below the Cisco/Canyon formation or the South Dagger Draw-Upper Pennsylvanian Associated Pool, in which and is now often treated as a secondary objective which can be economically explored in conjunction with the drilling or deepening of a well for production from the primary objective-the Cisco/Canyon formation or South Dagger Draw-Upper Pennsylvanian Associated Pool;

(b) the Morrow wells in both the Indian Basin-Morrow Gas Pool and the Cemetery-Morrow Gas Pool will drain no more than 320 acres;

(c) there is no physical or impermeable barrier within the Morrow interval separating the Cemetery and the Indian Basin Morrow Gas Pools indicating that the Morrow formation constitutes one single common source of supply ("reservoir") in this particular area; and,

(d) in order to afford an opportunity to drill a well to test both the Cisco/Canyon formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Morrow formation, it is necessary to have the Morrow formation spaced on the same 320-acre standard spacing pattern as established for the South Dagger Draw-Upper Pennsylvanian Associated Pool;

with the Division finding that many of Marathon's objectives may be obtained in a manner consistent with Division practice by the following:

(i) contracting a portion of the Indian Basin Morrow Gas Pool; and,

(ii) by declaring that the special rules and regulations for the Indian Basin-Morrow Gas Pool rules shall not apply beyond its current boundary.

(6) With amendments to these orders the horizontal limits of said pool have been adjusted from time to time and currently comprise the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM
Section 2: All
Sections 9 and 10: All
Section 11: W/2
Section 14: SW/4
Section 15: All
Sections 22 through 25: All
Section 36: All