

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. 11458
ORDER NO. R-10561

**APPLICATION OF OXY USA INC. 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 February 8, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of March, 1996 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) At the time of the hearing this matter was consolidated with Division Case No. 11454 for the purposes of testimony.
- (3) The applicant, Oxy USA Inc., seeks authority to drill its Oxy "33" Federal Well No. 1 at an unorthodox gas well location 510 feet from the South line and 660 feet from the East line (Unit P) of Section 33, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, to test all prospective gas bearing intervals from the top of the Wolfcamp formation to the base of the Morrow formation. The S/2 of said Section 33 is to be dedicated to the subject well to form a standard 320-acre gas spacing and proration unit within said vertical extent.
- (4) Division records indicate that the dedicated acreage for the proposed Oxy "33" Federal Well No. 1 is located:
 - (a) within one mile of the North Burton Flat-Wolfcamp Gas Pool;
 - (b) within one mile of both the North Burton Flat-Strawn Gas and Winchester-Strawn Gas Pools;

- (c) within the governing boundaries of the Winchester-Atoka Gas Pool;
- (d) within one mile of both the Burton Flat-Morrow Gas and Winchester-Morrow Gas Pools.

(5) The North Burton Flat-Strawn Gas, Winchester-Strawn Gas, Winchester-Atoka Gas, Burton Flat-Morrow Gas, and Winchester-Morrow Gas Pools are all subject to the Division's statewide rules and regulations, which currently provide for 320-acre spacing and proration units with wells to be located no closer than 1650 feet from the nearest end boundary, nor closer than 660 feet from the nearest side boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(6) The North Burton Flat-Wolfcamp Gas Pool is subject to special rules and regulations, as promulgated by Division Order No. R-4949, as amended, which provide: for 320-acre spacing and proration units (**Rule 1**); for wells to be located no closer than 660 feet to the nearest side boundary of the tract nor closer than 1980 feet from the nearest end boundary of the tract (**Rule 4**); and for a production limitation of 1,500 MCF of gas per day for each well (**Rule 5**).

(7) Applicant's evidence and testimony indicates that the primary objective within the Oxy "33" Federal Well No. 1 is the Undesignated Old Millman Ranch-Bone Spring Associated Pool.

(8) The Old Millman Ranch-Bone Spring Associated Pool is currently governed by the General Rules and Regulations for the "*Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the Old Millman Ranch-Bone Spring Pool*", as promulgated by Division Order No. R-5353, as amended by Division Order No. R-5353-M, which rules provide for oil wells within the Old Millman Ranch-Bone Spring Associated Pool to be spaced on 40-acre tracts with (oil) wells to be located no closer than 330 feet from the outer boundary of the proration unit and for gas wells to be spaced on 80-acre tracts with (gas) wells to be located within 150 feet of the center of either quarter-quarter section or lot within said 80-acre tract.

(9) The subject well, which is projected to be a gas well within the Undesignated Old Millman Ranch-Bone Spring Associated Pool, is located within 150 feet of the center of the SE/4 SE/4 (Unit P) of said Section 33 and is therefore considered to be a standard Bone Spring gas well location. Oxy proposes to dedicate the S/2 SE/4 of said Section 33 to this well in order to form a standard 80-acre gas spacing and proration unit therein.

(10) Oxy proposes to "package" the Bone Spring interval with secondary objectives which include the Wolfcamp, Strawn, Atoka and Morrow formations in order to reduce the risk associated with drilling a stand-alone Bone Spring well at this location.

(11) Further testimony presented by the applicant indicates that the economics of the project necessitate drilling the subject well with multiple pay targets.

(12) The geologic and engineering evidence and testimony presented by the applicant indicates that only a small portion of the structure containing sufficient sand thickness of 30 feet and a porosity cutoff of 12% underlies the extreme southeastern one-third of the SE/4 SE/4 (Unit P) of said Section 33; therefore, the proposed location is the southeastern-most "orthodox" Bone Spring gas well location available to the applicant in order to intercept any potential hydrocarbon production from this structure.

(13) According to the evidence presented and to Division records said Section 33 had previous "deep" gas development within the Winchester-Morrow Gas Pool from a well in Unit B and within the Winchester-Atoka Gas Pool from a well in Unit J. In the offset acreage to the south in Section 4, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, the E/2 equivalent had attributed to North Burton Flat-Wolfcamp Gas Pool production from a well in Unit H.

(14) According to applicant's evidence the offset acreage to the southeast in Section 3, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, the N/2 equivalent has previously been developed in the North Burton Flat-Wolfcamp Pool by two wells in Units H and C. In addition, the N/2 equivalent of said Section 3 has previously been developed in the Winchester-Strawn Gas Pool by the aforesaid well in Unit H.

(15) The applicant has notified all affected offset operators of its application, and no offset operator and/or interest owner appeared at the hearing in opposition to the application.

(16) Approval of the subject application will afford the applicant the opportunity to economically and efficiently recover oil and gas reserves from the Bone Spring, Wolfcamp, Strawn, Atoka, and Morrow formations within the S/2 equivalent of said Section 33, thereby preventing waste, will serve to 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 and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Oxy USA Inc., is hereby authorized to drill its Oxy "33" Federal Well No. 1 at an unorthodox gas well location 510 feet from the South line and 660 feet from the East line (Unit P) of Section 33, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, to test all prospective gas bearing intervals from the top of the Wolfcamp formation to the base of the Morrow formation.

(2) The S/2 of said Section 33 is to be dedicated to the subject well to form a standard 320-acre gas spacing and proration unit within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Burton Flat-Wolfcamp Gas Pool, Undesignated North Burton Flat-Strawn Gas Pool, Undesignated Winchester-Strawn Gas

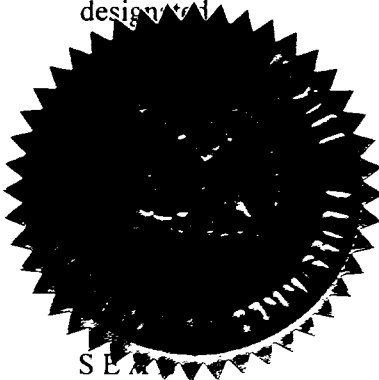
Pool, Undesignated Winchester-Atoka Gas Pool, Undesignated Burton Flat-Morrow Gas Pool, and Undesignated Winchester-Morrow Gas Pool.

IT IS FURTHER ORDERED THAT:

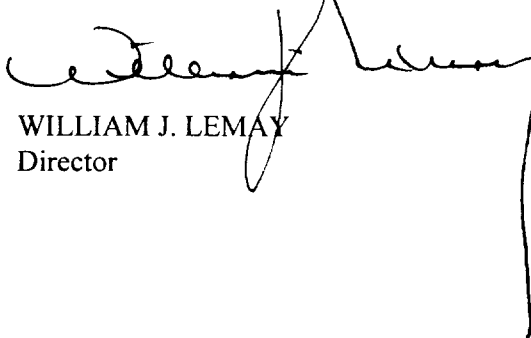
(3) The S/2 SE/4 of said Section 33 shall be dedicated to the subject well in order to form a standard 80-acre gas spacing and proration unit within the Undesignated Old Millman Ranch-Bone Spring Associated Pool. The location of the proposed Oxy "33" Federal Well No. 1 is considered to be a standard gas well location for said Bone Spring Pool.

(4) 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