

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



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Diamond Shamrock Exploration Company

Harold Davidson

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 9087
Order No. R-8331-A

APPLICATION OF DIAMOND SHAMROCK
EXPLORATION COMPANY FOR AN AMENDMENT
OF DIVISION ORDER NO. R-8331, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of March, 1987, 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) Division Order No. R-8331, dated November 4, 1986, authorized the applicant in the immediate case, Diamond Shamrock Exploration Company, to drill a well to test the Atoka formation at an unorthodox gas well location 660 feet from the South and East lines (Unit P) of Section 34, Township 22 South, Range 34 East, NMPM, Antelope Ridge-Atoka Gas Pool, Lea County, New Mexico.

(3) The applicant at this time seeks to amend said Order No. R-8331 to include the Morrow formation which underlies the Atoka formation in the provisions set forth in that order.

(4) The S/2 of said Section 34 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit in the Undesignated Antelope Ridge-Morrow Gas Pool.

(5) No offset operator objected to the proposed unorthodox gas well location.

(6) At the time of the immediate hearing the subject well was drilling at a depth of approximately 12,140 feet.

(7) It is the intention of Diamond Shamrock Exploration Company to penetrate the Atoka formation, cease drilling operations, and test the Atoka zone. The Morrow formation will then be penetrated and evaluated.

(8) If it is found that both formations are productive, the applicant proposes to shut-in the Morrow zone and produce the Atoka zone first.

(9) If it is found that both zones are productive the provisions set forth in this order should be retained until such time that the Morrow zone may be produced.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the 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.

(11) All provisions set forth in previous Order No. R-8331 should remain in full force and effect.

IT IS THEREFORE ORDERED THAT:

(1) The Diamond Shamrock Exploration Company's well presently drilling at a previously approved unorthodox gas well location for the Antelope Ridge-Atoka Gas Pool (Division Order No. R-8331, dated November 4, 1986), 660 feet from the South and East lines (Unit P) of Section 34, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby approved as an unorthodox gas well location in the Undesignated Antelope Ridge-Morrow Gas Pool.

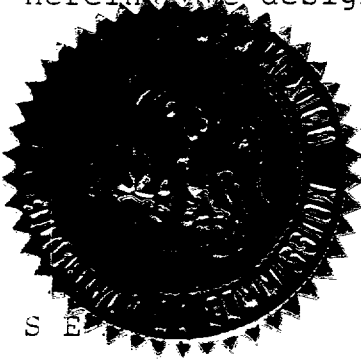
(2) The S/2 of said Section 34 shall be dedicated to the above-described well.

(3) The provisions set forth in this order shall remain in effect until such time as the Morrow zone can be exploited.

(4) The provisions set forth in the previous Division Order No. R-8331 shall remain in full force and effect.

(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
hereinafter designated.



STATE OF NEW MEXICO
OFF. OF CONSERVATION DIVISION

William J. Lemay
WILLIAM J. LEMAY
Director