

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. 10803
Order No. R-9958

APPLICATION OF TEXACO EXPLORATION AND
PRODUCTION, INC. 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 August 26, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of September, 1993, 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, Texaco Exploration and Production, Inc. ("Texaco"), seeks approval to drill its Dow "B-33" Federal Well No. 2 at an unorthodox gas well location 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 33, Township 17 South, Range 31 East, NMPM, to test the Undesignated East Cedar Lake-Morrow Gas Pool, Eddy County, New Mexico. The W/2 of said Section 33 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) The applicant further requests approval of said unorthodox location as to all prospective pools and/or formations from the surface to the base of the Morrow formation.

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(4) At the time of the hearing Texaco limited its geological testimony and evidence to the Morrow formation, which indicates that a well drilled at the proposed unorthodox gas well location should encounter a greater amount of gross sand thickness in the Middle Morrow Sandstone than a well drilled at a standard Morrow gas well location thereon, thereby increasing the likelihood of obtaining commercial gas production from the Morrow formation.

(5) No offsetting operator and/or interest owner appeared at the hearing in opposition to this application.

(6) No geologic support was offered by the applicant as to other formations and/or pools either spaced on 320 or 160 acres, or possibly 80 acres, to warrant approval of this unorthodox location in any zones other than the Morrow at this time.

(7) Division General Rule 104.F provides for an administrative review process for wells recompleted up-hole at an unorthodox location; said procedure would allow Texaco in this instance to obtain approval in any affected shallower zone with relative ease. Correlative rights would be further protected in the future should another operator or leasehold interest, other than Texaco, take over ownership of those properties directly offsetting this well.

(8) Texaco's request to include within the provisions of this order all possible zones from the surface to the base of the Morrow formation is somewhat premature and unwarranted at this particular time. Approval of this application should therefore be restricted to the Morrow formation only.

(9) Such restricted approval will afford the applicant the opportunity to produce its just and equitable share of the gas in the Undesignated East Cedar Lake-Morrow Gas 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.

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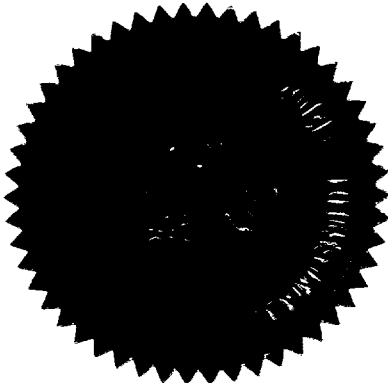
IT IS THEREFORE ORDERED THAT:

(1) The application of Texaco Exploration and Production, Inc. to drill its Dow "B-33" Federal Well No. 2 at an unorthodox gas well location 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 33, Township 17 South, Range 31 East, NMPM, to test the Undesignated East Cedar Lake-Morrow Gas Pool, Eddy County, New Mexico, is hereby approved.

(2) The W/2 of said Section 33 shall be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

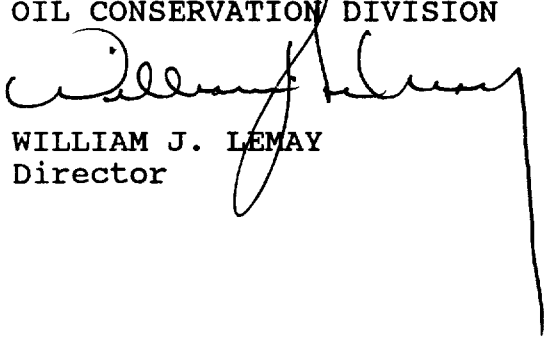
(3) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director