

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. 9314
Order No. R-6933-B

APPLICATION OF NEARBURG
PRODUCING COMPANY TO AMEND
DIVISION ORDER NO. R-6933,
AS AMENDED, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 17, March 2, and March 16, 1988, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner.

NOW, on this 28th day of March, 1988, 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) By Order No. R-6933, as amended by R-6933-A, entered in Case No. 7522, the Division authorized the applicant in said case, Santa Fe Exploration Company, to drill its Gulf Com Well No. 1, for geologic reasons, at an unorthodox location 660 feet from the North and West lines (Unit D) of Section 14, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, to test the Permo-Pennsylvanian, Strawn, Atoka, and Morrow formations, with the N/2 of said Section 14 to be dedicated to the well.

(3) Said Order No. R-6933, as amended, also imposed upon the well a production limitation factor of 0.71 at the request of Nearburg Producing Company, an offset operator who appeared at the hearing and objected to the proposed unorthodox location.

(4) The record in this case indicates that the subject well was drilled by Santa Fe Exploration Company to a total depth of 445 feet and was subsequently plugged and abandoned.

(5) The applicant in the present case, Nearburg Producing Company, seeks to amend Order No. R-6933, as amended, to allow the re-entry of the Gulf Com Well No. 1 (to be redesignated the Genecco Com "14D" Well No. 1) to test the Morrow formation, and to further rescind the production limitation factor imposed upon said well by the aforementioned order.

(6) Testimony by the applicant indicates that Nearburg Producing Company, as a result of a lease expiration, currently owns 100% of the working interest in the N/2 of said Section 14.

(7) Geologic evidence and testimony presented by the applicant at the hearing indicates that a well drilled at the proposed location should encounter a greater amount of net pay and porosity within the Morrow formation than a well drilled at a standard location, thereby increasing the likelihood of obtaining a commercial producing well.

(8) The evidence in this case further shows that the applicant is the operator of all the offset acreage affected by the proposed unorthodox location.

(9) The applicant further requested that the production penalty imposed on the subject well by Order No. R-6933 be rescinded due to the fact that the affected offset acreage in Section 15, Township 20 South, Range 25 East, NMPM, will be protected from drainage by a Morrow gas well currently being drilled by Nearburg Producing Company and located in the E/2 of said Section 15.

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

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(11) Division Order No. R-6933, as amended by Order No. R-6933-A, should be superseded by the order entered in the immediate case.

IT IS THEREFORE ORDERED THAT:

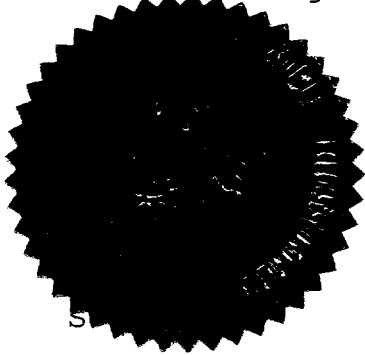
(1) This order hereby supersedes Division Order No. R-6933, as amended by Order No. R-6933-A.

(2) The applicant, Nearburg Producing Company, is hereby authorized to re-enter the former Santa Fe Exploration Company Gulf Com Well No. 1, (to be redesignated the Genecco Com "14D" Well No. 1) located at an unorthodox gas well location 660 feet from the North and West lines of Section 14, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, to test the Morrow formation.

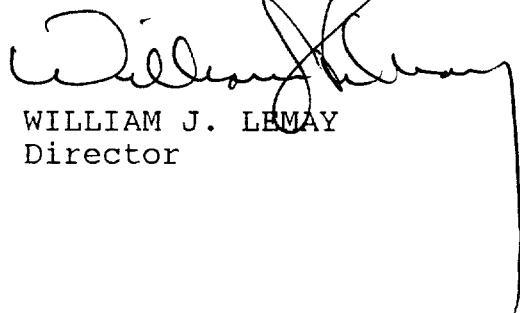
(3) The N/2 of said Section 14 shall be dedicated to the above described well.

(4) 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