

**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. 12978
ORDER NO. R-11898**

**APPLICATION OF XTO ENERGY, INC. FOR AN UNORTHODOX GAS WELL
LOCATION AND SIMULTANEOUS DEDICATION, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 19, 2002, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of February, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 4, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, being a standard 321.33-acre stand-up gas spacing and proration unit ("GPU") in both the Basin-Dakota (71599) and Blanco-Mesaverde (72319) Pools is currently operated by XTO Energy, Inc. The following two wells, operated by XTO Energy, Inc., are dually completed in both pools and are currently dedicated to this GPU:

(a) Dawson "A" Well No. 1 (API No. 30-045-20050), located at a standard gas well location in both pools 790 feet from the South line and 1450 feet from the West line (Unit N) of Section 4; and

(b) Dawson "A" Well No. 1-M (API No. 30-045-24096), located at a standard infill gas well location in both pools 890 feet from the North line and 1060 feet from the West line (Lot 4/Unit D) of Section 4.

(3) XTO Energy Inc., as applicant in this case, seeks an exception to the well location requirements of the "*Special Rules for the Basin-Dakota Pool*" and the "*Special Rules for the Blanco-Mesaverde Pool*" for its proposed Dawson "A" Well No. 1-G (API No. 30-045-31128) to be drilled at an unorthodox infill gas well location within the aforementioned 321.33-acre GPU 1500 feet from the South line and 475 feet from the West line (Unit L) of Section 4, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico.

(4) Applicant also seeks approval to simultaneously dedicate Mesaverde and Dakota gas production from its above-described Dawson "A" Wells No. 1, 1-M, and 1-G to the 321.33-acre GPU.

(5) The special pool rules for the Basin-Dakota Gas Pool, as promulgated by Division Order No. R-10987-B (2), issued in Case No. 12745 on January 29, 2002, and the special pool rules for the Blanco-Mesaverde Gas Pool, as promulgated by Division Order No. R-10987-A, dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002, both require standard 320-acre GPU's, with wells to be located no closer than 660 feet to the outer boundary of the GPU nor closer than 10 feet to a quarter-quarter section line or subdivision inner boundary. Four wells are allowed per GPU, with no more than two wells per quarter section and no more than one well in any quarter-quarter section.

(6) No offset mineral interest owner or interested party appeared at the hearing in opposition to this application

(7) The applicant originally filed an administrative application on December 3, 2001 (*administrative application reference No. pKRV0-133938089*) seeking approval of the unorthodox location for the Dawson "A" Well No. 1-G. However, the application was denied because it would have been the third Dakota gas well within the GPU, and no more than two wells were allowed per GPU at that time. Applicant re-applied on February 14, 2002 (*administrative application reference No. pKRV0-204552732*), but provided insufficient data to justify the unorthodox location. Applicant again applied on October 11, 2002 (*administrative application reference No. pKRV0-229027137*); this application was also found to be incomplete. Because the application had unsuccessfully been filed twice previously, the Division set this matter for hearing.

(8) The applicant was represented by legal counsel at the hearing who, at that time, requested this matter be reviewed and considered on the information contained in the administrative applications without presentation of additional evidence.

(9) The applicant prepared and filed additional information to supplement its three

previously filed administrative applications. The evidence and submittals by the applicant show the following:

(a) It recently drilled another well within the NW/4 equivalent of Section 4, the Dawson "A" Well No. 1-F (API No. 30-045-31123), located at a standard infill gas well location for both gas pools 1865 feet from the North line and 1565 feet from the West line (Unit F) of Section 4, to be dually completed in both the Dakota and Mesaverde intervals within this 321.33-acre GPU. In order to minimize surface disturbance XTO Energy, Inc. utilized the well pad for the plugged and abandoned Conoco, Inc. Graham "B" WN Federal Well No. 7 (API No. 30-045-20406), located 1840 feet from the North line and 1740 feet from the West line (Unit F) of Section 4.

(b) At this time only that area within Units "K", "L", and "M" of the SW/4 of Section 4 is available for another Mesaverde/Dakota infill well.

(c) There is a flat area in the NE/4 SW/4 (Unit K) of Section 4 which could be used for a well site; however, an orthodox location in that quarter-quarter section would place the well only a few hundred feet from the Dawson "A" Well No. 1 in Unit "N" of Section 4. For engineering reasons, the applicant desires to maximize the distance between the proposed Dawson "A" Well No. 1-G and the existing Dawson "A" Well No. 1. Moving the well to the NW/4 SW/4 (Unit L) of Section 4 achieves that objective.

(d) The topographic evidence shows that there is not a flat area for a well to be drilled at an orthodox location within the SW/4 SW/4 (Unit M) of Section 4.

(e) In the NW/4 SW/4 (Unit L) of Section 4 there is an area of substantial relief east of an existing north/south road, so a well in that quarter-quarter section must be placed west of the road. Locating the Dawson "A" Well No. 1-G at the proposed unorthodox location places it: (i) in a flat area; and (ii) next to the existing road, thus minimizing additional surface disturbance.

(10) Approval of the proposed unorthodox infill gas location will afford the applicant the opportunity to produce its just and equitable share of oil and gas from the subject pools, will prevent economic loss caused by the drilling of unnecessary wells, and will prevent waste and

protect correlative rights.

(11) Further, because the number of wells within a GPU in both the Basin-Dakota and Blanco-Mesaverde Pools is restricted to four, no approval is required for the simultaneous dedication of the 321.33-acre GPU to the proposed Dawson "A" Well No. 1-G and existing Dawson "A" Wells No. 1 and 1-M.

IT IS THEREFORE ORDERED THAT:

(1) Applicant XTO Energy, Inc. is hereby granted an exception to the well location requirements of the "*Special Rules for the Basin-Dakota Gas Pool*," as promulgated by Division Order No. R-10987-B (2), issued in Case No. 12745 on January 29, 2002, and the "*Special Rules for the Blanco-Mesaverde Gas Pool*," as promulgated by Division Order No. R-10987-A, dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002, for its proposed Dawson "A" Well No. 1-G (**API No. 30-045-31128**) to be drilled at an unorthodox infill gas well location within an existing standard 321.33-acre stand-up gas spacing and proration unit comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 4, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, 1500 feet from the South line and 475 feet from the West line (Unit L) of Section 4.

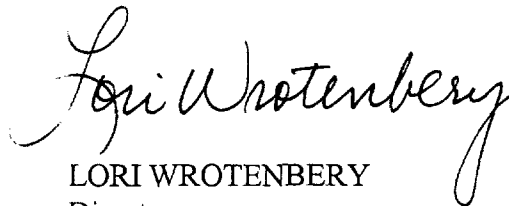
(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director