



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

June 14, 2002

Texaco Exploration & Production, Inc.
c/o Mack Energy Corporation, Agent
P. O. Box 960
Artesia, New Mexico 88210-2118
Attention: Crissa D. Carter
ccarter@pvtnetworks.net

Administrative Order NSL-4749

Dear Ms. Carter:

Reference is made to the following: (i) your application (*application reference No. pKRV0-215437380*) on behalf of the operator, Texaco Exploration & Production, Inc. ("Texaco") submitted to the New Mexico Oil Conservation Division ("Division") on May 30, 2002; (ii) Mr. Jerry W. Sherrell's telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division on Friday, June 14, 2002; and (iii) the Division's records in Santa Fe and Artesia: all concerning Texaco's request for an unorthodox Paddock oil well location for its existing Skelly Unit Well No. 905 (**API No. 30-015-31371**), drilled last summer to test the Undesignated Fren-Morrow Gas Pool underlying a standard 320-acre lay-down gas spacing and proration unit comprising the N/2 of Section 14, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. Pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, the well's location, being 1100 feet from the North line and 660 feet from the East line (Unit A) of Section 14, is considered to be "standard" for this 320-acre gas spacing and proration unit.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

It is the Division's understanding after reviewing your application and its records that this well was permitted by Texaco only as a Morrow gas test within the aforementioned 320-acre unit (see the "*Application for Permit to Drill*" dated August 22, 2000); the well was subsequently spud on June 23, 2001, drilled to a total depth of 12,474 feet, whereby the Morrow formation tested dry for gas production; however, the Paddock formation was found to be oil productive (date of first production – April 18, 2002). Pursuant to Division Rule 104.B (1), as revised, this Paddock oil location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NE/4 NE/4 (Unit A) of Section 14.

It is further understood that the N/2 of Section 14 is included within a single Federal lease (U.S.

Administrative Order NSL-4749
Texaco Exploration & Production, Inc.
June 14, 2002
Page 2

Government Lease No. NM-98120) in which Texaco is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provision of Division Rule 104.F (2), the above-described unorthodox Paddock oil well location for Texaco's above-described Skelly Unit Well No. 905 is hereby approved.

Please note that in the future, Texaco should attempt to locate its wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within its immediate area of operations.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, reading "Lori Wrotenbery / LWES".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
J. Denise Leake, Texaco Exploration & Production, Inc. - Midland, Texas