

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. 9915
ORDER NO. R-9163

APPLICATION OF MARATHON OIL
COMPANY FOR AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 18, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of April, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Marathon Oil Company, seeks approval of an unorthodox gas well location for its Indian Basin Gas Com Well No. 2 to be drilled 732 feet from the South line and 1173 feet from the West line (Unit M) of Section 23, Township 21 South, Range 23 East, NMPM, to test both the Indian Basin-Morrow and Indian Basin-Upper Pennsylvanian Gas Pools, Eddy County, New Mexico.
- (3) All of said Section 23 is to be dedicated to said well forming a standard 640-acre gas spacing and proration unit for both pools.

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(4) The applicant is also the owner and operator of the Indian Basin Gas Com Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 23. Said Well No. 1 was drilled to the Morrow formation in 1962, which was prior to the promulgation of special rules and regulations for both pools; therefore, the location for the No. 1 well, which is considered unorthodox, was grandfathered. The Morrow production from the No. 1 well was deemed uneconomical and was abandoned in 1976, the Upper Pennsylvanian production has experienced an increase in water influx indicating that the gas/water contact is encroaching this wellbore and will probably become uneconomical to produce in the near future.

(5) The applicant originally proposed to drill its second well in said Section 23 at a standard gas well location for both zones 1650 feet from the South and West lines (Unit K); however, said location was within the Rocky Arroyo Flood Plain which covers most of the S/2 of said Section 23 and deemed unacceptable by the Carlsbad Resource Area Office of the United States Bureau of Land Management (USBLM).

(6) An alternate location within the orthodox "windows" for both pools would place the well closer to the encroaching gas/water contact line and was therefore geologically unacceptable.

(7) The proposed unorthodox location is the closest surface location which would be out of the flood plain and acceptable by the USBLM.

(8) Said location also serves to move the well up-dip from the gas/water contact line in the Upper Pennsylvanian zone, thereby increasing the applicant's chances of obtaining a commercially productive well.

(9) Since said well is within the applicant's Indian Basin Unit Area, there are no offsetting operators affected; therefore correlative rights are protected.

(10) No interested party appeared and/or objected to the proposed unorthodox location.

(11) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected 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 will otherwise prevent waste.

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IT IS THEREFORE ORDERED THAT:

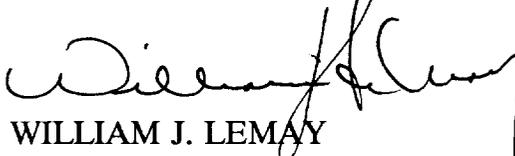
(1) The application of Marathon Oil Company for an unorthodox gas well location for both the Indian Basin-Morrow and Indian Basin-Upper Pennsylvanian Gas Pools is hereby approved for its Indian Basin Gas Com Well No. 2 to be located at a point 732 feet from the South line and 1173 feet from the West line (Unit M) of Section 23, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) All of said Section 23 shall be dedicated to the above-described well forming a 640-acre gas spacing and proration unit for said pool.

(3) 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



WILLIAM J. LEMAY
Director

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