



NOTE TO FILE

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CAMPBELL, CARR, et al.

FOR: The record in Division Case Nos. 11723 and 11755

FROM: Michael E. Stogner, Chief Hearing Officer/Engineer *MS.*

SUBJECT: Catclaw Draw-Morrow Gas Pool
production in Section 12, Township
21 South, Range 25 East, NMPM,
Eddy County, New Mexico

DATE: September 10, 1997

CC: William J. LeMay, Director - OCD, Santa Fe
Rand L. Carroll, Counsel - OCD, Santa Fe
William F. Carr, Counsel - Texaco Exploration &
Production Inc., Santa Fe

Texaco Exploration and Production Inc., a party appearing in this matter, operates the standard 632.36-acre gas spacing and proration unit within the Catclaw Draw-Morrow Gas Pool that comprises all of Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, which is currently dedicated to the:

(a) E. J. Levers Federal "NCT-1" Well No. 1 (API No. 30-015-20683) located at a previously approved unorthodox gas well location [approved by Decretory Paragraph No. (6) of Division Order No. R-4157-D, dated June 21, 1971] 660 feet from the South line and 1980 feet from the West line (Lot 14/Unit N) of said Section 12; and;

(b) E. J. Levers Federal "NCT-1" Well No. 2 (API No. 30-015-28644) at a standard gas well location 2448 feet from the North line and 1980 feet from the West line (Lot 6/Unit F) of said Section 12.

The E. J. Levers Federal "NCT-1" Well No. 2 was spudded on October 29, 1995, reached a T.D. of 10,600 feet on November 11, 1995, completed on December 21, 1995, and began producing gas on March 1, 1996.

The Catclaw Draw-Morrow Gas Pool is governed by the "General Rules and Regulations for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Catclaw Draw-Morrow Gas Pool", as promulgated by Division Order No. R-8170, as amended, which requires

standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet from the outer boundary of a proration unit nor closer than 330 feet from any governmental quarter-quarter section or subdivision inner boundary. Although technically classified as a "Prorated Gas Pool", gas prorationing was suspended in the Catclaw Draw-Morrow Gas Pool by Division Order No. R-10328, issued by the New Mexico Oil Conservation Commission in Case No. 11211 on March 27, 1995, due to the fact that there were no "prorated wells" in the pool. The Catclaw Draw-Morrow Gas Pool is currently subject to the spacing and well location provisions of the "*Special Rules and Regulations for the Catclaw Draw-Morrow Gas Pool*", as described above, as well as Rule 104.D(3) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996, which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one. Prior to January 18, 1996 the policy, as described in Division Memorandums dated July 27, 1988 and August 3, 1990 were in effect, which also limited and initially established the "one-well rule" (see copies attached).

In reviewing this matter further, I was unable to find where Texaco had applied for and received an exception to this "one well rule" within its existing 632.36-acre gas spacing and proration unit comprising said Section 12 that was essentially put into effect on March 27, 1995 when prorationing was suspended in the Catclaw Draw-Morrow Gas Pool. I met with Rand Carroll, Bill Carr, and Jim Bruce (W. Thomas Kellahin was extended an invitation but was out of town) this morning and requested that Texaco shut-in one of its two producing Morrow gas wells within said Section 12 until such time as: (i) gas prorationing in the Catclaw Draw-Morrow Gas Pool is reestablished; (ii) the pool rules are amended to allow for an infill-well (this would be similar to the actions taken for the Indian Basin-Morrow Gas Pool when gas prorationing was suspended); (iii) an exception to the Rule 104.D(3) is obtained; or, (iv) proper documentation is provided showing that an exception was granted Texaco for the above-described E. J. Levers Federal "NCT-1" Well No. 2.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF TEXACO EXPLORATION
AND PRODUCTION INC. FOR CLARIFICATION
OF THE RULES GOVERNING THE CATCLAW DRAW-
MORROW GAS POOL, OR IN THE ALTERNATIVE,
FOR AN EXCEPTION TO THOSE RULES,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC. ("Texaco") hereby makes application to the Division for an order clarifying the Division Rules which govern the development of the Catclaw Draw-Morrow Gas Pool as these rules apply to second wells on spacing units within this pool or, in the alternative, for an exception to these rules for its E. J. Levers Federal "NCT-1" Wells Nos 1 and 2 located on Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, and in support of this application states:

1. Texaco is the operator of a standard 632.36-acre spacing and proration unit in the Catclaw Draw-Morrow Gas Pool comprised of Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico.
2. The Catclaw Draw-Morrow Gas Pool was created on June 21, 1971 by Division Order No. R-4157.
3. In 1971, Texaco drilled its E. J. Levers Federal "NCT-1" Well No. 1 (API No. 30-015-20683) at an unorthodox gas well location 660 feet from the South line and 1980 feet from the West line in Unit N/Lot 14 of Section 12 (approved by Decretory Paragraph No. (6)

of Division Order No. R- 4157-D, dated June 21, 1971) and dedicated all of Section 12 thereto in the Catclaw Draw-Morrow Gas Pool.

4. Special Pool Rules and Regulations for the Catclaw Draw-Morrow Gas Pool were amended from time to time and the pool was prorated on January 15, 1974. (Order No. R-4704).

5. Pursuant to these rules, the Catclaw Draw-Morrow Gas Pool has been developed on an effective 320-acre spacing pattern.

6. In 1988 and again in 1990, William J. LeMay, Director of the Division, issued memoranda to the industry which prohibited continuous and concurrent production of two wells on a single spacing unit in unprorated pools unless exception to the pool rules was obtained after notice and hearing.

7. The Special Pool Rules for the Catclaw Draw-Morrow Gas Pool (Order No. R-4704) were incorporated into the General Rules and Regulations for the Prorated Gas Pools of New Mexico (Order No. R-1670-O).

8. New General Rules and Regulations for the Prorated Gas Pool of New Mexico were adopted by Division Order No. R-8170 on March 28, 1986. This order repealed Order No. R-1670 and promulgated Special Pool Rules for many of the prorated pools including the Catclaw Draw-Morrow Gas Pool. The special pool rules for the Catclaw Draw-Morrow Gas Pool provide for 640-acre spacing and 1650 foot well set backs but is silent on authorization of second wells on spacing units.

APPLICATION,

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9. By Order No. R-10328 dated March 27, 1995, the Oil Conservation Commission "suspended" prorationing in certain pools including the Catclaw Draw-Morrow Gas Pool.

10. On July 31, 1995, Texaco filed a Form C-101, seeking Division approval of its E. J. Levers Federal "NCT-1" Well No. 2. The Division approved that well.

11. In October 1995, Texaco drilled its E. J. Levers Federal "NCT-1" Well No. 2 (API No. 30-015-28644) located at a standard gas well location 2448 feet from the North line and 1980 feet from the West line in Unit F Lot 6 of said Section 12.

12. On September 10, 1997, Texaco was advised by the Division that the Catclaw Draw Morrow Gas Pool is governed by the General Rules and Regulations for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Catclaw Draw-Morrow Gas Pool, as promulgated by Order No. R-8170 and Division Rule 104.D(3) of the General Rules and Regulations of the Oil Conservation Division as revised by Division Order No. R-10533. Those Rules and Orders restrict to one the number of producing wells on a single spacing unit in a non-prorated pool. The Division requested that Texaco shut-in one well in Section 12 until Division approval for a second Morrow well on Section 12 is obtained from the Division.

13. Texaco requests clarification from the Commission as to the current status of the rules which govern the Catclaw Draw-Morrow Gas Pool. Specifically, Texaco requests clarification of the meaning of "suspension" of prorationing in this pool. The issues which

need clarification include:

- A. Has Prorationing been terminated in this pool and if not what is the meaning of the suspension of prorationing?
- B. Because Special Pool Rules for the Catclaw Draw-Morrow Gas Pool were abolished by Order No. R-8170, were second wells on spacing units authorized in this Pool?
- C. Did the suspension of prorationing change the spacing for this pool whereby a second well was authorized on each spacing unit prior to the suspension but only one well per spacing unit permitted thereafter?

14. If the Rules which govern the Catclaw Draw-Morrow Gas Pool authorize only one well per 640-acre spacing unit, Texaco seeks an exception to these rules to permit the simultaneous dedication of Section 12, Township 21 South, Range 25 East, NMPM, to its E. J. Levers Federal ("NCT-1") Well Nos 1 and 2.

15. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, TEXACO EXPLORATION AND PRODUCTION INC. hereby requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 23, 1997, and after notice and hearing, the Division enter its order clarifying the rules for the Catclaw Draw-Morrow Gas Pool and, if needed, authorizing the simultaneous dedication of Section 12, Township 21 South, Range 25 East, NMPM, Eddy

county, New Mexico to its E. J. Levers Federal ("NCT-1") Wells Nos. 1 and 2.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P. A.

By: _____
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR TEXACO
EXPLORATION AND PRODUCTION INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was mailed this ____ day of September, 1997 to the following counsel of record:

Rand Carroll, Esq.
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attorney for the Oil Conservation Division

James Bruce, Esq.
612 Old Santa Fe Trail
Suite B
Santa Fe, New Mexico 87501

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

William F. Carr