

CASE 6946: KNOX INDUSTRIES, INC. FOR AN
UNORTHODOX GAS WELL LOCATION, LEA COUNTY
NEW MEXICO



CASE NO.

6946

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.



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

Knox Industries, Inc.

JOE D. RAMEY
Director

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6946
Order No. R-6400

APPLICATION OF KNOX INDUSTRIES, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of July, 1980, 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 the applicant, Knox Industries, Inc., seeks
approval of an unorthodox gas well location 1980 feet from the
North line and 660 feet from the East line of Section 1, Town-
ship 19 South, Range 34 East, NMPM, to test the Morrow formation,
Lea County, New Mexico.
- (3) That the N/2 of said Section 1 is to be dedicated to
the well.
- (4) That approval of this unorthodox location will permit
the applicant to utilize an abandoned 10,000 foot deep Bone Spring
test well to drill deeper and test the Morrow formation at about
half the cost of a new well.
- (5) That no offset operator objected to the proposed un-
orthodox location.

-2-

Case No. 6946
Order No. R-6400

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

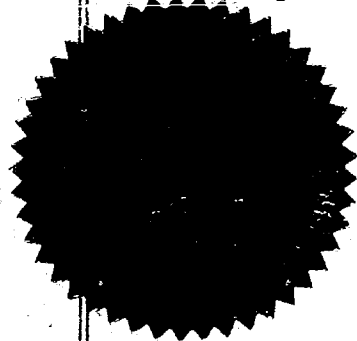
IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for a well to be drilled deeper at a point 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) That the N/2 of said Section 1 shall be dedicated to the above-described well.

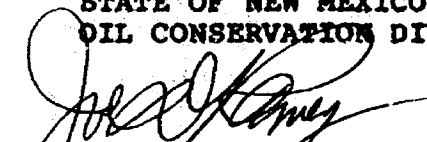
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Knox Industries, Inc.,) CASE
for an unorthodox gas well location,) 6946
Lea 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:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
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Phone (505) 455-7409

I N D E X

LELAND FRANZ

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Stamets 10

E X H I B I T S

Applicant Exhibit One, Structure Map 5

Applicant Exhibit Two, Isopach 7

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1 MR. STAMETS: We'll call next Case 6946.

2 MR. PADILLA: Application of Knox Industries,
3 Inc., for an unorthodox gas well location, Lea County, New
4 Mexico.

5 MR. KELLAHIN: If the Examiner please, I'm
6 Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of
7 the applicant, and I have one witness to be sworn.

8
9 (Witness sworn.)

10
11 LELAND FRANZ
12 being called as a witness and having been duly sworn upon his
13 oath, testified as follows, to-wit:

14
15 } DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Would you please state your name, by whom
18 you're employed, and in what capacity?

19 A My name is Leland Franz, F-R-A-N-Z. I
20 am employed by Knox Industries as a petroleum engineer.

21 Q Mr. Franz, have you previously testified
22 before the Oil Conservation Division?

23 A Once about 25 years ago.

24 Q Would you refresh the Examiner's memory
25 and tell us when and where you obtained your degree?

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1 A. I was graduated from Kansas State Univer-
2 sity in 1951, a degree in petroleum engineering.

3 Q. And subsequent to graduation where have
4 you been employed as a petroleum engineer?

5 A. I was employed as a petroleum engineer
6 24 years by the Skelly Oil Company in various engineering
7 and middle management capacities.

8 And since then by Stoltz, Wagner, and
9 Brown, by Coquina Oil Corporation.

10 Q. And you're now employed by Knox Indust-
11 ries?

12 A. That's correct.

13 Q. And pursuant to your employment as a
14 petroleum engineer have you made a study of the facts sur-
15 rounding this articular application?

16 A. I have.

17 MR. KELLAHIN: We tender Mr. Franz as an
18 expert petroleum engineer.

19 MR. STAMETS: The witness is considered
20 qualified.

21 Before we go on with this case, I would
22 like to point out that the Division has tried not to create
23 a brand new pool every time a new Morrow reservoir was dis-
24 covered in the vicinity of an existing Morrow well. There
25 may be other reasons in this case other than just a simple

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1 NGPA determination. If that's the only reason for a new pool
2 creation, normally we would not create a new pool but we
3 would recognize a new reservoir.

4 MR. KELLAHIN: No, sir, that is not the
5 only reason.

6 MR. STAMETS: Very good.

7 MR. KELLAHIN: The case that's called for
8 hearing at this point is an unorthodox location case.

9 MR. STAMETS: I was reading the wrong one.
10 Sorry.

11 MR. KELLAHIN: And we want to keep the
12 two cases separate, although some of the exhibits are the
13 same.

14 MR. STAMETS: Okay.

15 Q Mr. Franz, would you please identify
16 what we've marked as Exhibit Number One and tell us what that
17 is?

18 A Exhibit Number One is a map of the struc-
19 ture of the Morrow contoured on the top of the Morrow Line
20 and indicates thereon all Morrow tests within the area of
21 this map.

22 Q Would you identify for us the location
23 of the subject well?

24 A The well we're speaking of is called Knox
25 Industries New Mexico State No. 2. It's in Unit H of Section

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1 1, 19 South, 34 East.

2 Q And what would be the proration unit that
3 you would propose to dedicate to this well?

4 A The north half of Section 1.

5 Q And what is the status of that well now?

6 A This well was originally drilled this
7 spring as a Bone Spring test and was dry and was temporarily
8 abandoned at 10,950 feet.

9 Q I show you what is a copy of the Commission
10 Order No. R-6261, entered in Case 6789, and ask you if the
11 subject well was drilled pursuant to that order?

12 A Yes, it was drilled pursuant to this
13 order.

14 Q And what were the results of the Bone
15 Spring test?

16 A Unfortunately it was dry.

17 Q Why have you sought to use the same
18 wellbore for the Morrow test?

19 A Well, we have something over a half
20 million dollars in the hole and we have a string of 5-1/2
21 inch casing set at 10,950, and we believe for a nominal amount
22 of money we can deepen this well to the Morrow and test that
23 zone, where otherwise we might not be able to justify it.

24 Q Would you identify for us the footage
25 location of the well?

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1 A Yes, it's located 660 feet from the east
2 line and 1980 from the north line of Section 1.

3 Q With regards to Exhibit Number One, your
4 structure map, does structure play a significance in deter-
5 mining a location for a Morrow test in this area?

6 A No, sir, the best we can tell it has
7 nothing to do with productivity of the Morrow.

8 Q All right, sir, let's proceed then to
9 Exhibit Number Two and have you identify the Isopach.

10 A All right. This is a purported Isopachous
11 map of a point bar type distribution of Morrow Sands in the
12 vicinity of this well, and I say purported because it's based
13 upon the evidence of only three wells, those shown on the
14 indicated cross section A through A'.

15 What would be the expense to the applicant
16 of drilling a new Morrow well from the surface to the total
17 depth?

18 A Well, it would be on the order of 1.1, 1.2
19 million dollars.

20 Q And what in your opinion will the expense
21 be of re-entering the old Bone Springs test and re-deepening
22 it to the Morrow formation?

23 A We can test and complete a Morrow well
24 for about \$500,000.

25 Q Okay. The Isopach indicates that a loca-

1 tion somewhere in the north half of this particular section,
2 No. 1, is potentially productive of the Morrow formation, does
3 it not?

4 A Yes, it does.

5 Q In your opinion is the proposed location
6 the optimum location from which to economically develop the
7 north half of this section?

8 A Well, that was a double-barreled question.

9 Q Yes, sir.

10 A It's not the best location, obviously,
11 if we can believe the Isopachous map, but economically it's
12 probably the only well we could justify testing the Morrow in
13 that section.

14 Q If you could not re-enter the Bone Springs
15 test, would you be in a position to recommend to the applicant
16 that he drill at a location somewhere else in the north half
17 of this section from the surface to total depth?

18 A No, sir, not at this time, we couldn't.

19 Q Now let's talk about the Isopach for just
20 a moment. You've -- I gather from your reaction that you have
21 some reservations about the Isopach with regards to its con-
22 tour through Section Number 1.

23 A Well, the evidence we have and pressure
24 information indicates that probably the most westerly of those
25 three wells and the center of those three wells are separated

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1 whereas this Isopach shows them to be in the same bar.

2 And furthermore, the evidence shows that
3 the center well and the most easterly well are separated. Now
4 that is indicated on the Isopach map but the other separation
5 is not.

6 Q In your opinion, Mr. Franz, will the ap-
7 proval of this application be in the best interests of conser-
8 vation, the prevention of waste, and the protection of corre-
9 lative rights?

10 A Yes, sir.

11 Q And in your opinion is the proposed loca-
12 tion the optimum location from which to develop the north half
13 of Section Number 1 under current circumstances?

14 A Yes, it's the only one.

15 Q And if this application is not approved,
16 the north half of Section Number 1 would not be developed so
17 far as the Morrow is concerned.

18 A That's correct.

19 Q Are Exhibits Number One and Two true and
20 accurate copies of an Isopach and structure map supplied to
21 you from the records and files of Knox Industries?

22 A Yes, sir, they are.

23 Q They were not prepared by you?

24 A No, they were not.

25 MR. KELLAHIN: That concludes our examin-

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1 ation and we move the introduction of Exhibits One and Two.

2 MR. STAMETS: These exhibits will be ad-
3 mitted.

4
5 CROSS EXAMINATION

6 BY MR. STAMETS:

7 Q Mr. Franz, what did you call these two
8 bars to indicate?

9 A They're what the geologists call point
10 bars.

11 Q Point bars?

12 A Point.

13 Q Would you elaborate on that?

14 A I'll be glad to try to elaborate on that.
15 They tell me that these bars result from old stream meanders,
16 in this case rivers, I would say; they're quite large ones.
17 And the bars are deposited on the inner side of a meander in
18 the slow part of the current, and where they become very thick
19 they're reworked and become porous, and over geologic time,
20 of course, some source bed feeds the hydrocarbons into them.

21 So probably that stream meandered like
22 this. See those? If you can believe the evidence you see
23 here on this map.

24 Q Pretty good size stream.

25 A Yes, they had some biggies in those days.

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1
2 witness?

MR. STAMETS: Any other questions of this

3

MR. KELLAHIN: No, sir.

4

MR. STAMETS: He may be excused.

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Anything further in this case?

6

The case will be taken under advisement.

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(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 HEREBY 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.

SALLY W. BOYD, C.S.R.

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6746 heard by me on 6-25 1980
Richard L. Smith, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

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I N D E X

LELAND FRANZ

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23 Q They were not prepared by you?

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5 CROSS EXAMINATION

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1
2 witness?

MR. STAMETS: Any other questions of this

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MR. KELLAHIN: No, sir.

MR. STAMETS: He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

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Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY 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 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____

_____, Examiner
Oil Conservation Division

- CASE 6944: Application of Benson-Montin-Greer Drilling Corporation for a pressure maintenance project, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project by the injection of gas, air, LPG, water, or chemicals into the Mancos formation thru 7 wells on its East Puerto Chiquito-Mancos Unit Area.
- CASE 6945: Application of ARCO Oil and Gas 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 Yates-Seven Rivers formation in the interval from 3550 feet to 4000 feet in its Fletcher Well No. 4 in Unit J of Section 27, Township 20 South, Range 34 East, Lynch Field.
- CASE 6946: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be recompleted in the Morrow formation at a point 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, the N/2 of said Section 1 to be dedicated to the well.
- CASE 6947: Application of Knox Industries, Inc. for pool contraction and creation and an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order deleting certain lands from the La Rica-Morrow Gas Pool and creating a new gas pool from said lands together with a determination that applicant's NM State Well No. 1 located in Unit F of Section 2, Township 19 South, Range 34 East, has discovered a new onshore reservoir pursuant to Section 102 of the NGPA.
- CASE 6948: Application of Maralo, Inc. for dual completions and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) and simultaneous dedication in the Jalmat Pool of four wells in its Jalmat Yates Unit to produce oil from, and later on to inject water into, its Yates formation waterflood, and to produce oil from the Seven Rivers formation from two of the wells, the Nos. 19 and 20 located in Units C and D and to produce gas from the Seven Rivers from the other two wells, the Nos. 25 and 31 located in Units F and K, all in Section 18, Township 25 South, Range 37 East.
- CASE 6949: Application of Grace Petroleum Corporation for four compulsory poolings, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Escrito-Gallup Pool underlying four 80-acre proration units, being the E/2 NE/4, the S/2 NW/4, and the W/2 NW/4 of Section 28, and the W/2 SE/4 of Section 29, all in Township 24 North, Range 7 West, each 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 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 6950: Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.
- CASE 6951: Application of Bass Enterprises Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 21, Township 22 South, Range 30 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 6952: Application of Exxon Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 378.11-acre non-standard gas proration unit comprising Lots 1 and 2 and the N/2 NE/4 of Section 31, and Lots 1, 2, 3, 4, and the N/2 N/2 of Section 32, all in Township 26 South, Range 26 East, Morrow formation, to be dedicated to its Milepost Federal Com 2 Well No. 1 located in Unit A of said Section 31.
- CASE 6925: (Readvertised)
- Application of Caribou Four Corners, Inc. for two exceptions to Rule 306, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 306 of the Division Rules and Regulations to permit the permanent flaring of gas from its Kirtland Wells Nos. 1 and 2, located in Units A and B, respectively, of Section 13, Township 29 North, Range 15 West.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6789
Order No. R-6261

APPLICATION OF KNOX INDUSTRIES, INC.
FOR AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 16, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of February, 1980, 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 the applicant, Knox Industries, Inc., seeks an exception to the well location requirements of the Scharb-Bone Springs Pool as promulgated by Order No. R-2589 to permit its New Mexico State Well No. 2 to be drilled in Unit H, 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, NMPM, Scharb-Bone Springs Pool, Lea County, New Mexico.

(3) That the E/2 NE/4 of said Section 1 is to be dedicated to the well.

(4) That a well at said unorthodox location will better enable applicant to produce the oil underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox location.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

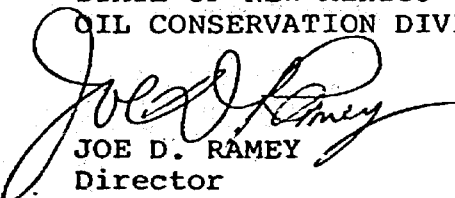
(1) That an unorthodox oil well location is hereby approved for the Knox Industries, Inc. New Mexico State Well No. 2 to be drilled as an exception to the provisions of Order No. R-2589 at a point in Unit H 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, NMPM, Scharb-Bone Springs Pool, Lea County, New Mexico.

(2) That the E/2 NE/4 of said Section 1 shall be dedicated to the above-described well.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

fd/

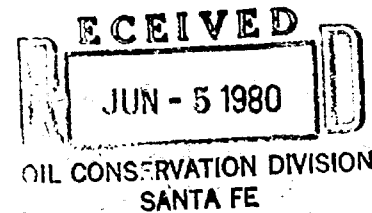
Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

June 5, 1980

Mr. Joe Ramey
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501



re: Knox Industries, Inc.

Dear Joe:

Case 6946

Enclosed please find two separate Applications for hearings. I would appreciate you setting the Section 102 case before the unorthodox location case.

We would appreciate being scheduled on the June 25, 1980 docket.

Very truly yours,

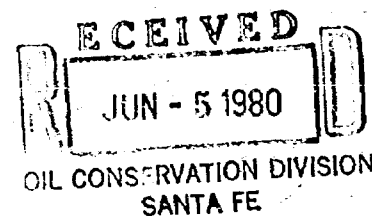
A handwritten signature in dark ink, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

encl.
cc: Leland Franz
WTK: nb

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
KNOX INDUSTRIES, INC. FOR APPROVAL
OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO



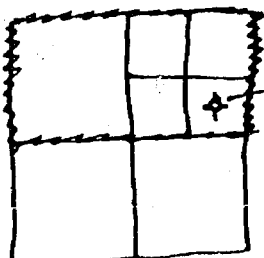
APPLICATION

Case 6946

COMES NOW KNOX INDUSTRIES, INC, by and through
its attorneys, Kellahin & Kellahin and applies to the Oil
Conservation Division of New Mexico for approval of an
unorthodox well location 1980 feet from the North line
660 feet from the East line of Section 1, T19S, R34E, Lea
County, New Mexico and in support thereof would show:

1. Applicant is the operator of the North half of
Section 1, T19S, R34E, Lea County, New Mexico.
2. Applicant has previously drilled a dry hole to
the Bone Springs formation (depth = 10,950 feet) at a
location 1980 feet from the North line and 660 feet from
the East line of said Section 1.
3. Applicant seeks approval to re-enter the subject
well and deepen said well to a depth sufficient to test
the Morrow formation.
4. Applicant proposes to dedicate the N/2 of said
section to the well.
5. Approval of the Application is in the best
interest of conservation, the prevention of waste and the
protection of correlative rights.


WHEREFORE Applicant requests that this matter be set



re-entry
1980 FNL
660 FEL
old B.S. well

before the Division's Examiner and that after notice and hearing, the application be granted as requested.

KELLAHIN & KELLAHIN

By 

W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico
Phone: (505) 982-4285
ATTORNEY FOR APPLICANT

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
KNOX INDUSTRIES, INC. FOR APPROVAL
OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO

Case 6946

APPLICATION

COMES NOW KNOX INDUSTRIES, INC, by and through its attorneys, Kellahin & Kellahin and applies to the Oil Conservation Division of New Mexico for approval of an unorthodox well location 1980 feet from the North line 660 feet from the East line of Section 1, T19S, R34E, Lea County, New Mexico and in support thereof would show:

1. Applicant is the operator of the North half of Section 1, T19S, R34E, Lea County, New Mexico.
2. Applicant has previously drilled a dry hole to the Bone Springs formation (depth = 10,950 feet) at a location 1980 feet from the North line and 660 feet from the East line of said Section 1.
3. Applicant seeks approval to re-enter the subject well and deepen said well to a depth sufficient to test the Morrow formation.
4. Applicant proposes to dedicate the N/2 of said section to the well.
5. Approval of the Application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set

before the Division's Examiner and that after notice and hearing, the application be granted as requested.

KELLAHIN & KELLAHIN

By W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico
Phone: (505) 982-4285
ATTORNEY FOR APPLICANT

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
KNOX INDUSTRIES, INC. FOR APPROVAL
OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO

Case 6946

APPLICATION

COMES NOW KNOX INDUSTRIES, INC, by and through its attorneys, Kellahin & Kellahin and applies to the Oil Conservation Division of New Mexico for approval of an unorthodox well location 1980 feet from the North line 660 feet from the East line of Section 1, T19S, R34E, Lea County, New Mexico and in support thereof would show:

1. Applicant is the operator of the North half of Section 1, T19S, R34E, Lea County, New Mexico.
2. Applicant has previously drilled a dry hole to the Bone Springs formation (depth = 10,950 feet) at a location 1980 feet from the North line and 660 feet from the East line of said Section 1.
3. Applicant seeks approval to re-enter the subject well and deepen said well to a depth sufficient to test the Morrow formation.
4. Applicant proposes to dedicate the N/2 of said section to the well.
5. Approval of the Application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set

before the Division's Examiner and that after notice and hearing, the application be granted as requested.

KELLAHIN & KELLAHIN

By _____
W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico
Phone: (505) 982-4285
ATTORNEY FOR APPLICANT

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
KNOX INDUSTRIES, INC. FOR APPROVAL
OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO

Case 6946

APPLICATION

COMES NOW KNOX INDUSTRIES, INC, by and through its attorneys, Kellahin & Kellahin and applies to the Oil Conservation Division of New Mexico for approval of an unorthodox well location 1980 feet from the North line 660 feet from the East line of Section 1, T19S, R34E, Lea County, New Mexico and in support thereof would show:

1. Applicant is the operator of the North half of Section 1, T19S, R34E, Lea County, New Mexico.
2. Applicant has previously drilled a dry hole to the Bone Springs formation (depth = 10,950 feet) at a location 1980 feet from the North line and 660 feet from the East line of said Section 1.
3. Applicant seeks approval to re-enter the subject well and deepen said well to a depth sufficient to test the Morrow formation.
4. Applicant proposes to dedicate the N/2 of said section to the well.
5. Approval of the Application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set

before the Division's Examiner and that after notice and hearing, the application be granted as requested.

KELLAHIN & KELLAHIN

By W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico
Phone: (505) 982-4285
ATTORNEY FOR APPLICANT

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6946

ORDER NO. R-6400

APPLICATION OF KNOX INDUSTRIES, INC.

FOR AN UNORTHODOX GAS WELL LOCATION,

LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this day of June, 1980, 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 the applicant, Knox Industries, Inc. ~~of a well to be recompleted in the Morrow formation~~ seeks approval of an unorthodox gas well location/ 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South Range 34 East, NMPM, ~~to test the~~ ^{to test the} Morrow formation, ~~Lea~~ ^{Lea} County, New Mexico.

(3) That the N/2 of said Section 1 is to be dedicated to the well.

(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox location.

(4) That approval of this ~~unorthodox location~~ ^{unorthodox location} will permit the applicant to utilize an abandoned 10,000 foot deep Bone Spring test well ~~to be recompleted~~ ^{to be recompleted} to drill ~~the cost~~ ^{half the cost} deeper and test the Morrow formation ~~for a new well~~ ^{for a new well}.

-2-

Case No. _____
Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for a well ~~to be completed~~ ^{to be drilled deeper} at a point 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 34 East, NMPM, Pool, Lea County, New Mexico.

(2) That the N/2 of said Section 1 shall be dedicated to the above-described well.

(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.