

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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

**CASE NO. 12746
ORDER NO. R-11692**

**APPLICATION OF V-F PETROLEUM INC. L.L.C. FOR AN ORDER
GRANTING EXCEPTIONS TO SPECIAL POOL RULES ESTABLISHED BY
DIVISION ORDER NO. R-3022, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 26th day of November, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) By Order No. R-3022, as amended, entered in Case No. 3351 on December 22, 1965, the Division, upon application of Pan American Petroleum Corporation, established "*Special Rules and Regulations for the Dos Hermanos-Morrow Gas Pool.*" These rules require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the section and no closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary. Additionally, these rules do not contain a provision authorizing the drilling of infill wells within a standard gas proration unit.

(3) The applicant, V-F Petroleum Inc. L.L.C. ("V-F Petroleum"), seeks authority to drill its proposed Hale Federal Com No. 3 as a second well on a standard 640-acre gas spacing and proration unit comprising all of Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico, to an unorthodox bottomhole gas well location 950 feet from the North line and 760 feet from the West line (Unit D) of Section 22. The applicant further seeks authority to simultaneously dedicate this standard

640-acre spacing unit to the Hale Federal Com No. 3, and to its existing Hale Federal Com No. 2 (**API No. 30-015-20556**) located at a standard gas well location 1650 feet from the South line and 1800 feet from the West line (Unit K) of Section 22.

(4) This case was styled such that in the absence of objection, this case would be taken under advisement.

(5) V-F Petroleum appeared through legal counsel. No other offset operator or interest owner appeared at the hearing.

(6) Division records demonstrate that the Dos Hermanos-Morrow Gas Pool currently comprises Sections 21, 22, 27 and 28, Township 20 South, Range 30 East, NMPM.

(7) V-F Petroleum presented evidence that demonstrates:

- (a) the Hale Federal Com No. 2 is the only well currently producing from the Dos Hermanos-Morrow Gas Pool;
- (b) as of October, 2000, the Hale Federal Com No. 2 has cumulatively produced approximately 1.186 BCF of gas from the Dos Hermanos-Morrow Gas Pool. Based upon volumetric calculations, the EUR for the well will be approximately 1.205 BCF of gas;
- (c) the Hale Federal Com No. 2 is estimated to ultimately drain an area of approximately 40 acres;
- (d) the proposed Hale Federal Com No. 3 will be directionally drilled from a surface location 1450 feet from the South line and 660 feet from the West line (Unit L) of Section 22 to the proposed unorthodox bottomhole location due to surface considerations, namely the presence of a potash mine within the N/2 of Section 22; and
- (e) a well drilled to the proposed unorthodox bottomhole location should penetrate the Morrow formation in an area of greater sand thickness than a well drilled at a standard gas well location within

the NW/4 of Section 22, thereby increasing the likelihood of obtaining commercial gas production.

(8) V-F Petroleum provided notice of its application to all affected offset operators. No offset operator or interest owner appeared at the hearing in opposition to the application.

(9) Approval of the application will provide the applicant the opportunity to recover additional gas reserves from the Morrow formation underlying Section 22, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) V-F Petroleum Inc. L.L.C. is hereby authorized to drill its Hale Federal Com No. 3 as a second well on a standard 640-acre gas spacing and proration unit in the Dos Hermanos-Morrow Gas Pool comprising all of Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico, to an unorthodox bottomhole gas well location 950 feet from the North line and 760 feet from the West line (Unit D) of Section 22.

(2) The applicant is further authorized to simultaneously dedicate this standard 640-acre spacing unit to the Hale Federal Com No. 3, and to its existing Hale Federal Com No. 2 (**API No. 30-015-20556**) located at a standard gas well location 1650 feet from the South line and 1800 feet from the West line (Unit K) of Section 22.

(3) Prior to commencing drilling operations, the applicant shall obtain all applicable approvals from the Division's Artesia District Office relating to the directional drilling operations for the Hale Federal Com No. 3.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director