



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 21, 1998

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attention: L. M. Sanders

Administrative Order NSL-4014

Dear Mr. Sanders:

Reference is made to: (i) your initial application dated March 10, 1998; (ii) supplemental information faxed to the Division on April 20, 1998; and, (iii) the records of the Division in Santa Fe, including Case No. 715: all concerning Phillips Petroleum Company's ("Phillips") request for an unorthodox Morrow gas well location for the proposed Grayburg Deep Unit Well No. 15 to be drilled 198 feet from the North line and 2201 feet from the West line (Unit C) of Section 30, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The Grayburg Deep (Federal) Unit agreement, approved by Division Order No. R-506, issued in Case No. 715 and dated July 7, 1954, unitized all oil and gas in any and all formations below a depth of 5,000 feet underlying the following described 5,484.17 acres, more or less, in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 12:	S/2
Section 13:	All
Sections 23 through 26:	All

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 7:	Lots 3 and 4
Sections 18 and 19:	All
Section 30:	All;

- (2) Phillips is the designated Unit operator of said Grayburg Deep (Federal) Unit;
- (3) According to the geologic interpretation submitted with this application, a well drilled at the proposed unorthodox gas well location is needed for Phillips to adequately test a seismic anomaly within the Middle Morrow sand channel that appears to trend east/west along the northern edge of said Section 30;

(4) Rules governing the Morrow formation for the proposed well location are as follows:

(a) the Anderson-Pennsylvanian Gas Pool currently comprises the S/2 of Section 7, the W/2 of Section 18, and the NW/4 of Section 19, all in Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, and is subject to Division statewide Rule 104.C(2)(a), requiring 160-acre spacing and proration units and wells to be located no closer than 660 feet to any outer boundary of the dedicated tract nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary;

(b) the South Loco Hills-Morrow Gas Pool currently comprises all of Sections 20 and 29, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, and is subject to Division statewide Rule 104.C(2)(b), requiring 320-acre spacing and proration units and wells to be located no closer than 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1980 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary; and,

(c) the Sand Tank-Morrow Gas Pool currently comprises: (i) the W/2 of Section 36, Township 17 South, Range 29 East, NMPM; (ii) the SE/4 of Section 31 and the S/2 of Section 32, Township 17 South, Range 30 East, NMPM; (iii) all of Sections 1 and 2, Township 18 South, Range 29 East, NMPM; and, (iv) all of Sections 6, 7, and 8, Township 18 South, Range 30 East, NMPM, all in Eddy County, New Mexico, and is subject to Division statewide Rule 104.C(2)(b), requiring 320-acre spacing and proration units and wells to be located no closer than 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1980 feet from the nearest end (short) boundary nor closer than 330 feet

from any quarter-quarter section or subdivision inner boundary;

- (5) The application indicates that Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said Section 30, being a standard 310.16-acre gas spacing and proration unit for both the Undesignated South Loco Hills-Morrow Gas and Sand Tank-Morrow Gas Pools, are to be dedicated to said well; HOWEVER, should this well be placed in the Anderson-Pennsylvanian Pool with 160-acre spacing requirements, then Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of said Section 30 is to be the assigned acreage thereby forming a standard 154.94-acre gas spacing and proration unit;
- (6) In either case the subject Morrow gas well location is considered to be unorthodox;
- (7) The subject application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division;
- (8) The subject application, which serves to prevent waste, protects correlative rights, exhibits sound engineering principles, and is in the best interest of conservation, should be approved for both acreage assignments; and,
- (9) Subsequent to the completion of the Grayburg Deep Unit Well No. 15 in the Morrow formation, the operator should consult with the Division's District Supervisor in Artesia as to the proper pool placement of said production and the appropriate assignment of its dedicated acreage.

The Division Director Finds That:

(1) Phillips Petroleum Company is hereby authorized to drill its proposed Grayburg Deep Unit Well No. 15 at an unorthodox gas well location 198 feet from the North line and 2201 feet from the West line (Unit C) of Section 30, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, in order to test the Morrow formation for commercial gas production.

(2) Subsequent to the completion of the Grayburg Deep Unit Well No. 15, the operator shall consult with the Division's District Supervisor in Artesia as to the proper pool placement of said production and the appropriate assignment of the dedicated acreage, which will be:

- (a) Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said Section 30, being a standard 310.16-acre gas spacing and proration unit for both the Undesignated South Loco Hills-Morrow Gas and

Administrative Order NSL-4014

Phillips Petroleum Company

April 21, 1998

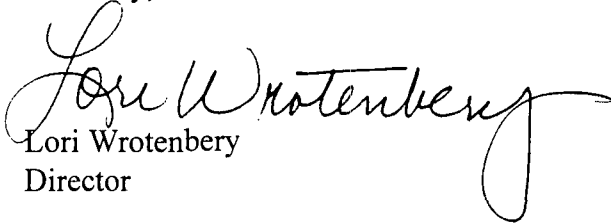
Page 4

Sand Tank-Morrow Gas Pools; or,

(b) Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of said Section 30, being a standard 154.94-acre gas spacing and proration unit for the Anderson-Pennsylvanian Pool.

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

Sincerely,


Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: Case No. 715