### BEFORE THE

### OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION OF CHEVRON U.S.A. INC., FOR A NON-STANDARD GAS PRORATION UNIT, UNORTHODOX GAS WELL LOCATIONS AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO.

**CASE NO. 9949** 

# **AFFIDAVIT**

STATE OF NEW MEXICO	)
	)ss
COUNTY OF SANTA FE	)

WILLIAM F. CARR, attorney in fact and authorized representative of Chevron U.S.A. Inc., the Applicant herein, being first duly sworn, upon oath, states that the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested persons entitled to receive notice as shown by Exhibit "A" attached hereto, and that pursuant to Rule 1207, notice has been given at the correct addresses provided by such rule.

The 1000

SUBSCRIBED AND SWORN to before me this 26 day of June, 1990.

My Commission Expires:

March 28, 1992

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

CHEVERON EXHIBIT 110.

CARE NO. 9949

### **EXHIBIT A**

Amerada Hess Corporation Post Office Box 840 Seminole, Texas 79360 Attn: J.I. Johnson

ARCO Oil and Gas Company Post Office Box 1610 Midland, Texas 79702 Attn: J.A. Nicholson

Citation Oil & Gas Company 8223 Willow Place Suite 250 Houston, Texas 77070 Attn: J.M. Crews

Conoco Inc.
Post Office Box 460
Hobbs, New Mexico 88240
Attn: H. Ingram

El Paso Natural Gas Company Post Office Box 1492 El Paso, Texas 79978 Attn: J.T. Clark

Exxon Company U.S.A. Post Office Box 1600 Midland, Texas 79702 Attn: R.D. Goddard

Doyle Hartman
Oil Operator
Post Office Box 10426
Midland, Texas 79702

Meridian Oil Inc. 2919 Allen Parkway, Suite 900 Houston, Texas 77019 Attn: B. Boles

Shell Western E&P Inc. Post Office Box 576 Houston, Texas 77001

Texaco Producing Company Post Office Box 728 Hobbs, New Mexico 88240 Attn: J.A. Head

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE

SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208

SANTA FE, NEV/ MEXICO 87504-2208

TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 5, 1990

# <u>CERTIFIED MAIL -</u> <u>RETURN RECEIPT REQUESTED</u>

Amerada Hess Corporation Post Office Box 840 Seminole, Texas 79360 Attn: J.I. Johnson

Re:

Amended Application of Chevron U.S.A., Inc. for a Non-Standard Proration

Unit, Unorthodox Well Locations and Simultaneous Dedication, Lea County,

New Mexico

### Gentlemen:

This letter is to advise you that Chevron U.S.A., Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking approval of a 400-acre non-standard Eumont Gas proration unit consisting of Lots 11, 12, 13 and 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, Township 21 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Chevron U.S.A., Inc. proposes to simultaneously dedicate this non-standard Eumont proration unit to its Graham State (NCT-E) No. 2 Well located at a standard location 1980 feet from the South and East lines of Section 6, its Orcutt (NCT-A) Well No. 1 located at an unorthodox location 4600 feet from the North line and 1983 feet from the West line of said Section 5, and a new well to be drilled at an unorthodox location 1175 feet from the South line and 1375 feet from the East line of Section 6. Chevron U.S.A., Inc. also seeks approval of these unorthodox locations in the Eumont formation, Eumont Gas Pool.

This application has been set for hearing before a Division Examiner on June 27, 1990. You are not required to attend this hearing but, as the owner of an interest that may be affected by this non-standard proration unit or by these unorthodox well locations, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Very truly yours.

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

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services are desired, and complete items	SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.

LAWYERS

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JEFFERSON PLACE
SUITE I - HC NORTH GUADALUPE
POST OFFICE BOX 220B
SANTA FE, NE W MEXICO 87504-2208

TELEPHONE: (505) 988-4421 TELECOPIER: (505) 983-6043

June 5, 1990

# <u>CERTIFIED MAIL -</u> <u>RETURN RECEIPT REQUESTED</u>

ARCO Oil and Gas Company Post Office Box 1610 Midland, Texas 79702 Attn: J.A. Nicholson

Re:

Amended Application of Chevron U.S.A., Inc. for a Non-Standard Proration Unit, Unorthodox Well Locations and Simultaneous Dedication, Lea County, New Mexico

### Gentlemen:

This letter is to advise you that Chevron U.S.A., Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking approval of a 400-acre non-standard Eumont Gas proration unit consisting of Lots 11, 12, 13 and 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, Township 21 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Chevron U.S.A., Inc. proposes to simultaneously dedicate this non-standard Eumont proration unit to its Graham State (NCT-E) No. 2 Well located at a standard location 1980 feet from the South and East lines of Section 6, its Orcutt (NCT-A) Well No. 1 located at an unorthodox location 4600 feet from the North line and 1983 feet from the West line of said Section 5, and a new well to be drilled at an unorthodox location 1175 feet from the South line and 1375 feet from the East line of Section 6. Chevron U.S.A., Inc. also seeks approval of these unorthodox locations in the Eumont formation, Eumont Gas Pool.

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Very truly yours,

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

ARCO Oil and Gas Company Post Office Box 1610 Midland, Texas 79702 Attn: J.A. Nicholson

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JEFFERSON PLACE
SUITE 1 - 11C NORTH GUADALUPE
POST OFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208

TELEPHONE: (505) 988-4421

TELECOPIER: (505) 983-6043

June 5, 1990

# <u>CERTIFIED MAIL -</u> <u>RETURN RECEIPT REQUESTED</u>

Citation Oil & Gas Company 8223 Willow Place, Suite 250 Houston, Texas 77070 Attn: J.M. Crews

Re:

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New Mexico

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WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

Citation Oil & Gas Company 8223 Willow Place Suite 250 Houston, Texas 77070 Attn: J.M. Crews

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LAWYERS

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JEFFERSON PLACE SUITE 1 - IIC NORTH GUADALUPE POST OFFICE BOX 2208 SANTA FE, NE W MEXICO 87504-2208 TELEPHONE: (505) 988-4421 TELECOPIER: (505) 983-6043

June 5, 1990

# CERTIFIED MAIL -RETURN RECEIPT REQUESTED

Conoco Inc. Post Office Box 460 Hobbs, New Mexico 88240 Attn: H. Ingram

Re:

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New Mexico

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WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

Conoco Inc.
Post Office Box 460
Hobbs, New Mexico 88240
Attn: H. Ingram

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JEFFERSON PLACE
SUITE I - 110 NORTH GUADALUPE
POST CFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208

TELEPHONE: (505) 988-4421 TELECOPIER: (505) 983-6043

June 5, 1990

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El Paso Natural Gas Company Post Office Box 1492 El Paso, Texas 79978 Attn: J.T. Clark

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Very truly yours,

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

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El Paso Natural Gas Company Post Office Box 1492 El Paso, Texas 79978

Attn: J.T. Clark

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LAWYERS

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SANTA FE, NI.W MEXICO 87504-2208
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June 5, 1990

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Exxon Company U.S.A. Post Office Box 1600 Midland, Texas 79702 Attn: R.D. Goddard

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WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

Exxon Company U.S.A. Post Office Box 1600 Midland, Texas 79702 Attn: R.D. Goddard

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PS Form 3800, June 1985

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Amended Application of Chevron U.S.A., Inc. for a Non-Standard Proration Unit, Unorthodox Well Locations and Simultaneous Dedication, Lea County, New Mexico

### Dear Mr. Hartman:

This letter is to advise you that Chevron U.S.A., Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking approval of a 400-acre non-standard Eumont Gas proration unit consisting of Lots 11, 12, 13 and 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, Township 21 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Chevron U.S.A., Inc. proposes to simultaneously dedicate this non-standard Eumont proration unit to its Graham State (NCT-E) No. 2 Well located at a standard location 1980 feet from the South and East lines of Section 6, its Orcutt (NCT-A) Well No. 1 located at an unorthodox location 4600 feet from the North line and 1983 feet from the West line of said Section 5, and a new well to be drilled at an unorthodox location 1175 feet from the South line and 1375 feet from the East line of Section 6. Chevron U.S.A., Inc. also seeks approval of these unorthodox locations in the Eumont formation, Eumont Gas Pool.

This application has been set for hearing before a Division Examiner on June 27, 1990. You are not required to attend this hearing but, as the owner of an interest that may be affected by this non-standard proration unit or by these unorthodox well locations, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Very truly yours,

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

Doyle Hartman
Oil Operator
Post Office Box 10426
Midland, Texas 79702

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LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE I - III) NORTH GUADALUPE
POST CFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 5, 1990

# <u>CERTIFIED MAIL</u> -RETURN RECEIPT REQUESTED

Meridian Oil Inc. 2919 Allen Parkway, Suite 900 Houston, Texas 77019 Attn: B. Boles

Re:

Amended Application of Chevron U.S.A., Inc. for a Non-Standard Proration Unit, Unorthodox Well Locations and Simultaneous Dedication, Lea County, New Mexico

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Very truly yours,

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

Meridian Oil Inc. 2919 Allen Parkway, Suite 900 Houston, Texas 77019 Attn: B. Boles

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SANTA FE, NEW MEXICO 87504-2208

TELEPHONE: (505) 988-4421

TELECOPIER: (505) 983-6043

June 5, 1990

# <u>CERTIFIED MAIL -</u> <u>RETURN RECEIPT REQUESTED</u>

Shell Western E&P Inc. Post Office Box 576 Houston, Texas 77001

Re:

Amended Application of Chevron U.S.A., Inc. for a Non-Standard Proration Unit, Unorthodox Well Locations and Simultaneous Dedication, Lea County,

New Mexico

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Very truly yours,

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

Shell Western E&P Inc. Post Office Box 576 Houston, Texas 77001

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JACK M. CAMPBELL
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MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
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SANTA FE, NEW MEXICO 87504-2208

TELEPHONE: (505) 988-4421

TELECOPI IR: (505) 983-6043

June 5, 1990

# <u>CERTIFIED MAIL -</u> <u>RETURN RECEIPT REQUESTED</u>

Texaco Producing Company Post Office Box 728 Hobbs, New Mexico 88240 Attn: J.A. Head

Re:

Amended Application of Chevron U.S.A., Inc. for a Non-Standard Proration Unit, Unorthodox Well Locations and Simultaneous Ded cation, Lea County,

New Mexico

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Very truly yours,

WILLIAM F. CARR

ATTORNEY FOR CHEVRON U.S.A., INC.

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Texaco Producing Company Post Office Box 728 Hobbs, New Mexico 88240 Attn: J.A. Head

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# 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. 9949 Order No. R-9329

APPLICATION OF CHEVRON U.S.A. INC. FOR A NON-STANDARD GAS PRORATION UNIT, UNORTHODOX GAS WELL LOCATIONS, 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 May 30 and June 28, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of October, 1990, 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 for a non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE'4 of Section 6, all in Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, said unit to be simultaneously dedicated to a well to be drilled at an unorthodox gas well location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to its Orcutt (NCT-A) Well No. 1 properly located 4600 feet from the North line and 1980 feet from

CASE NO. 9949 Order No. R-9329 Page -2-

the West line (Unit N) of said Section 5 (which is unorthodox for this proration unit) and to its Graham State (NCT-E) Well No. 2 located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Section 6.

- (3) Subsequent to the hearing, the Division determined that the advertisement for this case incorrectly described the location of the above-described Orcutt (NCT-A) Well No. 1, and that the actual location is 4600 feet from the North line and 1983 feet from the West line of said Section 5. The Division further determined that notice to offset operators contained the correct well location and that since the error in the description is insignificant (3 feet), re-advertisement of this case is not necessary.
- (4) The evidence and Division records indicate that the proposed non-standard gas proration unit currently consists of two previously approved non-standard gas proration units currently owned and operated by Chevron and comprising the following described acreage:
  - a) A 240-acre unit comprising Lots 15 and 16 and the SE/4 of said Section 6, approved by Division Order No. NSP-145, dated June 8, 1955, and currently dedicated to said Graham State (NCT-E) Well No. 2 and;
  - b) A 160-acre unit comprising Lots 11 through 14 of said Section 5, approved or "grandfathered" in by Division Order No. R-520, dated August 12, 1954, and currently dedicated to said Orcutt (NCT-A) Well No. 1.
- (5) According to evidence and testimony, the above-described Graham State (NCT-E) Well No. 2 and the Orcutt (NCT-A) Well No. 1 are both currently producing from the Queen and Penrose intervals of the Eumont Gas Pool, and both are currently classified as marginal gas wells within said pool.
- (6) The applicant's geologic evidence indicates that there is potential for gas production from the Yates formation (also included in the Eumont Gas Pool) underlying its acreage in said Section 6.

CASE NO. 9949 Order No. R-9329 Page -3-

- (7) The applicant seeks authority to drill an additional well in said Section 6 in order to recover the gas reserves within the Yates formation, and also to protect said acreage from offset Yates drainage which may be presently occurring.
- (8) Testimony by the applicant indicates that the two above-described existing wells are not suitable for recompletion to the Yates formation.
- (9) The proposed well location, which is unorthodox with respect to the interior quarter-quarter section lines, and does not encroach on the outer boundary of the proposed proration unit, is necessitated by geologic considerations.
- (10) According to further evidence and testimony by the applicant, the average gas allowable for a 160-acre gas proration unit (1.0 acreage factor) within the Eumont Gas Pool during 1989 was approximately 290 MCFG per day.
- (11) The Graham State (NCT-E) Well No. 2 is currently capable of producing approximately 66% of the average gas allowab e assigned to its 240-acre proration unit.
- (12) The applicant's evidence and testimony further indicates that the remaining gas allowable, approximately 34% or 147 MCFG per day is insufficient to economically justify the drilling of the proposed well on the existing 240-acre gas proration unit.
- (13) The effect of forming the proposed 400-acre non-standard gas proration unit will be a significant increase in the amount of gas available for production from the proposed well, which in turn economically justifies its drilling.
- (14) According to Division records, each of the offset Eumont gas proration units is capable of marginal gas production only, and therefore, the formation of the proposed 400-acre non-standard gas proration unit should not violate any offset operator's correlative rights.

CASE NO. 9949 Order No. R-9329 Page -4-

- (15) The two existing wells and a well at the proposed location should efficiently and economically drain and develop the proposed proration unit.
- (16) Doyle Hartman, an offset operator to the proposed non-standard gas proration unit, appeared at the hearing but did not actively oppose the application.
- (17) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.
- (18) Approval of the application will enable the applicant to economically recover the remaining gas reserves underlying the proposed proration unit, thereby preventing waste, and will not violate correlative rights.
  - (19) Division Order No. NSP-145 should be superseded by this order.

# IT IS THEREFORE ORDERED THAT:

- (1) A non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, all in Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and simultaneously dedicated to a well to be drilled at an unorthodox gas well location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to the existing Orcutt (NCT-A) Well No. 1, located at an unorthodox location 4600 feet from the North line and 1983 feet from the West line (Unit N) of said Section 5, and to the existing Graham State (NCT-E) Well No. 2 located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Section 6.
- (2) For purposes of assigning gas allowable, the subject proration unit shall be assigned an acreage factor of 2.5 in the Eumon: Gas Pool.
- (3) The gas allowable assigned to the above-described proration unit may be produced from the three wells described above in any proportion.

CASE NO. 9949 Order No. R-9329 Page -5-

- (4) Division Order No. NSP-145 is hereby superseded by this order.
- (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