

**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. 12126
Order No. R-11144**

**APPLICATION OF GOTHIC PRODUCTION CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 18, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 26th day of February, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) The applicant, Gothic Production Corporation ("Gothic"), seeks authority to drill its Penjack Federal Well No. 11 at an unorthodox gas well location 330 feet from the North line and 2310 feet from the East line (Unit B) of Section 12, Township 10 South, Range 25 East, NMPM, Chaves County, New Mexico, to test the Abo formation, Pecos Slope-Abo Gas Pool.

(3) The NE/4 of Section 12 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for this pool. This unit is currently dedicated to Gothic's Penjack Federal Well No. 3 (API No. 30-005-62495), located at a standard gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 12.

(4) Well acreage and location requirements within the Pecos Slope-Abo Gas Pool are governed by the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*"

set forth in Division Order No. R-9976-C, as amended, which require standard 160-acre gas spacing and proration units with an initial well to be located no closer than 660 feet to any 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.

(5) Additionally these rules provide for the optional drilling of a second well on each 160-acre gas spacing and proration unit to be located no closer than 660 feet to any 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.

(6) These rules further provide for location exceptions only after notice and hearing.

(7) At the hearing Gothic testified that drilling its Penjack Federal Well No. 11 at the proposed unorthodox location should encounter a thicker Abo sand sequence than a well drilled at a standard gas well location within the SE/4 of Section 30, thereby increasing the likelihood of obtaining commercial gas production.

(8) Additionally Gothic testified that drilling its Penjack Federal Well No. 11 at the proposed unorthodox location should avoid potential communication with the Penjack Federal Well No. 3 due to a northwest southeast trending fracture system within the Abo formation, thereby increasing the likelihood of obtaining commercial gas production.

(9) Gothic further testified that the surface management agency, the U.S. Bureau of Land Management, requested that the Penjack Federal Well No. 11 be located at its proposed unorthodox location due to topography.

(10) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(11) The applicant's request should be granted.

(12) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas in this unit and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Gothic Production Corporation, is hereby authorized to drill its Penjack Federal Well No. 11 at an unorthodox gas well location 330 feet from the North line and 2310 feet from the East line (Unit B) of Section 12, Township 10 South, Range 25 East,

NMPM, Chaves County, New Mexico, to test the Abo formation, Pecos Slope-Abo Gas Pool.

(2) The NE/4 of Section 12 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for this pool.

(3) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

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