

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:

APPLICATION OF MEWBOURNE OIL COMPANY FOR
A NON-STANDARD GAS SPACING AND PRORATION
UNIT AND AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

Case No. 11723

APPLICATION OF FASKEN OIL AND RANCH, LTD.
FOR A NON-STANDARD GAS SPACING AND PRORATION
UNIT AND TWO ALTERNATE UNORTHODOX GAS WELL
LOCATIONS, EDDY COUNTY, NEW MEXICO.

Case No. 11755

Order No. R-10872

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 3, 1997 and on May 1, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of September, 1997, 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 Carclaw Draw-Morrow Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

<u>Irregular Section 1:</u>	All
<u>Irregular Section 2:</u>	Lots 9 through 16 and S/2
<u>Sections 11 through 14:</u>	All
<u>Sections 23 through 28:</u>	All
<u>Sections 34 through 36:</u>	All

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12034 Exhibit No. 3
Submitted By: *Matador Petroleum Corp.*
Hearing Date: December 3, 1998

TOWNSHIP 21 SOUTH RANGE 26 EAST NMPM

Sections 17 through 20: All
Section 30: All.

(3) 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.

(4) 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.

(5) 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 Division General Rule 104.D(3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one. Producing wells within said pool are allowed to produce at capacity.

(6) In Case No. 11723 the applicant, Mewbourne Oil Company ("Mewbourne"), seeks to establish a non-standard 297.88-acre gas spacing and proration unit for Catclaw Draw-Morrow Gas Pool production comprising Lots 29, 30, 31, and 32 and the SW/4 (S/2 equivalent) of Irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, which is to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 2310 feet from the East line (Lot 31/Unit W) of said Section 1.

(7) Similarly, in Case 11755, Fasken Oil and Ranch, Ltd. ("Fasken") also seeks to establish said non-standard 297.88-acre gas spacing and proration unit for Catclaw Draw-Morrow Gas Pool production which is to be dedicated to a well to be drilled at one of the following described locations:

(a) 2080 feet from the South line and 750 feet from the West line (Unit L) of said Section 1, or

(b) 660 feet from the South line and 2310 feet from the East line (Lot 31/Unit W) of said Section 1.

(8) At the time of the hearing both Division Case Nos. 11723 and 11755 were consolidated for the purpose of presenting testimony. Since both cases involve the same acreage and subject matter, one order should be entered for both cases.

(9) Texaco Exploration and Production Inc. ("Texaco") appeared and presented evidence specifically in opposition to the proposed unorthodox location 660 feet from the South line and 2310 feet from the East line (Lot 31/Unit W) of said Section 1. Texaco operates the standard 632.36-acre gas spacing and proration unit within the Catclaw Draw-Morrow Gas Pool immediately to the south of the proposed 297.88-acre unit which 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) located 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.

(10) Section 1 of Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico comprises a total area of 853.62 acres consisting of a row of six lots and/or quarter-quarter sections being a legal governmental subdivision therein [see Finding Paragraph No. (6) in Division Order No. R-10833, issued in Case Nos. 11716, 11717, 11739, 11740, 11741, and 11753 and dated May 22, 1997 for further reference on the subject of irregular sized and shaped sections]. A spacing and proration unit for either of the requested well locations that would be considered "standard" pursuant to the rules and regulations governing the Catclaw Draw-Morrow Gas Pool would need to incorporate the Lots 11, 12, 13, 14, 25, 26, 27, 28, 29, 30, 31, and 32 and the SW/4 of said Section 1. Even though this area comprises a total of 600.01 acres said area would satisfy the Division's requirements for the formation as near as possible of a standard sized and shaped drilling tract. Also, the oil and gas mineral rights underlying this 600.01-acre drilling tract is under the jurisdiction of the United States government. HOWEVER, the 302.13 acre area that comprises Lots 11, 12, 13, 14, 25, 26, 27, and 28 of said Section 1 is currently an unleased federal tract that is under additional wildlife restrictions that makes the leasing of this particular area from the U. S. Bureau of Land Management impossible at this time.

(11) From September, 1972 to February, 1993 the Barbara Fasken Avalon Federal Com. Well No. 1 (API No. 30-015-20306), located 3630 feet from the South line and 660 feet from the East line (Lot 28/Unit P) of said Section 1 produced 322,803 MCF of gas and 211 barrels of condensate from the Catclaw Draw-Morrow Gas Pool which was attributed to the aforementioned 600.01-acre unit. This well was plugged and abandoned in April, 1993.

(12) The formation of this 297.88-acre non-standard gas spacing and proration unit is

a reasonable request in that:

(a) a full sized, as nearly as possible, standard shaped 640-acre spacing and proration unit cannot be formed within this irregularly shaped section since the needed acreage will not be offered by the U. S. Bureau of Land Management for mineral leasing;

(b) it is not the intent of the applicants in both cases to avoid the "one well" per 640-acre unit rule by placing a well on each one-half section;

(c) it serves to further deplete any remaining reserves within the Catclaw Draw-Morrow Gas Pool in the lower portion of said Irregular Section 1 not drained by the original above-described Avalon Federal Com. Well No. 1 in Unit "P" of said Section 1.

(13) The formation of the mutually requested 297.88-acre gas spacing and proration unit was not the subject of any opposition, is in the best interest of conservation, and will serve to prevent waste and should therefore be approved.

(14) Under an Operating Agreement dated April 1, 1970, both Fasken and Mewbourne have the right to develop the Morrow formation underlying the subject 297.88-acre tract.

(15) *As the April, 1997 hearing both Fasken and Mewbourne presented substantial geological evidence supporting their respective positions and opposing the other's position. Texaco's technical evidence was limited to opposing the drilling of the location in Lot 31/Unit W of said Section 1.*

FINDING: The technical evidence presented by all parties in this matter had merit and cumulatively supports the further development of the Catclaw Draw-Morrow Gas Pool within the subject 297.88-acre non-standard gas spacing and proration unit.

(16) No offset operator, mineral interest owner, or affected party to the west appeared at the hearing in opposition to Fasken's proposed well to be drilled to the Catclaw Draw-Morrow Gas Pool at an unorthodox location 2080 feet from the South line and 750 feet from the West line (Unit L) of said Section 1. Therefore, in order to assure the adequate protection of correlative rights, the prevention of waste, and in order to prevent the economic loss caused by the drilling of unnecessary wells, the well proposed by Fasken in Case No. 11755 to be drilled to the Catclaw Draw-Morrow Gas Pool at an unorthodox location 2080 feet from the South line and 750 feet from the West line (Unit L) of said Section 1 should be approved. Consequently, the proposed unorthodox gas well location to be drilled 660 feet from the South line and 2310 feet from the East line (Lot 31/Unit W) of said Section 1 should be denied.

IT IS THEREFORE ORDERED THAT:

(1) The request by both Fasken Oil and Ranch, Ltd. ("Fasken"), as the applicant in Case 11755, and Mewbourne Oil Company ("Mewbourne"), as the applicant in Case 11723, to establish a non-standard 297.88-acre gas spacing and proration unit for Catclaw Draw-Morrow Gas Pool production comprising Lots 29, 30, 31, and 32 and the SW/4 (S/2 equivalent) of Irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) Said 297.88-acre unit is to be dedicated to a well to be drilled at an unorthodox gas well location 2080 feet from the South line and 750 feet from the West line (Unit L) of said Irregular Section 1.

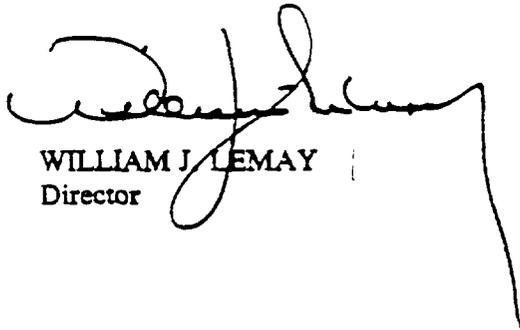
(3) Fasken Oil and Ranch, Ltd. is hereby designated the operator of the subject well and non-standard gas spacing and proration unit.

(4) The unorthodox Morrow gas well location for said 297.88-acre unit 660 feet from the South line and 2310 feet from the East line (Lot 31/Unit W) of said Section 1 is hereby denied.

(5) 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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