

**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. 12444
ORDER NO. R-2373-D*

**APPLICATION OF MARBOB ENERGY CORPORATION TO AMEND THE
SPECIAL RULES AND REGULATIONS FOR THE LUSK-MORROW GAS
POOL, LEA AND EDDY COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 29, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of September, 2000, 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) Division Order No. R-2373, issued in Case No. 2691 and dated November 21, 1962, created and defined the Lusk-Morrow Gas Pool for the production of gas from the Morrow formation. The horizontal limits for this pool currently include the following described lands in Lea and Eddy Counties, New Mexico:

EDDY COUNTY
TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 13:	All
Sections 24 and 25:	All

LEA COUNTY
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Sections 9 and 10:	All
Sections 15 and 16:	All
Sections 18 through 21:	All
Sections 27 through 30:	All

Section 32:

All.

(3) The Lusk-Morrow Gas Pool is an "unprorated gas pool" not subject to Part H of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). However, the Lusk-Morrow Gas Pool is subject to: (i) the "*Special Rules and Regulations for the Lusk-Morrow Gas Pool*," as established by Division Order No. R-2373, as amended by Orders No. R-2373-A, R-2373-B, and R-6197, which require standard 640-acre gas spacing and proration units, with wells to be located no closer than 330 feet to the outer boundary of the SW/4 NE/4, SE/4 NW/4, NE/4 SW/4, and NW/4 SE/4 of the section; and (ii) Division Rule 104.D (3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one (see official notice to all operators submitted by the Division Director on October 25, 1999). Producing wells within this pool are allowed to produce at capacity.

(4) As directed by Division Order No. R-2373-C, issued in Case No. 12076 and dated January 15, 1999, as amended by Division Order No. R-2373-C (1), the applicant, Marbob Energy Corporation ("Marbob"), seeks to amend the rules and regulations currently governing the Lusk-Morrow Gas Pool to provide:

- (a) the option to drill on each quarter section within a standard 640-acre gas spacing and proration unit; and
- (b) the relaxation of the setback requirements for wells, such that wells can be located no closer than 660 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) By Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, Division Rule 104 was amended for deep gas development (Wolfcamp and older) in southeast New Mexico (Lea, Chaves, Eddy, and Roosevelt Counties) to provide for: (i) one optional infill well within a standard 320-acre gas spacing and proration unit; (ii) relaxed setback requirements to the outer boundary line of a spacing and proration unit; and (iii) a larger geographical area within each quarter section of a single unit in which to drill a well at a location that is standard by reducing the 330-foot setback requirements to an interior quarter-quarter section line to 10 feet.

(6) Marbob presented evidence that demonstrates there are currently nine producing wells within the Lusk-Morrow Gas Pool, three of which are operated by Marbob.

(7) The applicant presented geologic evidence that demonstrates:

- (a) the producing intervals of the Morrow formation in this area are divided into three zones, the "A," "B," and "C" sands (upper, middle, and lower, respectively);
- (b) all three intervals are present within the Lusk-Morrow Gas Pool boundary, however, there is no predominate producing interval;
- (c) the "A" and "B" sands in this area are deposited in a continuous manner while the "C" sand is lenticular and channel-like; and
- (d) even though all three sands can be correlated across the reservoir, the quality and sand thickness in each varies considerably.

(8) From Marbob's infill project in Section 19, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, which was the result of Division Order No. R-2373-C, as amended, the applicant presented engineering evidence demonstrating that one well per 640 acres is insufficient to adequately deplete the remaining gas reserves underlying this pool.

(9) Further, the geologic and engineering evidence presented demonstrates that approval of infill drilling within the Lusk-Morrow Gas Pool will provide the operators in the pool the opportunity to recover additional gas reserves, which may otherwise not be recovered by the existing wells, thereby preventing waste.

(10) The applicant's proposal to allow up to four wells per section is supported by its geologic and engineering evidence, and is consistent with current Division rules governing Morrow gas development in southeast New Mexico. However, certain provisions should be included in these proposed rule changes in order to ensure consistency with the rules currently governing deep gas pools in southeast New Mexico on 320-acre spacing.

(11) The proposed well setback requirements will allow for greater flexibility in locating infill gas wells.

(12) The applicant notified all operators and interest owners within the area affected by this application. No operator or interest owner appeared at the hearing in opposition to the application.

(13) Approval of the application is in the best interest of conservation, prevention of waste and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Marbob to amend the "*Special Rules and Regulations for the Lusk-Morrow Gas Pool*," currently comprising Sections 13, 24, and 25, Township 19 South, Range 31 East, NMPM, Eddy County, New Mexico and Sections 9, 10, 15, 16, 18, 19, 20, 21, 27, 28, 29, 30, and 32, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Rule 3 of the "*Special Rules and Regulations for the Lusk-Morrow Gas Pool*," is hereby amended to read in its entirety as follows:

RULE 3 (a): The initial well within a gas spacing and proration unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Each infill well within an existing gas spacing and proration unit shall be located in a quarter section that does not contain a producing Morrow gas well and shall be located with respect to the assigned unit boundaries as described above.

RULE 3 (b): The Division Director may grant an exception to the footage requirements for a Morrow gas well of Rule 3 (a) above without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 3 (c): No more than one Morrow gas well shall be located within a single governmental quarter section. Any deviation from this well density requirement shall be authorized only after hearing.

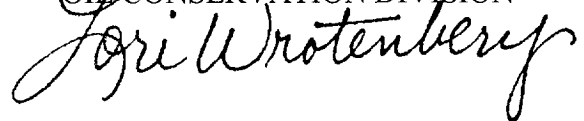
RULE 3 (d): The land plat (NMOCD Form C-102) accompanying the "*Application for Permit to Drill*"

(NMOCD Form C-101 or federal equivalent) for subsequent wells on an existing gas spacing and proration unit shall have outlined the boundary of the unit and shall show the location (well name, footage location, API number) of all existing Morrow gas wells on the unit plus the proposed new well.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

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