

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. 13300
ORDER NO. R-3161-A

APPLICATION OF HEC PETROLEUM, INC. TO AMEND THE SPECIAL RULES
AND REGULATIONS FOR THE CINTA ROJA-MORROW GAS POOL, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 22, 2004, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of September, 2004 the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Division Order No. R-2985, issued in Case No. 3319 and dated October 18, 1965, created and defined the Cinta Roja-Morrow Gas Pool (75000) for the production of gas from the Morrow formation. The horizontal limits for this pool currently include the following described lands in Lea County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM

Section 4: All

Sections 8 through 10: All.

(3) The Cinta Roja-Morrow Gas Pool is an "unprorated gas pool" not subject to Part H of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). However, the Cinta Roja-Morrow Gas Pool is subject to: (i) the "*Special Rules and Regulations for the Cinta Roja-Morrow Gas Pool*," as established by Division Order No. R-3161, issued in Case No. 3492 and dated December 6,

1966, which require standard 640-acre gas spacing and proration units, with wells to be located no closer than 1650 feet to the outer boundary of the section (spacing unit) nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary; and (ii) Division Rule 104.D (3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one (see official notice to all operators submitted by the Division Director on October 25, 1999). Producing wells within this pool are allowed to produce at capacity.

(4) The applicant, HEC Petroleum, Inc. (“HEC”), seeks to amend the rules and regulations currently governing the Cinta Roja-Morrow Gas Pool to provide:

- (a) the option to drill a well on each quarter section within a standard 640-acre gas spacing unit; and
- (b) the relaxation of the setback requirements for wells, such that wells can be located no closer than 660 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) Robert L. Landreth of Midland, Texas, an operator and owner of certain oil and gas leasehold working interests within the boundaries of the Cinta Roja-Morrow Gas Pool, appeared at the hearing through legal counsel, but offered no testimony.

(6) The evidence presented and Division records show that there are only four wells, as described below, within the Cinta Roja-Morrow Gas Pool in Township 24 South, Range 35 East, NMPM, Lea County, New Mexico:

API No.	Operator Well Name and Number	Footage Location (Unit Letter) and Section	Date (Year) of First Production
30-025-26180	McKay Oil Corporation Woolworth Ranch Unit Well No. 1	1980' FS & EL (J) Section 4	1980
30-025-27351	HEC Petroleum, Inc. Federal “CR-8” Well No. 1	1980' FS & EL (J) Section 8	1981
30-025-20756	Chesapeake Operating, Inc. Custer Mountain Unit Well No. 1	1980' FS & WL (K) Section 9	1965
30-025-26080	Robert E. Landreth Cinta Roja “10” Well No. 1	1980' FN & WL (F) Section 10	1980

(7) The applicant presented geologic and engineering evidence demonstrating that: (i) one well per 640 acres is insufficient to adequately deplete the remaining gas reserves underlying the Cinta Roja-Morrow Gas Pool; and (ii) infill drilling with one well per quarter section within this pool will provide the operators the opportunity to recover additional gas reserves, which may otherwise not be recovered by the existing wells, thereby preventing waste.

(8) The applicant's proposal to allow up to four wells per section is supported by its geologic and engineering evidence, and is consistent with current Division rules governing Morrow gas development in southeast New Mexico. However, certain provisions should be included in these proposed rule changes in order to ensure consistency with the rules currently governing deep gas pools in southeast New Mexico on 320-acre spacing.

(9) The proposed well setback requirements will allow for greater flexibility in locating infill gas wells

(10) Pursuant to the applicable Division rules the applicant notified all operators and interest owners within the area affected by this application. No operator or interest owner appeared at the hearing in opposition to the application.

(11) Approval of the application is in the best interest of conservation, prevention of waste and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of HEC Petroleum, Inc. ("HEC") to amend the *"Special Rules and Regulations for the Cinta Roja-Morrow Gas Pool,"* currently comprising Sections 4, 8, 9, and 10, Township 24 South, Range 35 East, NMPM, Cinta Roja-Morrow Gas Pool (75000), Lea County, New Mexico, is hereby approved.

(2) Rules 4 and 5 of the *"Special Rules and Regulations for the Cinta Roja-Morrow Gas Pool,"* are hereby amended to read in their entirety as follows:

"RULE 4 (a): The initial well within a gas spacing and proration unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Each infill well within an existing gas spacing and proration unit shall be

located in a quarter section that does not contain a producing Morrow gas well and shall be located with respect to the assigned unit boundaries as described above."

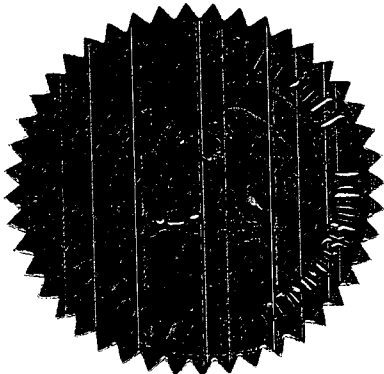
"**RULE 4 (b):** No more than one Morrow gas well shall be located within a single governmental quarter section. Any deviation from this well density requirement shall be authorized only after hearing."

"**RULE 4 (c):** A land plat (NMOCD Form C-102) accompanying the "Application for Permit to Drill" (NMOCD Form C-101 or federal equivalent) for each subsequent infill well within an existing gas spacing unit shall include the location (well name, footage location, API number) of all existing Morrow gas wells on the unit plus the proposed new infill well."

"**RULE 5:** The Division Director may grant an exception to the footage requirements for a Morrow gas well of Rule 4 (a) above without hearing when an application has been duly filed under the applicable provisions of Division Rule 104.F."

(3) Jurisdiction is hereby 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.



SEAL

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

**MARK E. FESMIRE, P. E.
Director**