



State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



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December 23, 1991

CAMBELL & BLACK
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10423
ORDER NO. R-9619

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

FD/sl

cc: BLM Carlsbad Office
T. Kellahin

VILLAGRA BUILDING - 408 Galisteo
Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830

Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco
Office of the Secretary
827-5950

Administrative Services
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Energy Conservation & Management
827-5900

Mining and Minerals
827-5970

LAND OFFICE BUILDING - 310 Old Santa Fe Trail
Oil Conservation Division
P.O. Box 2088 87504-2088
827-5800

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. 10423
Order No. R-9619

APPLICATION OF MW PETROLEUM
CORPORATION/APACHE CORPORATION
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 December 5, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of December, 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, MW Petroleum Corporation/Apache Corporation, seeks approval of an unorthodox gas well location 330 feet from the North and West lines (Unit D) of Section 13, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico. Applicant proposes to simultaneously dedicate all of said Section 13 to the above-described well and to the existing Amoco Production Company HOC Federal Gas Com Well No. 1 located in Unit F of Section 13, forming a standard 640-acre gas spacing and proration unit.

(3) The proposed well is located within the Indian Basin-Upper Pennsylvanian Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order Nos. R-2440 and R-8170, as amended, which require standard 640-acre proration units with wells to be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any governmental quarter-quarter section line.

(4) At the time of the hearing, the applicant testified that should commercial gas production be established within the proposed well, it intends to plug and abandon the aforesaid HOC Federal Gas Com Well No. 1.

(5) Marathon Oil Company, the affected offset operator to the west of the proposed location, appeared at the hearing but did not present evidence or testimony.

(6) According to applicant's evidence and testimony, the HOC Federal Gas Com Well No. 1 currently produces approximately 10-15 MCF gas per day from the subject pool.

(7) Applicant proposes to drill the subject well in order to recover the remaining gas reserves underlying Section 13.

(8) The applicant presented geologic evidence and testimony which indicate that a well drilled at the proposed location should penetrate the Indian Basin-Upper Pennsylvanian Gas Pool at a structurally higher position and in an area of greater dolomite thickness than was encountered in the aforesaid HOC Federal Gas Com Well No. 1 which was drilled at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 13.

(9) The evidence presented indicates that a well drilled at the proposed location should enable the applicant to produce the remaining gas reserves underlying Section 13.

(10) The applicant requested that a voluntary 62% production penalty (38% allowable) be assessed against the subject well's gas allowable in the currently prorated Indian Basin-Upper Pennsylvanian Gas Pool, said production penalty having been agreed to by MW Petroleum Corporation/Apache Corporation and Marathon Oil Company prior to the hearing. Marathon and the applicant used different methods to arrive at the proposed allowable restriction, and the methods show that the restriction is reasonable.

(11) In order to assure that correlative rights are protected, the proposed production penalty should be adopted in this case.

(12) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(13) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will 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:

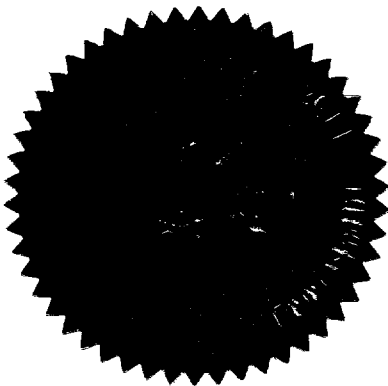
(1) The applicant, MW Petroleum Corporation/Apache Corporation, is hereby authorized to drill a well at an unorthodox gas well location 330 feet from the North and West lines (Unit D) of Section 13, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

(2) All of Section 13 shall be dedicated to the above-described well forming a standard 640-acre gas spacing and proration unit for said pool.

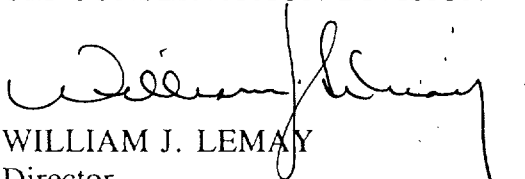
(3) For gas allowable purposes, the subject well shall be assigned an acreage factor of 0.38 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(4) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L