

CASE 4063: Application of KERR-
McGEE CORP. FOR CREATION OF NEW
GAS POOL & SPECIAL POOL RULES.

Index Number

4063

Application

Transcripts.

Small Exhibits

ETC.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

February 25, 1981

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Ms. Donna Holler
Oil Reports & Gas Services, Inc.
P. O. Box 763
Hobbs, New Mexico 88240

Re: CASE NO. 4063
ORDER NO. R-3698-A

Applicant:

OCD (Kerr-McGee Corporation)

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

~~Yours very truly,~~

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF CASE NO. 4063 BEING
REOPENED ON THE MOTION OF THE OIL
CONSERVATION DIVISION TO CONSIDER THE
ABOLISHMENT OF THE SPECIAL RULES AND
REGULATIONS FOR THE FOUR MILE DRAW-
MORROW GAS POOL, EDDY COUNTY, NEW
MEXICO, AS PROMULGATED BY ORDER NO.
R-3698.

CASE NO. 4063
ORDER NO. R-3698-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 11, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 23rd day of February, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That Division Order No. R-3698 entered March 5, 1969, established special pool rules for the Four Mile Draw-Morrow Gas Pool in Eddy County, New Mexico, including provisions for 640-acre spacing and proration units and specified well locations.

(3) That no party appeared and objected to the rescission of said special pool rules.

(4) That the special pool rules should be rescinded and said Four Mile Draw-Morrow Gas Pool should be drilled and operated under provisions of the Division's Statewide Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the special rules and regulations for the Four Mile Draw-Morrow Gas Pool, as heretofore defined and described in Eddy County, New Mexico, as set out in Division Order No.

-2-
Case No. 4063
Order No. R-3698-A

R-3698 are hereby rescinded.

IT IS FURTHER ORDERED:

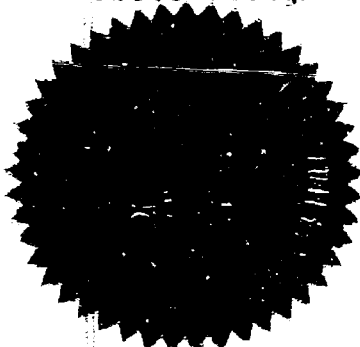
(1) That the locations of all wells presently drilling to or completed in the Four Mile Draw-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well on or before May 1, 1981.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1973, contained in Chapter 271, Laws of 1969, existing wells in the Four Mile Draw-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with Statewide rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until said Form C-102 has been filed or until a non-standard unit has been approved.

(3) That jurisdiction of this cause is 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
11 February 1981

EYAMINEP HEARING

IN THE MATTER OF:)
)
)
Case No. 4063 being reopened on the)
motion of the Oil Conservation Divi-) CASE
sion to consider the abolishment of) 4063
the special rules and regulations for)
the Four Mile Draw-Morrow Gas Pool,)
Eddy County, New Mexico.)
)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. STAMETS: Call next Case 4063, in
3 the matter of Case 4063 being reopened on motion of Oil Con-
4 servation Division to consider the abolishment of special
5 rules and regulations for the Four Mile Draw-Morrow Gas Pool,
6 Eddy County, New Mexico, as promulgated by Order No. R-3698.

7 In the absence of objection, said rules
8 will be rescinded.

9 Are there any appearances in this case?
10 Or any objections?

11 There being none, the case will be
12 taken under advisement.

13
14 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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2-11
Richard L. Stamets, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

11 February 1981

EXAMINER HEARING

IN THE MATTER OF:

Case No. 4063 being reopened on the
motion of the Oil Conservation Divi-
sion to consider the abolishment of
the special rules and regulations for
the Four Mile Draw-Morrow Gas Pool,
Eddy County, New Mexico.

CASE
4063

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. STAMMES: Call next Case 4063, in
3 the matter of Case 4063 being reopened on motion of Oil Con-
4 servation Division to consider the abolishment of special
5 rules and regulations for the Four Mile Draw-Morrow Gas Pool,
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9 Are there any appearances in this case?
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13
14 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 103-B
Santa Fe, New Mexico 87501
Phone (505) 451-7489

I hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the Oil Conservation Division.

Sally W. Boyd, Examiner

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4063
Order No. R-3698
NOMENCLATURE

APPLICATION OF KERR-McGEE CORPORATION
FOR THE CREATION OF A NEW GAS POOL AND
SPECIAL POOL RULES, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 26, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 5th day of March, 1969, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Kerr-McGee Corporation, seeks the
creation of a new gas pool for Morrow production in Eddy County,
New Mexico, and the promulgation of special rules and regulations
governing said pool, including a provision for 640-acre spacing
units.

(3) That the Kerr-McGee Corporation Nix Well No. 1, located
in Unit L of Section 11, Township 19 South, Range 26 East, NMPM,
Eddy County, New Mexico, having its top perforations at 9440 feet,
has discovered a separate common source of supply which should be
designated the Four Mile Draw-Morrow Gas Pool; that the vertical
limits of said pool should be the Morrow formation as found in

the interval from 9286 feet to 9593 feet on the log of the aforesaid Nix Well No. 1; that the horizontal limits of said pool should be all of the aforesaid Section 11.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the Four Mile Draw-Morrow Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That the special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool shall gather all available reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Four Mile Draw-Morrow Gas Pool, at which time the operators in the subject pool should be prepared to appear and show cause why the subject pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the Four Mile Draw-Morrow Gas Pool should notify the Commission in writing of such fact, whereupon the Commission should notify the operator of time for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated the Four Mile Draw-Morrow Gas Pool, with vertical limits comprising the Morrow formation as found in the interval from 9286 feet to 9593 feet on the log of the Kerr-McGee Corporation

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CASE No. 4063

Order No. R-3698

Nix Well No. 1, and horizontal limits comprising all of Section 11, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico.

(2) That temporary Special Rules and Regulations for the Four Mile Draw-Morrow Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
FOUR MILE DRAW-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Four Mile Draw-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

CASE No. 4063
Order No. R-3698

- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Four Mile Draw-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before March 15, 1969.

(2) That any operator desiring to dedicate acreage pursuant to Rule 2 to a well presently drilling to or completed in the Four Mile Draw-Morrow Gas Pool shall file a new Form C-102 with the Commission on or before March 15, 1969.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained

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CASE No. 4063
Order No. R-3698

for a well in the Four Mile Draw-Morrow Gas Pool, at which time the operators in the subject pool may appear and show cause why said pool should not be developed on 320-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in the Four Mile Draw-Morrow Gas Pool shall notify the Commission in writing of such fact, whereupon the Commission shall notify the operator of the time for reopening this case.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary


CSR/

Dockets Nos. 7-81 and 8-81 are tentatively set for February 25 and March 11, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 11, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for March, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for March, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
 - (3) Consideration of purchaser's nominations for the one year period beginning April 1, 1981, for both of the above areas.

CASE 7146: Application of Amoco Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Perro Grande Unit Area, comprising 3524 acres, more or less, of State and Federal lands in Townships 25 and 26 South, Range 35 East.

CASE 7135: (Continued and Readvertised)

Application of Celeste C. Grynberg for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the South Cottonwood Draw Unit Area, comprising 3,195 acres, more or less, of State lands in Township 16 South, Range 24 East.

CASE 7147: Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 1650 feet from the South line and 360 feet from the East line of Section 35, Township 18 South, Range 25 East, the S/2 of said Section 35 to be dedicated to said well and to applicant's "JX" Well No. 2 located in Unit N.

CASE 7140: (Continued from January 28, 1981, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 26, Township 21 South, Range 26 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1650 feet from the East line of said Section 26. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 4063: (Reopened and Readvertised)

In the matter of Case No. 4063 being reopened on the motion of the Oil Conservation Division to consider the abolishment of the special rules and regulations for the Four Mile Draw-Morrow Gas Pool, Eddy County, New Mexico, as promulgated by Order No. R-3698. In the absence of objection said rules will be rescinded.

CASE 7148: Application of Twin Montana Oil Company for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre Vada-Pennsylvanian oil proration unit comprising the S/2 NE/4 of Section 3, Township 9 South, Range 35 East, to be dedicated to its Webb Federal Well No. 1 located in Unit G of said Section 3.

CASE 7149: Application of John H. Hendrix Corporation for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3362 feet, subsurface, underlying Unit O of Section 19, Township 23 South, Range 37 East.

CASE 7150: Application of Cavalcade Oil Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine into an unlined surface pit located in Unit K or L of Section 33, Township 18 South, Range 30 East.

- CASE 7151: Application of C & E Operators, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the N/2 of Section 9, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location in the NE/4 and a well to be drilled at a previously approved unorthodox location in the NW/4 of said Section 9. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.
- CASE 7152: Application of C & E Operators, Inc. for compulsory pooling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying a 158.54-acre non-standard gas proration unit comprising the SW/4 of Section 9, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7153: Application of C & E Operators, Inc. for compulsory pooling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying a 158.54-acre non-standard gas proration unit comprising the SW/4 of Section 8, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7129: (Continued from January 28, 1981, Examiner Hearing)
- Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the N/2 of Section 28, Township 28 North, Range 8 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6670: (Continued from January 14, 1981, Examiner Hearing)
- In the matter of Case 6670 being reopened and pursuant to the provisions of Order No. R-6183 which order promulgated temporary special rules and regulations for the Red Hills-Devonian Gas Pool in Lea County, New Mexico, including a provision for 640-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 320-acre spacing units.
- CASE 7154: Application of Mobil Producing Texas and New Mexico, Inc. for designation of a tight formation, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Mesaverde formation underlying portions of Townships 26 and 27 North, Ranges 2 and 3 West, containing 13,920 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.
- CASE 7134: (Continued and Readvertised)
- Application of Read & Stevens, Inc. for an unorthodox gas well location and two non-standard gas proration units, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of two 160-acre non-standard proration units in the Buffalo Valley-Pennsylvanian Gas Pool, the first being the NW/4 of Section 13, Township 15 South, Range 27 East, to be dedicated to its Langley "Com" Well No. 1 in Unit C, and the other being the NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 1315 feet from the North and East lines of the section.

DOCKET: COMMISSION HEARING - WEDNESDAY - FEBRUARY 18, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7155: Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 35, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7057: (DE NOVO)

Application of Doyle Hartman for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Langlie Mattix Pool to the following depths underlying the following 40-acre tracts in Township 24 South, Range 37 East: SE/4 SE/4 of Section 30: 3364 feet; NE/4 SE/4 of Section 30: 3389 feet; and SE/4 SW/4 of Section 20: 3390 feet.

Upon application of ARCO Oil and Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7156: Application of Parabo, Inc. for amendment of Order No. R-5516, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5516 which authorized the disposal of produced salt water in unlined surface pits in Section 29, Township 21 South, Range 38 East. Applicant proposes modification of the Commission's requirements for the number, location, and depths of monitor wells, casing and perforating monitor wells, and a change in maximum depths of water permitted in the pits.

Oil Reports and Gas Services, Inc.

December 22, 1980

RECEIVED

DEC 24 1980

O. C. D.
ARTESIA, OFFICE

Case 4063

Oil Conservation Division
P. O. Drawer DD
Artesia, New Mexico 88210

Attention: Mr. W. A. Gressett

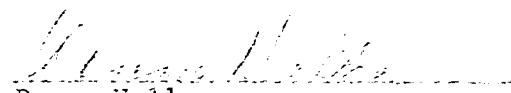
Dear Mr. Gressett:

Reference is made to Oil Conservation Division Order R-3698 establishing a 640-acre proration unit for the Four Mile Draw Morrow Gas Pool for the discovery well located in Unit L of Section 11, Township 19 South, Range 26 East, Eddy County. The discovery well was never produced. The only well currently producing in the Four Mile Draw Pool is located in Unit J of said Section 11 with a non-standard proration unit of 320-Acres.

American Public Energy Company wishes to drill a well to be located 1980 feet from the South line and 1980 feet from the West line of Section 15, Township 19 South, Range 26 East and does not wish to bound by the provisions of Order R3698. It is requested that the pool rules be changed to provide for 320-acre spacing.

Yours very truly,

OIL REPORTS & GAS SERVICES, INC.


Donna Holler

DH/gh

cc: American Public Energy Company
Two North Park East, Suite 800
Dallas, Texas 75231

Let's advertise on our own motion
to rescind special rules. Put as
separate nomenclature case
no appearances will be done
mailed copy of docket 11/30/81

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

Santa Fe, New Mexico

February 26, 1969

EXAMINER HEARING

IN THE MATTER OF:

Application of Kerr-McGee Corporation for the creation of a new gas pool and special pool rules, Eddy County, New Mexico.

Case No. 4063

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 4063.

MR. HATCH: Case No. 4063, application of Kerr-McGee Corporation for the creation of a new gas pool and special pool rules, Eddy County, New Mexico.

MR. MORRIS: Mr. Examiner, I am Richard Morris, of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, appearing on behalf of Kerr-McGee Corporation. We will have two witnesses, Mr. Williams and Mr. Haag, and I ask they both stand and be sworn at this time.

(Witnesses sworn.)

MR. UTZ: Any other appearances?

(Whereupon, Applicant's Exhibit A, a brochure consisting of Exhibits Numbers 1 through seven, inclusive, was marked for identification.)

RICHARD HAAG

called as a witness by the Applicant, having been first duly sworn, was examined and testified as follows.

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Haag, please state your name and where you reside?

A I am Richard Haag, and I live in Amarillo, Texas.

Q By whom are you employed, and in what capacity?

A I am employed by Kerr-McGee Corporation as a district

geologist.

Q State briefly your education and experience in the petroleum industry.

A I received a Bachelor of Science Degree from the University of Oklahoma in 1952, and worked from 1952 until 1956 for the Blackwood and Nichols Company, Midland, Texas. Since 1956, I have been employed by Kerr-McGee, first as a staff geologist, and more recently as a district geologist.

Q Are you familiar with the application of Kerr-McGee Corporation in this case?

A Yes.

MR. MORRIS: Are the witness's qualifications acceptable?

MR. UTZ: They are.

Q Mr. Haag, please refer to the brochure, which the whole thing has been marked as Exhibit A in this case, and refer to Exhibit Number 1 of that brochure. Will you state what that exhibit shows?

A Exhibit Number 1 shows the general vicinity of the Kerr-McGee Number 1 Nix Well, which is located geographically 12 miles south of Artesia and two miles west of Lake McMillan. The well is located 1,980 from the south line and 660 from the west line of Section 11, Township 19 South, Range 26 East.

The plat also shows the location of other wells drilled in the area. You might note that the wells with double circles are those which have penetrated the Pennsylvanian Formation. There is one other such well on the plat in Section 17, approximately three miles west of the Kerr-McGee No. 1 Nix.

The plat also shows the lease ownership and mineral ownership within one mile of the discovery well.

Q In what formation is this discovery well completed?

A In the Morrow Formation of Pennsylvanian age.

Q Where is this nearest Morrow Formation to this discovery well?

A The nearest production from the Morrow Formation is in the Atoka Field, which is approximately three miles north. And the Morrow Formation also produces in the McMillan Field approximately seven miles southeast.

Q Please refer to Exhibit 2 of this brochure.

MR. UTZ: Do you intend to say that this entire brochure is Exhibit A?

MR. MORRIS: Yes, sir.

MR. UTZ: Then this map isn't Exhibit A, is it?

MR. MORRIS: No, sir, we just had to have someplace to mark Exhibit A for the brochure, but that is marked as

Exhibit Number 1 in the brochure.

Q (By Mr. Morris) Will you please state what Exhibit 2 is, and point out its features?

A Exhibit Number 2 is a reproduction of the three logs which were run over the Morrow Formation. In this well, the induction log is on the left, the gamma ray sonilog is in the center, and the microlog caliber on the right.

Q Will you state those three log sections again, please?

A These are all of the logs which were run over the Morrow section of this well. The induction log is on the left, the gamma ray sonilog in the center, and the microlog on the right.

Q What was the total depth of the well?

A The total depth was 9,673 feet.

Q What is the producing interval of the well?

A The producing interval is 9,440 to 9,458. The perforations in this interval are shown on the log.

Q What is the Morrow Formation as you have it depicted in this well?

A The top of the Morrow Formation is at a depth of 9,286 feet, and the base of the Morrow Formation is at a depth of 9,592 feet.

Q Now, is the Morrow productive of gas in this well?

A Yes, sir.

Q Would you describe the lithology of the Morrow Formation?

A The upper approximately one-third of the Morrow Formation is made up of limestone with minor amounts of shale, and the lower two-thirds of the Morrow Formation is interbedded shale and sandstone.

The well is completed in an interval which we call the Morrow B Sand. This particular sand consists of a gray to clear medium to porous grain sand.

Q You stated the nearest Morrow production was some three miles to the north. Is the B section of the Morrow Formation in this well correlative with the Morrow in that field to the north?

A The "B" Sand does produce gas in the Atoka Field to the north. However, the main pay in the Atoka Field is the C Sand of the Morrow Formation, which is stratigraphically lower than the B Sand.

Q And the C is not present in this well?

A The C Sand is poorly developed in this well. There is a porous sand from 9,550 to 9,554, which would be equivalent to the C Sand.

Q Will the drill stem test information shown on this log

be discussed further by Mr. Williams in his testimony?

A Yes.

O Has a complete log of this well been furnished to the Commission?

A Not to my knowledge.

O Will it be furnished at a later date?

A Yes, it will.

O Please refer to Exhibit Number 3 of this brochure, and please state what this exhibit is, and discuss the information that is shown on the exhibit.

A Exhibit Number 3 shows structural contours on top of the Morrow B Sand, which are the solid contour lines. These contours indicate that the Morrow B Sand is dipping to the southeast at a rate of about 125 feet per mile. The dashed contours show the Isopach thickness of the net porous Morrow B Sand.

O What control did you have available from which to prepare this map?

A In this area, the only control available is the discovery well, itself, and the McFarland and the Santa Fe Well three miles west in Section 17.

MR. UTZ: And that was a dry hole?

THE WITNESS: That well tested some gas from this same

Morrow B Sand, and I believe was actually completed, according to the information we have, for calculated open flow potential of 340 Mcf. It was later abandoned.

MR. UTZ: Did it just quit producing, or do you know?

THE WITNESS: I don't know why the well stopped producing. My understanding is that it was never connected to the pipeline.

MR. UTZ: In other words, you could have gone outside that well a little bit, couldn't you? You might have a foot of pay in there?

THE WITNESS: That's correct.

Q (By Mr. Morris) Were Exhibits 1, 2, and 3 of the brochure marked Exhibit A in this case, prepared by you, or under your direction?

A Yes.

MR. MORRIS: That is all I have of Mr. Haag at this time.

MR. UTZ: I don't believe I have any questions of Mr. Haag, unless possibly after Mr. Williams testifies, I might have.

ROBERT WILLIAMS

called as a witness on behalf of the Applicant, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATIONBY MR. MORRIS:

Q Please state your name and where you reside.

A Robert Williams, and I reside in Oklahoma City.

Q By whom are you employed, and in what capacity?

A Kerr-McGee Corporation as a staff engineer.

Q Please state briefly your education and experience.

A I received a Bachelor of Science Degree in petroleum engineering from Oklahoma University, was employed for a number of years with Humble Oil and Refinery in various engineering capacities. For the past year and a half I have been employed by Kerr-McGee Corporation, and I am familiar with this well.

Q Are you familiar with Kerr-McGee's application in this case?

A Yes, I am.

MR. MORRIS: Are the witness's qualifications acceptable?

MR. UTZ: Yes, they are.

Q Mr. Williams, please refer to Exhibit Number 4 of the brochure marked as Exhibit A, and summarize the reservoir data that has been developed on this well, and discuss the tests that have been performed on this well from which this data has been obtained.

A Exhibit Number 4 presents data on the depth of the Morrow, and certain reservoir characteristics. The porosity water saturation shown there were determined from well logs, and we ran a drill stem test on this well prior to setting pipe, and it indicated a bottom hole pressure in the order of 3,500 pounds. We subsequently tested the well extensively since that time after running casing and perforating, and the effective pressure seems to be the 2,475 that I have shown here in this exhibit. This is effective, in that the built up pressure shows that is as high as it will go in approximately 72 hours, although it is still building up at that time.

The tests shown under well test data is the first complete 24-hour test taken on the well since it was completed or drilled, and represents a reasonably sustained rate.

Q Have you a calculated permeability with respect to the producing formation in this well?

A Yes, based on the performance as indicated by the drill stem test, the effective permeability is 6.9 millidarcies.

Q Based upon the information that is presently available, do you have an opinion concerning the area that is being drained by this well?

A Yes, we have conducted flow tests and built up pressure tests, and have made calculations and analyzed it as

carefully as we could, and have concluded that we are draining from a wide area, but our problem is a lack of flow capacity of permeability, and we are planning to stimulate the well to promote that, and if we are successful, we have every reason to believe we can drain 640 acres or more.

Q In its present condition, is it your opinion that the well is draining an area of at least 640 acres?

A Yes.

Q Please turn to Exhibit Number 5, and summarize the data shown there concerning the predicted recovery from this well.

A Exhibit Number 5 is an estimate or calculation of the reserves under a 640-acre area of 15-foot thickness, which is the net in this well. Using the data shown at the top of the exhibit, 2,475 PSIG, from that the gas in place is 520 Mcf per acre foot, and an 85 per cent recovery would be 442, or this would be a recovery over 640-acre unit of 4.2 billion, or 2.1 billion, for 320-acre.

Q Using this estimate of recovery, have you prepared an analysis of the economics of drilling in this pool on 640-acre spacing as compared to 320-acre spacing?

A Yes, and this is shown, the results are shown in Exhibit Number 6, which in summary shows that we would sustain

a loss on the basis of what we now know, if it were developed on 320-acre spacing.

Q If you are successful in stimulating the discovery well, will that stimulation significantly change the economic picture of 640-acre versus 320-acre spacing?

A No, on the basis of what we now know, it would take a very good stimulation to make 640-acre spacing effectively economic.

Q Please refer to Exhibit Number 7, which are the proposed pool rules, and point out the features of the rules that Kerr-McGee is proposing for the Commission to establish in this area.

A Well, in addition to the standard provisions, we request that each well be located on a standard unit containing 640 acres, more or less, on a governmental section, and that each well should be located no nearer than 1,650 feet to the outer boundary of the section, and no nearer than 330 feet to any governmental quarter quarter section line.

We also request that the present well be exempted from these provisions.

Q Now, the present well was located at an orthodox location for a well drilled on 320-acre gas well spacing, is that correct?

A Yes, that's correct.

MR. UTZ: What is the footage of that well?

THE WITNESS: 1,980 from the south line and 660 feet from the west line, Section 11.

Q Is Kerr-McGee proposing that these rules be established on a temporary basis?

A Yes, it is requested that the rules be established for a period of at least a year from the date that a pipeline connection is first obtained for a well in the pool.

Q Do you anticipate any particular difficulty in obtaining a pipeline connection?

A Not if sufficient reserve is indicated.

Q Do you have any name that you might suggest to the Commission for this pool?

A Yes, we do have one. This is right near Four Mile Draw. We thought that might make an appropriate name for it.

MR. UTZ: Four Mile Draw Pool, Morrow?

THE WITNESS: Yes, that is a suggestion only.

Q Do you have any other suggestions?

A There are others, but that is all we would suggest.

Q Based upon the information presently available, Mr. Williams, what size of spacing unit, in your opinion, can one well efficiently and economically drain and develop in this

pool?

A At least 640 acres.

Q In your opinion, will establishment of this pool and under the pool rules that you are proposing, protect correlative rights and prevent waste in this area?

A Yes.

Q Were Exhibits 4 through 7 of Exhibit A prepared by you or under your direction?

A Yes, they were.

MR. MORRIS: We offer Exhibits 4 through 7 of Exhibit A into evidence.

MR. UTZ: Without objection, they will be entered into the record.

(Whereupon, Applicant's Exhibit A, Exhibits Numbers 4 through 7, inclusive, were admitted into evidence.)

MR. MORRIS: That's all I have.

CROSS EXAMINATION

BY MR. UTZ:

Q Do you have another pool rule in mind for any other 640-acre space pool, or where did you pull these out of in Exhibit Number 7? I am looking for a model order.

MR. MORRIS: Mr. Examiner, I think you will find that these rules are similar to the rules adopted for the Rock Tank

Upper and Lower Morrow gas pools established by Order No. R-3428, dated June 6, 1968.

Q You haven't fracked this well yet?

A We pumped into a modified brine mixture, 270 barrels. We are planning to frack it now.

Q Was the McWharton Well fracked? Do you know?

A The well over to the west?

Q Yes.

A No, I don't know.

Q Do you anticipate the fracking will help the capacity of this well now, do you know?

A Yes, sir, we hope that the flow capacity will be -- as I mentioned, we feel we are draining a wide area, but it is continuing to build up, but at too slow a rate, and we are hoping to increase that flow.

Q You are not absolutely sure what the stabilized pressure of the pool is at this time?

A Yes, I would say that we could say that the pressure was at 3,500 or so, originally measured, and if we have enough time it will get back there.

MR. MORRIS: Mr. Examiner, could I ask another question?

REDIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Williams, are there factors concerning lease expiration dates that have entered into Kerr-McGee's desire to have temporary special rules and regulations adopted for this pool at the earliest possible date?

A Yes, there are.

Q What is your timetable and what are your plans with respect to drilling other wells in this area?

A We have leases expiring in April, and if we can make this an economic well, we would like to start drilling before that time.

Q Are there other Morrow pools with which you are familiar that are spaced on 640-acre spacing?

A Yes, the McMillan Field to the southeast, seven miles southeast.

RECROSS EXAMINATION

BY MR. UTZ:

Q Where do you anticipate the next well to be?

A I might refer that to Mr. Haag.

MR. HAAG: The next well would be drilled in a south-westerly direction from the initial well, providing we would secure agreement of all the partners, either in Section 10 or in Section 15, most probably, as far as we know from the information we now have.

MR. WILLIAMS: I might just point out that Sections 10, 11, 14, and 15, it is a four-section unit, joint unit.

MR. UTZ: Any other questions of the witness? You may be excused.

MR. MORRIS: Mr. Examiner, I have nothing further. However, I think there may be some statements in this case.

MR. UTZ: I was about to call for statements.

MR. HOLLAND: I have a statement on behalf of Union Oil Company of California.

MR. UTZ: You may proceed. Please state your name.

MR. HOLLAND: My name is D. G. Holland, reservoir engineer out of Midland. Union Oil Company of California is a working interest owner in the Nix Well No. 1, which is operated by Kerr-McGee Corporation, and is in the process of being completed from the Morrow Formation as a gas producer. Union Oil Company is in support of the establishment of 640-acre spacing units for development of the Morrow Formation in this new gas pool. It is our belief that one well in the proposed pool can efficiently and economically drain and develop an area of 640 acres.

We further believe that the establishment of field rules in line with Kerr-McGee's application will protect correlative rights and prevent economic waste by the drilling

of unnecessary wells.

MR. UTZ: Any other statements?

MR. HATCH: The Commisison has received telegrams from Getty Oil Company and from Humble Oil and Refining Company, supporting the applicant in this case.

MR. UTZ: Any other statements? The case will be taken under advisement.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
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ROBERT WILLIAMS	
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<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
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Exhibit A, Exhibits 4 through 7, only		13

STATE OF NEW MEXICO)
) ss.
 COUNTY OF BERNALILLO)

I, SAMUEL MORTELETTE, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Samuel Mortelette

 COURT REPORTER

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 4063
 heard by me on *Jul. 26, 1969*
[Signature]

 New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

March 5, 1969

**Mr. Richard S. Morris
Montgomery, Federici,
and Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico**

Re: Case No. 4063
 Order No. R-3698

Applicant:
Kerr-McGee Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

G. L. Parker, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X

Artesia OCC x

Aztec OCC_____

Other _____

Case 4063

Heard 2-26-69

Rec. 3-3-69.

Grant Ken McGee's request for
creation of new pool and Special
pool rules. The pool shall be
called the Four mile Draw Monow
Gas Pool. Discoverer well's
operators - ~~Map~~ #1 1980/S-660/W
lines sec. 11-195-26E. Top of
Monow pay is 9438' (-6112)
Grant 660 ac. spacing -
locations 1650 from outer boundary
of unit 330' inner lines.
Grant an exception to the 660-
1980 location of the discoverer
well.

Justified

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3727
Order No. R-3428
NOMENCLATURE

APPLICATION OF MONSANTO COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
A NON-STANDARD PRORATION UNIT, A DUAL
COMPLETION, CREATION OF TWO GAS POOLS,
AND TEMPORARY SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 28, 1968,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of June, 1968, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Monsanto Company, seeks approval
for the unorthodox gas well location of its Rock Tank Unit Well
No. 1, located 660 feet from the North line and 920 feet from
the West line of Section 7, Township 23 South, Range 25 East,
NMPM, Eddy County, New Mexico, said well to be dedicated to the
proposed non-standard proration unit comprising the W/2 of said
Section 7 and the E/2 of Section 12, Township 23 South, Range
24 East.

(3) That the applicant also seeks authority to complete
the subject well as a dual completion (conventional) to produce

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CASE No. 3727

Order No. R-3428

gas from the Upper Morrow formation through the casing-tubing annulus and from the Lower Morrow formation through 2 7/8-inch tubing, with separation of zones by a packer set at approximately 10,200 feet.

(4) That the applicant further seeks the creation of Upper Morrow and Lower Morrow gas pools for said well and the promulgation of temporary special rules therefor, including provisions for 640-acre spacing.

(5) That the subject well was drilled as a wildcat oil well at a standard location to test the Devonian formation and was subsequently plugged back and completed in the Upper and Lower zones of the Morrow formation.

(6) That the mechanics of the proposed dual completion are feasible and in accord with good conservation practices.

(7) That the said Monsanto Company Rock Tank Unit Well No. 1 has discovered a separate common source of supply which should be designated the Rock Tank-Upper Morrow Gas Pool; that the vertical limits of said pool should be that portion of the Morrow formation above the marker found at 10,155 feet in said discovery well; and that the horizontal limits of said pool should be all of the aforesaid Section 7.

(8) That the said Monsanto Company Rock Tank Unit Well No. 1 has discovered a separate common source of supply which should be designated the Rock Tank-Lower Morrow Gas Pool; that the vertical limits of said pool should be that portion of the Morrow formation from the marker found at 10,155 feet in said discovery well to the base of the Morrow formation; and that the horizontal limits of said pool should be all of the aforesaid Section 7.

(9) That approval of the unorthodox location, dual completion, and promulgation of temporary special rules and regulations providing for 640-acre spacing units for each of the proposed new gas pools will afford the applicant the opportunity to produce its just and equitable share of the gas in the pools, 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 otherwise prevent waste and protect correlative rights.

(10) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(11) That the special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in either or both of said pools; that during this temporary period all operators in the subject pools should gather all available information relative to drainage and recoverable reserves.

(12) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in either or both of said pools, at which time the operators in the subject pools should appear and show cause why the Rock Tank-Upper Morrow and/or the Rock Tank-Lower Morrow Gas Pools should not be developed on 320-acre spacing units.

(13) That the first operator to obtain a pipeline connection for a well in either or both of said pools should notify the Commission in writing of such fact, whereupon the Commission should notify the operator of the time for reopening this case.

(14) That the establishment of the proposed non-standard unit is unnecessary and would disrupt systematic and orderly development of the properties in the area of the pools and should, therefore, be denied.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Morrow production, is hereby created and designated the Rock Tank-Upper Morrow Gas Pool, with vertical limits comprising that portion of the Morrow formation above the marker found at 10,155 feet in the Monsanto Company Rock Tank Unit Well No. 1, located 660 feet from the North line and 920 feet from the West line of Section 7, Township 23 South, Range 25 East, NMPM, Eddy County, New Mexico, and horizontal limits comprising all of said Section 7.

(2) That a new pool in Eddy County, New Mexico, classified as a gas pool for Lower Morrow production, is hereby created and designated the Rock Tank-Lower Morrow Gas Pool, with vertical limits comprising that portion of the Morrow formation from the

aforesaid marker to the base of the Morrow formation, and horizontal limits comprising all of said Section 7.

(3) That temporary Special Rules and Regulations for the Rock Tank-Upper Morrow Gas Pool and for the Rock Tank-Lower Morrow Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
ROCK TANK-UPPER MORROW GAS POOL
AND THE
ROCK TANK-LOWER MORROW GAS POOL

RULE 1. Each well completed or recompleted in the ~~Rock Tank-Upper~~ Morrow Gas Pool or in the Upper Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Upper Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

Each well completed or recompleted in the ~~Rock Tank-Lower~~ Morrow Gas Pool or in the Lower Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Lower Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.

- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the Rock Tank-~~Upper~~ Morrow Gas Pool ~~or in the Upper Morrow formation~~ within one mile thereof and any well presently drilling to or completed in the Rock Tank-~~Lower~~ Morrow Gas Pool ~~or in the Lower Morrow formation~~ within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall

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CASE No. 3727
Order No. R-3428

notify the Artesia District Office of the Commission in writing of the name and location of the well on or before June 30, 1968.

(2) That each well presently drilling to or completed in the ~~Rock Tank-Upper~~ Morrow Gas Pool or in the Upper Morrow formation within one mile thereof and any well presently drilling to or completed in the ~~Rock Tank-Lower~~ Morrow Gas Pool or in the ~~Lower Morrow~~ formation within one mile thereof shall not have more than 320 acres dedicated thereto until a Form C-102 dedicating 640 acres to the well has been filed with the Commission.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in either or both of said pools, at which time the operators in the subject pools may appear and show cause why the ~~Rock Tank-Upper~~ Morrow and/or the ~~Rock Tank-Lower~~ Morrow ~~Gas~~ Pool should not be developed on 320-acre spacing units.

(4) That the first operator to obtain a pipeline connection for a well in either or both of said pools shall notify the Commission in writing of such fact, whereupon the Commission shall notify the operator of the time for reopening the case.

(5) That the applicant, Monsanto Company, is hereby authorized to complete its aforesaid ~~Rock Tank-Upper~~ Well No. 1 as a ~~dual completion (conventional)~~ to produce gas from the Rock Tank-Upper Morrow Gas Pool through the casing-tubing annulus and from the Rock Tank-Lower Morrow Gas Pool through 2 7/8-inch tubing, with separation of zones by a packer set at approximately 10,200 feet;

PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order;

PROVIDED FURTHER, that the applicant shall take packer-leakage tests upon completion and annually thereafter during the Annual Shut-in Pressure Test Period for the ~~Rock Tank-Lower~~ Morrow Gas Pool.

(6) That the applicant's request to dedicate a non-standard proration unit comprising the W/2 of Section 7, Township 23 South,

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CASE No. 3727
Order No. R-3428

Range 25 East, and the E/2 of Section 12, Township 23 South, Range 24 East, NMPM, Eddy County, New Mexico, is hereby denied.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

W. P. MARSHALL
CHAIRMAN OF THE BOARD

TELEGRAM 1044A.

SYMBOLS

DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

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NS MDA046 IN PDB=MIDLAND TEX 24 1033A CST=

NEW MEXICO OIL CONSERVATION COMMISSION=

STATE LAND OFFICE BLDG SANTA FE NMEX=

RE CASE 4063 NEW MEXICO OIL CONSERVATION COMMISSION
APPLICATION OF KERR MCGEE CORP. POOL RULES AND 640
ACRE SPACING NIX #1 WELL AREA SECTION 11, T-19-S R-26-E
EDDY COUNTY NEW MEXICO. GETTY OIL COMPANY A WORKING
INTEREST OWNER IN THE NIX WELL AND THE OWNER OF
SUBSTANTIALLY LEASE HOLD INTEREST IN THIS AREA HAS
REVIEWED THE APPLICATION OF KERR MCGEE IN CASE 4063
PERTAINING TO THE CREATION OF A NEW GAS POOL EDDY COUNTY

WU1201 (R2-65)

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL
CHAIRMAN OF THE BOARD

R. W. McFALL
PRESIDENT

SYMBOLS

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Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

NEW MEXICO. WE HAVE ALSO REVIEWED THE PROPOSED POOL
RULES REQUESTED BY SAME APPLICATION. PLEASE CONSIDER
THIS AS GETTY'S NOTIFICATION OF CONCURRENCE WITH THE
PROPOSAL AND RECOMMENDATIONS OF KERR MCGEE=
J E PIERCE DIST PROD MGR=

=4063 640 #1 11 T-19-S R-26-E 4063 =

WU1201(R2-65)

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL
CHAIRMAN OF THE BOARD

R. W. MCFALL
PRESIDENT

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at destination.

LA149 NSB319

NS MDA073 DJ PDB=MIDLAND TEX 26 200P CST=N 1969 FEB 26 PM 1 23
NEW MEXICO OIL CONSERVATION COMMITTEE, ATTN A L
PORTER JR STATE GEOLOGIST= STATE LAND OFFICE BLDG
SANTA FE NMEX=

KERR-MCGEE WILL REQUEST POOL RULES AND 640 ACRE SPACING
WITH LOCATION OF WELLS 1650 FEET FROM LEASE LINE IAT 1
HEARING FEBRUARY 26TH CASE NBR 4063 HUMBLE AS INTERESTED
OWNER CONCURRS AND SUPPORTS KERR-MCGEE'S REQUEST=
L H BYRD HUMBLE OIL AND REFG CO==

640 1650 26 4063=

WU1201(R2-65)

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 26, 1969

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Ellis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 4052: Application of Mobil Oil Corporation for a pool creation and discovery allowable, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Lighttrap-Pennsylvanian Pool in Chaves County, New Mexico, comprising the NE/4 NE/4 of Section 7, Township 8 South, Range 30 East, and for the assignment of approximately 35,650 barrels of oil discovery allowable to the discovery well, its C. L. O'Brien Well No. 1 located in Unit A of said Section 7.
- CASE 4036: (Continued from the February 5, 1969, Examiner Hearing)
Application of Mobil Oil Corporation for a dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its C. L. O'Brien Well No. 1 located in Unit A of Section 7, Township 8 South, Range 30 East, Chaves County, New Mexico, to produce oil from an undesignated Pennsylvanian oil pool and the Lightcap (Devonian) Pool through parallel strings of tubing.
- CASE 4053: Application of El Paso Products Company for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Gallegos-Gallup Pool, San Juan County, New Mexico, including provisions for the classification of oil and gas wells, 80-acre spacing for oil wells, and 320-acre spacing for gas wells.
- CASE 4054: Application of Amerada Petroleum Corporation for an unorthodox oil well location and amendment to Order No. R-2197, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing oil well at an unorthodox location 1250 feet from the West line and 2220 feet from the South line of Section 28, Township 24 South, Range 37 East, in its Langlie Mattix Woolworth Unit Waterflood Project, Langlie-Mattix Pool, Lea County, New Mexico. Applicant also seeks the amendment of Order No. R-2197, which order authorized said waterflood project, to establish an administrative procedure whereby said project could be expanded to include additional lands and injection wells and producing wells at orthodox and unorthodox locations as may be necessary to complete an efficient injection and producing pattern without the necessity of showing well response.

- CASE 4055: Application of Albert Gackle for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers formation in the open-hole interval from approximately 3290 feet to 3620 feet in his George Etz Well No. 3 located in Unit N of Section 27, Township 23 South, Range 36 East, Jalmat Pool, Lea County, New Mexico.
- CASE 4056: Application of Albert Gackle for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Queen formation in the perforated interval from approximately 3642 feet to 3699 feet in his Sinclair "A" State Well No. 5 located in Unit I of Section 23, Township 23 South, Range 36 East, Langlie-Mattix Pool, Lea County, New Mexico.
- CASE 4057: Application of Charles B. Read for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Quail-Queen Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- CASE 4058: Application of Hiram W. Keith and Dalton Haines for salt water disposal, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the Seven Rivers formation in the open-hole interval from approximately 3874 feet to 3951 feet in their State Well No. 2 located in Unit K of Section 16, Township 21 South, Range 34 East, West Wilson Pool, Lea County, New Mexico.
- CASE 4059: Application of Hiram W. Keith and Dalton Haines for salt water disposal, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the Delaware formation in the open-hole interval from approximately 4030 feet to 4158 feet in their Eddy "AGA" State Well No. 2 located 660 feet from the North line and 1650 feet from the West line of Section 36, Township 26 South, Range 31 East, North Mason-Delaware Pool, Eddy County, New Mexico.
- CASE 4060: Application of Sidney Lanier for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formations in the open-hole interval from approximately 3402 feet to 3650 feet in his I. B. Ogg "A" Well No. 5 located in Unit J of Section 35, Township 24 South,

(Case 4060 continued)

Range 36 East, Jalmat Yates-Seven Rivers Pool, Lea County, New Mexico.

CASE 4061: Application of Millard Deck Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers and Queen formations in the open-hole interval from approximately 3752 feet to 3872 feet in its Atha Well No. 1 located in Unit M of Section 31, Township 21 South, Range 36 East, South Eunice Pool, Lea County, New Mexico.

CASE 4062: Application of Kersey & Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation in the perforated interval from approximately 1835 feet to 1870 feet in the Bass Well No. 3 located in Unit F of Section 12, Township 19 South, Range 28 East, East Millman Queen-Grayburg Pool, Eddy County, New Mexico.

CASE 4063: Application of Kerr-McGee Corporation for the creation of a new gas pool and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the Morrow formation by its Nix Well No. 1 located in Unit L of Section 11, Township 19 South, Range 26 East, Eddy County, New Mexico, and for the promulgation of special pool rules therefor, including a provision for 640-acre spacing.

CASE 4064: Application of Atlantic Richfield Company for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from approximately 4207 feet to 4286 feet in its Tucker Well No. 4 located in Unit O of Section 23, Township 7 South, Range 32 East, Chaveroo-San Andres Pool, Roosevelt County, New Mexico.

CASE 4065: Application of Humble Oil & Refining Company for an unorthodox oil well location and reclassification of a water well to an oil well, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to have its New Mexico State "S" Water Source Well No. 4 (CP-427), located at an unorthodox oil well location 650 feet from the West line and 175 feet from the

South line of Section 2, Township 22 South, Range 37 East, Lea County, New Mexico, reclassified as an oil well for the production of oil an undesignated San Andres Oil Pool and authority to produce same as an oil well.

- CASE 4066: Application of Humble Oil & Refining Company for the consolidation of two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard 320-acre gas proration units into one standard 640-acre unit comprising all of Section 26, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its New Mexico State "G" Wells Nos. 2 and 4 located in Units P and G, respectively, of said Section 26. Applicant further seeks authority to produce the allowable assigned to said unit from either of said wells in any proportion.
- CASE 4067: Application of Benson-Montin-Greer Drilling Corporation for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the La Plata-Gallup Pool, San Juan County, New Mexico, including a provision for 160-acre spacing and proration units. Applicant further requests that said special rules provide that the unit allowable for a 160-acre unit in said pool be allocated on the basis of four times the normal unit allowable for Northwest New Mexico, and that no credit be given for depth factors. Applicant further requests that said special rules be limited in their application to the exterior boundaries of the La Plata-Mancos Unit Area.
- CASE 4068: Application of Martin Yates III for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in its Yates & Hanson McCord Well No. 1 located in Unit E of Section 22, Township 23 South, Range 26 East, Dark Canyon Field, Eddy County, New Mexico. Applicant further seeks a procedure whereby its Cordie King Well No. 2 located in Unit K of said Section 22 may be approved for the disposal of salt water without the requirement of notice and hearing.

Examiner Hearing
February 26, 1969

- CASE 4045: (Continued from the February 5, 1969 Examiner Hearing)
Application of H & S Oil Company for an amendment to Order No. R-3357, as amended by Order No. R-3357-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3357, as amended by Order No. R-3357-A, which order authorized the H & S West Artesia Unit Unit Waterflood Project. Applicant proposes to substitute the Roach Drilling Company-Leonard Well No. 18 located in Unit D of Section 17 as a water injection well in said project in lieu of the Cities Service-Mell Well No. 17 located in Unit M of Section 8, both in Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.
- CASE 4069: Application of Union Oil Company of California for the creation of a new pool, assignment of discovery allowable, and the promulgation of special pool rules, Lea County, New Mexico.
- Applicant, in the above-styled cause, seeks the creation of a new Devonian oil pool for its Midway State Well No. 1 located in Unit F of Section 12, Township 17 South, Range 36 East, Lea County, New Mexico, and for the assignment of an oil discovery allowable in the amount of approximately 57,380 barrels to said well. Applicant further seeks the promulgation of special pool rules for said pool, including a provision for 80-acre proration units.
- CASE 4070: Application of C. E. LaRue and B. N. Muncy, Jr., for salt water disposal, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the salt and Yates formations in the open-hole interval from approximately 1254 feet to 3000 feet in the La Rue-Muncy John "B" Well No. 2 located in Unit A of Section 35, Township 17, South, Range 32, East, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico.



KERR-McGEE

612 PETROLEUM BUILDING • P. O. BOX 600
AMARILLO, TEXAS 79105

69 FEB 27 1969

February 27, 1969

PHONE

806 376-5693

Mr. Elvis A. Utz, Examiner
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Re: Case No. 4063
Field Rules for Fourmile
Draw Morrow Field
(Kerr-McGee #1 Nix well)

Dear Mr. Utz:

Enclosed are all logs run on the Kerr-McGee #1 Nix well. These logs are submitted to the Commission in regard to Kerr-McGee's application in the above case which was heard by you on February 26, 1969.

Yours very truly,

KERR-McGEE CORPORATION

R. A. Haag

R. A. Haag
District Geologist

RAH:sg

encls.

RESERVOIR DATA SHEET

Top of Morrow Section	9286' (-5960')
Top of Sand	9438' (-6112')
Net Sand Thickness	15'
Porosity	10%
Water Saturation	23%
BHP	2,475 psig

WELL TEST DATA

<u>WELL</u>	<u>DATE OF TEST</u>	<u>INITIAL TEST</u>
Nix No. 1	1/25/69	Flowed at rate of 2.75 MMCF/day and spray of distillate with 190 psig surface flowing pressure from perforations 9440-9458'.

EXHIBIT NO. 4
CASE NO. 4063
FEBRUARY 26, 1969

PREDICTED RECOVERY

The values shown below were used to predict the recovery

Porosity	10%
Water Saturation	23%
Bottom Hole Pressure	2475 psig
Gas Gravity	0.614
Bottom Hole Temperature	175°F
Compressibility Factor (Z)	0.875
Formation Thickness	15'

6.9 MCF

Initial Gas In Place Per Acre Foot	520 MCF
Estimated Recovery	85%
Recoverable Gas In Place Per Acre Foot	442 MCF

Estimated Well Recovery, 640 Acre Spacing	4,243 MMCF
Estimated Well Recovery, 320 Acre Spacing	2,122 MMCF

1472
1231
1121
1011
901
801
701
601
501
401
301
201
101
#

EXHIBIT NO. 5
CASE NO. 4063
FEBRUARY 26, 1969

ECONOMICS

640 ACRE SPACING

Gas Recovery
WI Share of Gas
Value WI Share Gas (15.5¢/mcf)
Well & Production Equipment Cost
Operating Costs (22 yrs. \$5400/yr)

Net Income

4,243 MMCF
3,713 MMCF
\$575,515
\$240,000
\$118,800

\$216,715/

320 ACRE SPACING

Gas Recovery
WI Share of Gas
Value WI Share of Gas (15.5¢/mcf)
Well & Production Equipment Cost
Operating Cost

Net Income

2,122 MMCF
1,857 MMCF
\$287,835
\$240,000
\$118,800

\$(70,965) Loss

EXHIBIT NO. 6
CASE NO. 4063
FEBRUARY 26, 1969

PROPOSED POOL RULES
NIX NO. 1 WELL AREA
NEW MEXICO

Rule 1. Each well completed or recompleted in the _____ Morrow Gas Pool on in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

Rule 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

Rule 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

EXHIBIT NO. 7
CASE 4063
FEBRUARY 26, 1969

- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning acreage in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

Rule 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

Rule 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

69 FEB 3 2 13 PM

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF KERR-McGEE CORPORATION
FOR THE CREATION OF A NEW GAS POOL AND
FOR THE ESTABLISHMENT OF SPECIAL RULES
AND REGULATIONS THEREFOR, EDDY COUNTY,
NEW MEXICO.

Case No. 4063
~~4052~~

APPLICATION

Comes now Kerr-McGee Corporation by its attorneys and applies to the New Mexico Oil Conservation Commission for an order creating a new gas pool for Morrow production and for the establishment of special rules and regulations therefor, and in support of its application states:

1. Applicant has completed its Nix well No. 1 located in the center of the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 11, T.19 S., R.26 E., Eddy County, New Mexico, as a producer of gas from the Morrow formation.
2. Applicant seeks the creation of a gas pool for the said Nix well No. 1 with initial horizontal limits comprising all of the said Section 11.
3. Applicant further seeks the establishment of special rules and regulations for the gas pool to be created for the said Nix well No. 1 and requests that the said special rules and regulations provide for 640-acre spacing units comprising a governmental section and well location requirements permitting the location of wells no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.
4. The evidence presently available with respect to the

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Date 2-13-69

proposed gas pool shows that one well in the proposed pool can efficiently and economically drain and develop an area of 640 acres.

5. The order establishing special rules and regulations for the proposed gas pool should grant approval to applicant for a non-standard location with respect to the said Nix well No. 1 and should exempt the said Nix well No. 1 from the well location requirements that are provided in the special rules and regulations.

6. Approval of this application 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 otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant requests that this application be set for hearing before the Commission or one of its examiners and that the Commission enter its order creating a new gas pool for Morrow production and establishing special rules and regulations therefor as requested by this application.

MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & MORRIS

By: 

P. O. Box 2307
Santa Fe, New Mexico 87501
Attorneys for Kerr-McGee
Corporation

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

RECORDS CENTER & LAW LIBRARY

CASE No. 4063

Order No. R- 3698

NOMENCLATURE

GMH
APPLICATION OF KERR-McGEE CORPORATION
FOR THE CREATION OF A NEW GAS POOL AND
SPECIAL POOL RULES, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 26, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 27th day of Feb, 1969, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Kerr-McGee Corporation, seeks the
creation of a new gas pool for Morrow production in Eddy County,
New Mexico, and the promulgation of special rules and regulations
governing said pool, including a provision for 640-acre spacing
units.

(3) That the Kerr-McGee Corporation Nix Well No. 1, located
in Unit L of Section 11, Township 19 South, Range 26 East, NMPM,
Eddy County, New Mexico, having its top perforations at ⁹⁴⁴⁰9438
feet, has discovered a separate common source of supply which
should be designated the Four Mile Draw-Morrow Pool;
that the vertical limits of said pool should be the Morrow

Four Mile Draw - Morrow Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE

Four Mile Draw - Morrow Gas POOL

RULE 1. Each well completed or recompleted in the Four Mile Draw - Morrow Gas Pool or in the Morrow formation within one mile

thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Four Mile Draw - Morrow 4 Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before March 15, 1969.

(2) That any operator desiring to dedicate acreage pursuant to Rule 2 to a well presently drilling to or completed in the Four Mile Draw - Morrow 4 Pool shall file a new Form C-102 with the Commission on or before March 15, 1969.

(3) That this case shall be reopened at an examiner hearing in March, 1970, at which time the operators in the subject pool may appear and show cause why the pool should not be developed on 320-acre spacing units.

(5)(a) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

→ (4) That the first operator to obtain a pipeline connection for a well in the Four Mile Draw - Morrow 4 Pool shall notify the Commission in writing of such fact, whereupon the Commission shall notify the operator of the date for reopening this case.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

S E A L

ALEX J. ARMIJO, Member

esr/

A. L. PORTER, Jr., Member & Secretary

one year from the date that a pipeline connection is first obtained for a well in the Four Mile Draw - Morrow 4 Pool.

ROUGH

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

In the matter of Case No. 4063 being reopened on the motion of the Oil Conservation Division to consider the abolishment of the special rules and regulations for the Four Mile Draw-Morrow Gas Pool, Eddy County, New Mexico, as promulgated by Order No. R-3698.

~~CONSIDERING:~~

CASE NO. 4063 Reopened

Order No. R-3698 - A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 11, 19 81, at Santa Fe, New Mexico, before Examiner BLS.

NOW, on this _____ day of _____, 19____, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That Division Order No. R 3698, entered March 5, 1969, established special pool rules for the Four Mile Draw-Morrow Gas Pool in Eddy County, New Mexico, including provisions for 640 acre spacing and proration unit and specified well locations.

(3) That no party appeared and objected to the rescission of said special pool rules.

(4) That ^{the} special pool rules should be rescinded and ~~that~~ ~~the~~ said Four Mile Draw - Morrow Gas Pool should be drilled and operated under provisions of the Division's Statewide Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the special rules and regulations for the Four Mile - Draw Morrow Gas Pool, as heretofore defined and described in Eddy County, New Mexico, ~~are~~ ~~hereby~~ rescinded, as set out in Division Order No R-3698, ~~are~~ ~~hereby~~ rescinded.

IT IS FURTHER ORDERED:

Four Mile Draw - Morrow Gas

(1) That the locations of all wells presently drilling to or completed in the ~~North Peterson-Pennsylvanian~~ Pool or in the ~~Pennsylvanian~~ ^{Morrow} formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the ~~District~~ ^{Protest} District Office of the Division in writing of the name and location of the well on or before ~~February 1, 1981~~ ^{May 1, 1981}

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the ~~North Peterson-Pennsylvanian~~ ^{Four Mile Draw - Morrow Gas} Pool shall have dedicated thereto ~~320~~ ³²⁰ acres in accordance with the foregoing ~~pool~~ rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or pro-rata units established by the Division and dedicated thereto.

Statewide

Failure to file new Forms C-102 with the Division dedicating ~~320~~ ³²⁰ acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable ~~until~~ said Form C-102 has been filed or until a non-standard unit has been approved, ~~and subject to said 60-day limitation, each well presently drilling to or completed in the North~~

(3) ~~(5)~~ That jurisdiction of this cause is 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


JOE D. RAMFY