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AREA CODE 505
746-3508

May 23, 1984

Case 8237

Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Enclosed for filing, please find three copies of an Application of TXO Production Corp. for Directional Drilling, an Unorthodox Location, and Compulsory Pooling, Eddy County, New Mexico.

We ask that this Application be set for hearing before an Examiner, and that we be furnished with a docket of said hearing.

Thank you.

Sincerely yours,

LOSEE, CARSON & DICKERSON, P.A.


Chad Dickerson

CD:pvm
Enclosures

cc w/enclosure: Mr. Randy Click

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
TXO PRODUCTION CORP. FOR DIRECTIONAL :
DRILLING, AN UNORTHODOX LOCATION, :
AND COMPULSORY POOLING, EDDY COUNTY, :
NEW MEXICO :

CASE NO. 8237

APPLICATION

COMES NOW TXO Production Corp., by its attorneys, and
in support hereof, respectfully states:

1. Applicant is the operator of all zones from the
top of the Wolfcamp, to the base of the the Morrow formation,
underlying:

Township 21 South, Range 27 East, N.M.P.M.

Section 30: N/2

containing 320 acres, more or less,
and proposes to directionally drill a well at a point on the sur-
face which is located 660 feet from the south line and 560 feet
from the east line of Section 19, Township 21 South, Range 27
East, N.M.P.M., with a bottomhole location 660 feet from the
north line and 660 feet from the east line of Section 30, Town-
ship 21 South, Range 27 East, N.M.P.M., at a vertical depth of
11,700 feet.

2. The applicant seeks an exception to the well loca-
tion requirements of Rule 104-C.II(a) of the Oil Conservation
Division to permit the directional drilling of the well at the

above mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation, and to encounter a prospective oil zone in the Wolfcamp formation at a location 623 feet from the east line and 130 feet from the north line of Section 30, Township 21 South, Range 27 East, N.M.P.M., at a vertical depth of 8,850 feet.

3. A standard 320-acre gas proration unit comprising the N/2 of said Section 30, Township 21 South, Range 27 East, N.M.P.M. should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be productive of gas, and a standard oil proration unit comprising NE/4 NE/4 Section 30 should be dedicated to such well as is productive of oil in the Wolfcamp formation.

4. There are interest owners in the gas proration unit who have not agreed to pool their interests.

5. Applicant should be designated the operator of the well and the proration units.

6. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense, his just and fair share of the gas in said unit, all mineral interests, whatever they may be, from the surface through the Morrow formation, underlying the N/2 of said Section 30, Township 21 South, Range 27 East, N.M.P.M., should be pooled.

7. That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

8. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

9. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent 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.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That, upon hearing, the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations, underlying the N/2 of said Section 30, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre gas spacing unit dedicated to applicant's well.

C. That, upon hearing, the Division enter its order granting applicant permission to directionally drill its well at a point on the surface which is located 660 feet from the south line and 560 feet from the east line of Section 19, Township 21 South, Range 27 East, N.M.P.M., with a bottomhole location 660 feet from the north line and 660 feet from the east line of Section 30, Township 21 South, Range 27 East, N.M.P.M., and to dedicate the N/2 of Section 30, Township 21 South, Range 27 East, N.M.P.M., which is reasonably presumed to be productive of gas from the Morrow formation, to said well, and to dedicate the NE/4 NE/4 Section 30, Township 21 South, Range 27 East, N.M.P.M., to production of oil from the Wolfcamp formation.

D. And for such other and further relief as may be just in the premises.

TXO PRODUCTION CORP.

By: Chad Dickerson
Chad Dickerson

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