

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. 10153
Order No. R-4224-A

APPLICATION OF CHEVRON U.S.A. INC.
TO REINSTATE ORDER NO. R-4224 AND
FOR 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 November 14, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of January, 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.

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(2) By Order No. R-4224, dated November 19, 1971, the Division, upon application of Gulf Oil Corporation, approved a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 N/2 and the N/2 S/2 of Section 29, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico. Said unit was simultaneously dedicated to the A. B. Reeves Well Nos. 1 and 2 located, respectively, 1980 feet from the South line and 660 feet from the West line (Unit L), and 1980 feet from the North line and 660 feet from the West line (Unit E), both in said Section 29.

(3) By Order No. NSP-1408, dated December 1, 1983, the Division, upon application of Gulf Oil Corporation, approved a 160-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 NE/4 and the N/2 SE/4 of said Section 29, said unit to be dedicated to the A. B. Reeves Well No. 3 located 1980 feet from the North and East lines (Unit G) of said Section 29.

(4) By Order No. NSP-1473(SD), dated November 4, 1985, the Division, upon application of Chevron U.S.A. Inc., approved a 160-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 NW/4 and the N/2 SW/4 of said Section 29, said unit to be simultaneously dedicated to the above-described A. B. Reeves Well Nos. 1 and 2.

(5) The applicant, Chevron U.S.A. Inc., seeks to reinstate said Order No. R-4224, thereby forming a 320-acre non-standard gas proration unit as described in Finding No. (2) above, and seeks approval to simultaneously dedicate said unit to its A. B. Reeves Well Nos. 1, 2 and 3 as described above.

(6) At the hearing, the applicant also requested approval of an unorthodox gas well location for its proposed A. B. Reeves Well No. 4 to be located 1880 feet from the South line and 1980 feet from the East line (Unit J) of said Section 29, which well is proposed to be simultaneously dedicated, along with the A. B. Reeves Well Nos. 1, 2 and 3, to the non-standard gas proration unit described in Finding No. (2) above.

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(7) The advertisement for this case is insufficient to approve the unorthodox gas well location and simultaneous dedication for the proposed A. B. Reeves Well No. 4 and, therefore, the applicant should pursue administrative approval of such application.

(8) According to evidence presented, the A. B. Reeves Well Nos. 1, 2 and 3 are currently capable of marginal production only.

(9) According to further evidence, the formation of the proposed 320-acre non-standard gas proration unit will allow the applicant to better utilize the gas allowable assigned to the proration unit and will provide sufficient gas allowable available for production from the proposed A. B. Reeves Well No. 4, which in turn economically justifies its drilling.

(10) Chevron U.S.A. Inc. is the operator of the two Eumont gas wells which directly offset the proposed A. B. Reeves Well No. 4 to the south and east.

(11) According to Division records, each of the Eumont gas wells offsetting the proposed A. B. Reeves Well No. 4 is capable of marginal gas production only, and therefore, the formation of the proposed 320-acre non-standard gas proration unit should not violate any offset operator's correlative rights.

(12) The remaining acreage in said Section 29, being the N/2 N/2 and S/2 S/2, is currently contained within two Eumont gas proration units.

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

(14) The three existing wells and the proposed A. B. Reeves Well No. 4 should efficiently and economically drain and develop the proposed proration unit.

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(15) 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.

(16) For purposes of assigning gas allowable, the subject proration unit should be assigned an acreage factor of 2.0 in the Eumont Gas Pool.

(17) Division Order Nos. NSP-1408 and NSP-1473(SD) should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Chevron U.S.A. Inc. for the reinstatement of Division Order No. R-4224, thereby forming a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 N/2 and the N/2 S/2 of Section 29, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) Said unit shall be simultaneously dedicated to the A. B. Reeves Well Nos. 1 and 2 located at unorthodox gas well locations, respectively, 1980 feet from the South line and 660 feet from the West line (Unit L), and 1980 feet from the North line and 660 feet from the West line (Unit E), and to the A. B. Reeves Well No. 3 located at a standard gas well location 1980 feet from the North and East lines (Unit G), all in said Section 29.

(3) For purposes of assigning gas allowable, the subject proration unit shall be assigned an acreage factor of 2.0 in the Eumont Gas Pool.

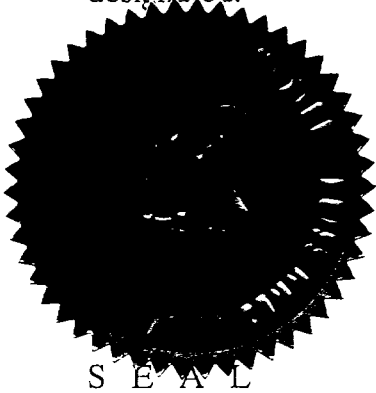
(4) The gas allowable assigned to the above-described proration unit may be produced from the three wells described above in any proportion.

(5) Division Order Nos. NSP-1408 and NSP-1473(SD) are hereby superseded by this order.

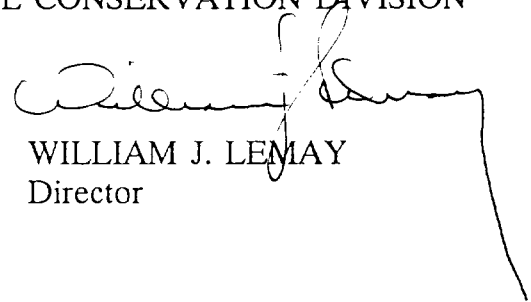
(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director