

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

N THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 10864
Order No.R-10024

**APPLICATION OF TEXACO EXPLORATION AND PRODUCTION INC. FOR NINE
LEASE LINE WELLS (NINE UNORTHODOX OIL WELL LOCATIONS), LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 A.M. on November 18, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of November, 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 case and the subject matter thereof.

(2) By Order No. R-4522, issued in Case No. 4935 and dated May 17, 1973, the Division approved the application of Texaco Inc. for its Rhodes Yates Unit comprising the following described 520 acres, more or less, of State and Federal lands in Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 21: E/2 SE/4

Section 27: W/2

Section 28: N/2 NE/4 and SE/4 NE/4

(3) By Order No. R-4521, issued in Case No. 4936 and dated May 17, 1973, the Division authorized Texaco Inc. to institute a waterflood project (therein designated the Texaco Rhodes Yates (Unit) Waterflood Project Area) by the injection of water into the Rhodes (Yates-Seven Rivers) Pool within the above-described Unit, Lea County, New Mexico.

(4) Likewise Texaco Inc. and its predecessor Texaco Exploration and Production Inc. has been developing and is continuing to conduct secondary recover operations in the Rhodes Pool within an area immediately offsetting said Rhodes Yates (Unit) Waterflood Project Area with its Texaco Rhodes "A" Federal (Lease) and Texaco Rhodes "B" Federal (Lease) Waterflood Projects underlying the following described area in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, under the approval and authority of Division Orders R-2748, dated July 29, 1964, R-2748-A, dated December 3, 1969, WFX-395, dated June 12, 1973, R-9847, dated February 17, 1993, and WFX-645, dated June 17, 1993:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 22: W/2 SW/4, SE/4 SW/4, and SW/4 SE/4

Section 26: W/2 NW/4, SE/4 NW/4, SW/4, and W/2 SE/4

Section 27: E/2

Section 28: SE/4

(5) The Rhodes (Yates-Seven Rivers) Pool is governed under the Division's statewide rules for spacing and the location of oil wells, which provides for 40-acre proration units comprised of a single governmental quarter-quarter section or Lot and for wells to be located no closer than 330 feet to the boundary of such tract [Rule 104.C(1)]. The Division's statewide rules further provides for an administrative process in granting authority for unorthodox oil well locations within such secondary recovery projects, provided that any such unorthodox location is no closer than 330 feet to the outer boundary of the lease or unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary [Rule 104.F(1)].

(6) At this time Texaco Exploration and Production Inc. ("Texaco"), as operator of all three of the above-described secondary recovery projects seeks approval to drill nine "lease-line" producing wells in the Rhodes (Yates-Seven Rivers) Pool at the following described unorthodox oil well locations for the purpose completing an efficient production/injection waterflood pattern within each project area, all in Township 26 South, Range 37 East, NMPM, Lea County, New Mexico:

Well Name and No.	Footage Location	Section	Unit	Dedicated 40-Acre Tract
W. H. Rhodes "B" NCT-1 Well No. 22	1572' FSL - 2375' FEL	27	J	NW/4 SE/4
W. H. Rhodes "B" NCT-1 Well No. 26	2310' FN & EL	27	G	SW/4 NE/4
W. H. Rhodes "B" NCT-1 Well No. 27	1155' FNL - 2376' FEL	27	B	NW/4 NE/4
Rhodes Yates Unit Well No. 18	2551' FNL - 44' FWL	27	E	SW/4 NW/4

Well Name and No.	Footage Location	Section	Unit	Dedicated 40-Acre Tract
Rhodes Yates Unit Well No. 19	1360' FSL - 50' FWL	27	L	NW/4 SW/4
Rhodes Yates Unit Well No. 20	1430' FSL - 10' FEL	21	I	NE/4 SE/4
Rhodes Yates Unit Well No. 21	130' FNL - 10' FWL	27	D	NW/4 NW/4
Rhodes Yates Unit Well No. 22	130' FNL - 1310' FWL	27	D	NW/4 NW/4
Rhodes Yates Unit Well No. 23	130' FNL - 2588' FWL	27	C	NE/4 NW/4

(7) The proposed W. H. Rhodes "B" NCT-1 Well No. 26, located 2310 feet from the North and East lines (Unit G) of Section 27 is considered a "standard location" pursuant to said statewide Rule 104.C(1). Therefore any request by the applicant for an unorthodox location for this particular well is deemed unnecessary and should be dismissed.

(8) In 1991, Texaco completed a reservoir study and development plan for these waterflood projects which demonstrated that the existing eighty-acre five spot waterflood patterns were approaching depletion and reserves would be wasted without infill drilling and injection pattern downspacing.

(9) In response to this study, all working interest owners in each of these waterflood projects have executed the "Rhodes Area Cooperative Lease Line Agreement", which was submitted at the hearing as applicant's Exhibit No. "5". Said agreement identifies each of the eight remaining "lease line" oil producing wells; provides that each well will be operated pursuant to this agreement and the Operating Agreement for the Rhodes Yates Unit, and provides for the allocation of well costs and production to be attributed to the appropriate waterflood project for each well.

(10) Currently Texaco is proceeding with the implementation of a three phase development plan in this area which provides for: (1) the conversion of existing producers to injection; and, (2) twenty-acre infill development drilling, including the drilling of the nine producers which are or were the subject of this application.

(11) The evidence presented by Texaco established that the drilling of the proposed wells at these locations will enable Texaco and the other working interest owners to establish an efficient production pattern within each of these secondary recovery projects.

(12) At the time of the hearing the applicant requested an administrative procedure be adopted whereby the locations for each of the unorthodox "lease line" oil wells may be moved a distance of not more than 100 feet from the approved location, if required by "topographic" conditions. In this instance where well locations were the main focus of the application, involves an agreement which is well site specific and includes provisions for the allocation of costs and production based on those specific locations, and where the applicant has established operations, the operator should be in a position to know rather a well site is drillable both physically and in a regulatory sense. Further, the applicant testified at the hearing that said locations have been surveyed and that no surface conditions were known to exist which would prohibit Texaco from obtaining proper authority to drill at the requested locations. However, there still exist that possibility of an unforeseen condition that would prohibit the operator for locating at the exact requested point.

(13) Any request for an administrative procedure to permit Texaco to move the well location of any of the subject wells herein approved by this order should be denied.

(14) Granting approval for the eight remaining unorthodox "lease line" producing oil well locations should result in a more efficient waterflood production pattern within each of the three separate Waterflood Project Areas, is in the best interest of conservation, will prevent waste by allowing the operator a chance to recover additional oil reserves within the Rhodes (Yates-Seven Rivers) Pool that might not otherwise be produced, and serves to protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Texaco Exploration and Production Inc. ("Texaco"), is hereby authorized eight unorthodox "lease line" locations for wells to be drilled as producing oil wells in either its Rhodes "B" Federal (Lease) Waterflood Project Area or its Rhodes Yates (Unit) Waterflood Project Area, said wells all to be located in Township 26 South, Range 37 East, NMPM, Rhodes (Yates-Seven Rivers) Pool, Lea County, New Mexico, as follows:

Well Name and No.	Footage Location	Section	Unit	Dedicated 40-Acre Tract
W. H. Rhodes "B" NCT-1 Well No. 22	1572' FSL - 2375' FEL	27	J	NW/4 SE/4
W. H. Rhodes "B" NCT-1 Well No. 27	1155' FNL - 2376' FEL	27	B	NW/4 NE/4
Rhodes Yates Unit Well No. 18	2551' FNL - 44' FWL	27	E	SW/4 NW/4
Rhodes Yates Unit Well No. 19	1360' FSL - 50' FWL	27	L	NW/4 SW/4

Well Name and No.	Footage Location	Section	Unit	Dedicated 40-Acre Tract
Rhodes Yates Unit Well No. 20	1430' FSL - 10' FEL	21	I	NE/4 SE/4
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Rhodes Yates Unit Well No. 22	130' FNL - 1310' FWL	27	D	NW/4 NW/4
Rhodes Yates Unit Well No. 23	130' FNL - 2588' FWL	27	C	NE/4 NW/4

(2) Texaco's request for an unorthodox oil well location for its W. H. Rhodes "B" NCT-1 Well No. 26, to be drilled 2310 feet from the North and East lines (Unit G) of Section 27, Township 26 South, Range 37 East, NMPM, Rhodes (Yates-Seven Rivers) Pool, Lea County, New Mexico, is hereby dismissed.

(3) The "Rhodes Area Cooperative Lease Line Agreement", which was submitted to the Division at the time of the hearing as applicant's Exhibit No. "5" is hereby incorporated by reference into this order, but only as it relates to the eight authorized wells.

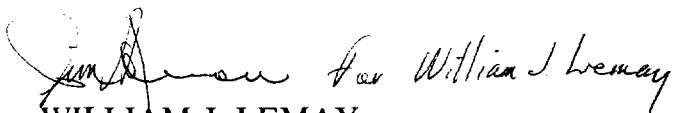
(4) The applicant's request for an administrative procedure to permit Texaco to move the well location of any of the subject wells herein approved by this order is hereby denied.

(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