



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

BRUCE KING
GOVERNOR

September 3, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 10367
ORDER NO. R-9575
Applicant: _____

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztéc OCD _____

Other William F. Carr

**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. 10367
Order No. R-9575**

**APPLICATION OF CHEVRON U.S.A.,
INC. FOR AN UNORTHODOX GAS WELL LOCATION
AND SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 3rd day of September, 1991, 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 applicant, Chevron U.S.A. Inc., (Chevron) seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its B. V. Culp (NCT-A) Gas Com (Culp Com) Well No. 11 to be drilled 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 19, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico. Chevron also proposes simultaneous dedication of a 477.14-acre non-standard gas spacing and proration unit to three wells. The three wells are the proposed Well No. 11 and two existing wells, B. V. Culp (NCT-A) Gas Com Wells No. 9 (Unit J) and No. 10 (Unit A). The 477.14-acre proration unit is made up of Lots 1 and 2, NE/4, E/2 NW/4 and SE/4 of said Section 19.

(3) Pool rules for the Eumont Gas Pool provide for standard 640 acre spacing and proration units and for well locations no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section or subdivision line.

For non-standard gas proration units, pool rules provide that the maximum acreage that may be assigned to a well shall be governed by the well location as follows: 660-660, 160 acres; 660-990, 320 acres; and 990-990, 600 acres.

Acreage is the only proration factor in the Eumont Gas Pool. A 640-acre proration unit is assigned an Acreage Factor of 4.00, a 160-acre proration unit an acreage factor of 1.00, etc.

(4) Chevron submitted the following information through exhibits and the testimony of witnesses:

- (a) Well No. 11 was proposed at a location 660 feet from the North line (instead of 990) so that it would be further removed from Well No. 3, a plugged and abandoned well in Unit F of Section 19, which recovered 9.336 BCF prior to abandonment.
- (b) Texaco's Saunders "K" State Com Well No. 1 in Section 18 is 760 feet North of Chevron's Culp Com acreage in Section 19. Chevron believes the Texaco well, which has already produced 7.233 BCF is draining Chevron's acreage. The Texaco well produced at the rate of 742 MCF per day in May, 1991.
- (c) Chevron considered dividing the 477.14 acre proration unit into two smaller units. A 160-acre proration unit in the SE/4 of Section 19 would have been assigned to the well No. 9 and the remaining 317.14 acres to Wells Nos. 10 and 11. Had this been possible, well No. 11 would have been at a standard location. However, the Gas Pooling Agreement which was entered into in 1957 and force pooling Order No. R-1487 dated September 14, 1959, make this impractical and unfair to royalty owners.
- (d) Chevron indicated a willingness to produce the three wells using allowable restrictions which would result from a proration unit division as described in Finding (4)(c) above. The 477.14-acre proration unit would remain intact, but Chevron would maintain separate records of self-imposed allowable restrictions and production and provide Texaco, Inc. with the information so that they could also monitor the producing rates of the three wells.

(5) Representatives of Texaco, Inc. (Texaco) appeared at the hearing and objected to the Chevron application. Texaco submitted the following information through exhibits and the testimony of witnesses:

- (a) The high cumulative production of Chevron's Culp No. 3 was discussed. The well recovered 9.336 BCF. Texaco indicated this recovery together with a 660 feet from the North line location for well No. 11 would allow Chevron to drain Texaco. Texaco proposed moving the 660 location to 990 feet from the North line.
- (b) A structure map and a cross-section were presented to show that geologically, the 990 location is as good as the 660 location proposed by Chevron for well No. 11.

- (c) The Chevron proposal to restrict production to the rates which would be allowed if the Culp proration unit were divided as outlined in Findings (4)(c) and (4)(d) is not acceptable to Texaco. They prefer that OCD monitor the allowable producing rates for the wells.
- (d) To prevent drainage of its acreage, Texaco recommended a 55% penalty, resulting in an acreage factor of 1.35 for Chevron's 477.14-acre Culp Com gas proration unit.

(6) Both Chevron and Texaco indicated they would be agreeable to the assignment of an acreage factor of 1.00 to the SE/4 of said Section 19 (Well No. 9) and a factor of 1.98 to the N/2 of the section (Wells Nos. 10 and 11) if this could be done without dividing the Culp Com gas proration unit.

(7) OCD does not have procedures available to assign acreage factors as set out in Finding (6) above. However a penalized acreage factor for the entire proration unit could be developed to accomplish essentially the same result.

(8) The Chevron Culp Com Well No. 9 is a marginal well which produced at a rate of 170 MCF per day during June and July, 1991 (based on OCD records). An acreage factor of 0.28 would result in the assignment of an allowable equal to the recent producing rate of Well No. 9. The acreage factor for the 317.14-acre N/2 of Section 19 should be set at 1.98; ($\frac{317.14}{160}$). Total acreage factor for the Culp Com Gas Proration Unit would be $2.26; 0.28 + 1.98 = 2.26$.

(9) Chevron and Texaco will be able to review production information from all three Culp Com wells to be sure that producing rates are in line with the assigned acreage factor.

(10) No other offset operator or interested party objected to the proposed unorthodox location.

(11) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) An unorthodox gas well location in the Eumont Gas Pool is hereby approved for the Chevron U.S.A. Inc., B.V. Culp (NCT-A) Gas Com Well No. 11 to be drilled 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 19, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico.

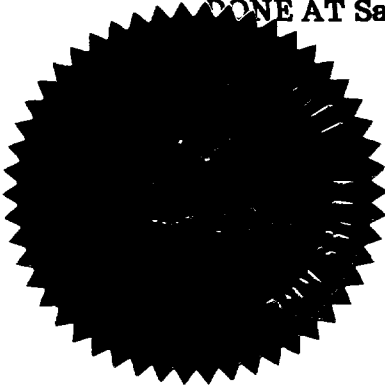
Case No. 10367
Order No. R-9575
Page 4

(2) An existing 477.14-acre non-standard gas spacing and proration unit consisting of Lots 1 and 2, NE/4, E/2 NW/4 and SE/4 of said Section 19 shall be simultaneously dedicated to the B. V. Culp (NCT-A) Gas Com Wells No. 11 (Unit C), No. 9 (Unit J), and No. 10 (Unit A), all in said Section 19.

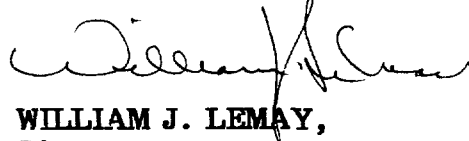
(3) For allowable purposes the 477.14-acre B.V. Culp (NCT-A) Gas Com gas proration unit shall be assigned an acreage factor of 2.26 in the Eumont Gas Pool.

(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

Case 10367
Order No. R-?
Page 1

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. 10367

Order No. R-? 9575

APPLICATION OF CHEVRON U.S.A.,
INC. FOR AN UNORTHODOX GAS WELL LOCATION
AND SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1991, at Santa Fe,
New Mexico, before Examiner Jim Morrow.

NOW, on this _____ day of September, 1991, 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 applicant, Chevron U.S.A. Inc., (Chevron) seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its B. V. Culp (NCT-A) Gas Com (Culp Com) Well No. 11 to be drilled 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 19, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico. Chevron also proposes ~~to~~ simultaneous ^{dedication of} ~~dedicate~~ a 477.14-acre non-standard gas spacing and proration unit to three wells. The three wells are the proposed Well No. 11 and two existing wells, B. V. Culp (NCT-A) Gas Com Wells Nos. 9 (Unit J) and No. 10 (Unit A). The 477.14-acre proration unit is made up of Lots 1 and 2, NE/4, E/2 NW/4 and S⁶/4 of said Section 19.

(3) Pool rules for the Eumont Gas Pool provide for standard 640-acre spacing and proration units and for well locations no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section or subdivision line.

For non-standard gas proration units, pool rules provide that the maximum acreage that may be assigned to a well shall be governed by the well location as follows: 660-660, 160 acres; 660-990, 320 acres; and 990-990, 600 acres.

Acreage is the only proration factor in the Eumont Gas Pool. A 640-acre proration unit is assigned an Acreage Factor of 4.00, a 160-acre proration unit an acreage factor of 1.00, etc.

(4) Chevron submitted the following information through exhibits and the testimony of witnesses:

- (a) Well No. 11 was proposed at a location 660 feet from the North line (instead of 990) so that it would be further removed from Well No. 3, a plugged and abandoned well in Unit F of Section 19, which recovered 9.336 BCF prior to abandonment.
- (b) Texaco's Saunders "K" State Com Well No. 1 in Section 18 is 760 feet North of Chevron's Culp Com acreage in Section 19. Chevron believes the Texaco well, which has already produced 7.233 BCF is draining Chevron's acreage. The Texaco well produced at the rate of 742 MCF per day in May, 1991.
- (c) Chevron considered dividing the 477.14-acre proration unit into two smaller units. A 160-acre proration unit in the SE/4 of Section 19 would have been assigned to the well No. 9 and the remaining ^{317.14}~~317.14~~ acres to Wells Nos. 10 and 11. Had this been possible, well No. 11 would have been at a standard location. However, the Gas Pooling Agreement which was entered into ^{in 1957} and force pooling Order No. R-1487 dated September 14, 1959, make

this impractical and unfair to royalty owners.

- (d) Chevron indicated a willingness to produce the three wells using allowable restrictions which would result from a proration unit division as described in ^{Article} (4)(c) above. The 477.14-acre proration unit would remain in tact, but Chevron would maintain separate records of self-imposed allowable restrictions and production and provide Texaco, Inc. with the information so that they could also monitor the producing rates of the three wells.

(5) Representatives of Texaco, Inc. (Texaco) appeared at the hearing and objected to the Chevron application. Texaco submitted the following information through exhibits and the testimony of witnesses:

→ (a) The high cumulative production of Chevron's Culp No. 3 was discussed. The well recovered 9.336 BCF. Texaco indicated this recovery together with a 660 feet from the North line location for well No. 11 would allow Chevron to drain Texaco. Texaco proposed moving the 660 location to 990 feet from the North line. →

(b) A structure map and a cross-section were presented to show that geologically, the 990 location is as good as the 660 location proposed by Chevron for well No. 11.

(c) The Chevron proposal to restrict production to the rates which

would be allowed if the Culp proration unit were divided as outlined in Findings (4)(c) and (4)(d) is not acceptable to Texaco. They prefer that OCD monitor the allowable producing rates for the wells.

- (d) To prevent drainage of its acreage, Texaco recommended ~~1~~² 55% penalty, resulting in an acreage factor of 1.35 for Chevron's 477.14-acre Culp com gas proration unit.

of (6) Both Chevron and Texaco indicated they would be agreeable to ~~assigning~~^{the assignment} an acreage factor of 1.00 to the SE/4 of said Section 19 (Well No. 9) and a factor of 1.98 to the N/2 of the section (Wells Nos. 10 and 11) if this could be done without dividing the Culp Com gas proration unit.

(7) OCD does not have procedures available to assign acreage factors as set out in Finding (6) above. However a penalized acreage factor for the entire proration unit could be developed to accomplish essentially the same result.

(8) The Chevron Culp Com Well No. 9 is a marginal well which produced at a rate of 170 MCF per day during June and July, 1991 (based on OCD records). An acreage factor of 0.28 would result in the assignment of an allowable equal to the recent producing rate of Well No. 9. The acreage factor for the 317.14-acre N/2 of Section 19 should be set at 1.98; ($\frac{317.14}{160}$). Total acreage factor for the Culp Com Gas Proration Unit would be 2.26; $0.28 + 1.98 = 2.26$.

(9) Chevron and Texaco could review production information from all three Culp Com wells to be sure that producing rates are in line with the assigned acreage factor.

(10) No other offset operator or interested party objected to the proposed unorthodox location.

(11) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) An unorthodox gas well location in the Eumont Gas Pool is hereby approved for the Chevron U.S.A. Inc., B.V. Culp (NCT-A) Gas Com Well No. 11 to be drilled 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 19, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) An existing 477.14-acre non-standard gas spacing and proration unit consisting of Lots 1 and 2, NE/4, E/2 NW/4 and SE/4 of said Section 19 shall be simultaneously dedicated to the ^{B.V.}~~V.G.~~ Culp (NCT-A) Gas Com Wells Nos. 11 (Unit C), No. 9 (Unit J), and No. 10 (Unit A), all in said Section 19.

(3) For allowable purposes the 477.14-acre B.V. Culp (NCT~~A~~-A) Gas Com gas proration unit shall be assigned an acreage factor of 2.26 in the Eumont Gas Pool.

Case 10367
Order No. R-?
Page 7

(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

dr/