

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. 9466
Order No. R-8752

APPLICATION OF NEARBURG PRODUCING
COMPANY FOR A NON-STANDARD GAS
PRORATION UNIT AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 17, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of September, 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) The applicant, Nearburg Producing Company, seeks approval for an unorthodox gas well location 990 feet from the North and East lines (Unit A) of Section 12, Township 19 South, Range 25 East, NMPM, Undesignated Boyd-Morrow Gas Pool, Lea County, New Mexico, the N/2 of said Section 12 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) In the alternative, the applicant seeks approval of a 160-acre non-standard gas spacing and proration unit consisting of the NE/4 of said Section 12 to be dedicated to the above-described well.

(4) The proposed well is located within one mile of the outer boundary of the Boyd-Morrow Gas Pool, which is

currently governed by General Statewide Rules and Regulations for 320-acre gas spacing which require wells to be located no closer than 1980 feet to the end boundary of the proration unit nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(5) The applicant presented geologic evidence and testimony which indicates that a well drilled at the proposed location will encounter a greater amount of net sand and porosity than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(6) The applicant is the owner of the affected offset acreage in the NW/4 of Section 7, Township 19 South, Range 26 East, and no other affected offset operator appeared at the hearing in opposition to the application.

(7) Approval of the subject application 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.

(8) In support of its proposal for a 160-acre non-standard gas proration unit, the applicant presented evidence which indicates that the Anadarko Production Company's Glass Well No. 1, which was drilled in 1981 at a standard gas well location 1830 feet from the North line and 1980 feet from the West line (Unit F) of said Section 12, was tested in the Morrow for a potential of approximately 95 MCFGD, was deemed non-commercial, and was subsequently abandoned in the Morrow zone.

(9) Based upon its geologic interpretation of the Morrow formation in said NW/4 of Section 12 and the results of the tests conducted on the Glass Well No. 1 as described above, the applicant contends that said acreage is non-productive.

(10) The applicant's geologic evidence, however, does indicate the presence of net sand within a substantial portion of the NW/4 of said Section 12.

(11) The evidence presented does not conclusively show that the NW/4 of said Section 12 would not contribute a portion of the production obtained in the proposed well.

(12) The applicant's alternate request for a 160-acre non-standard gas spacing and proration unit consisting of the NE/4 of said Section 12 should be denied.

(13) The applicant should be required to dedicate a standard 320-acre gas spacing and proration unit consisting of the N/2 of said Section 12 to the proposed well.

IT IS THEREFORE ORDERED THAT:

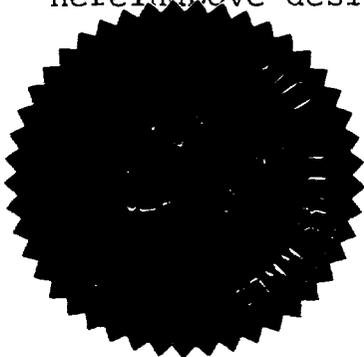
(1) The applicant, Nearburg Producing Company, is hereby authorized to drill a gas well at an unorthodox gas well location 990 feet from the North and East lines (Unit A) of Section 12, Township 19 South, Range 25 East, NMPM, Undesignated Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(2) The applicant's alternate request for a 160-acre non-standard gas spacing and proration unit consisting of the NE/4 of said Section 12 is hereby denied.

(3) The N/2 of said Section 12 shall be dedicated to the above-described well.

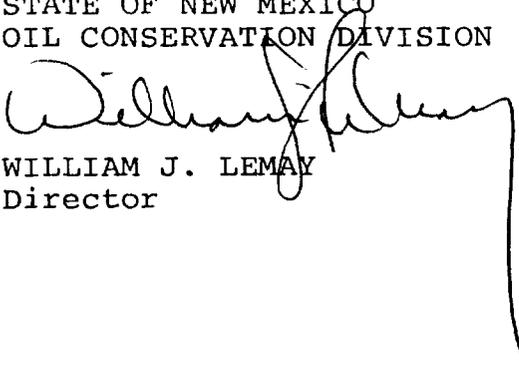
(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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