

**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. 12743
ORDER NO. R-11743**

**APPLICATION OF TEXACO EXPLORATION AND PRODUCTION INC. FOR
AN UNORTHODOX SUBSURFACE GAS WELL LOCATION AND AN
EXCEPTION TO DIVISION RULE 104.D.(3), LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2001, and on February 7, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of March, 2002, 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) The applicant, Texaco Exploration and Production, Inc. ("Texaco"), seeks an exception to Division Rule 104.C.(3) for its C. H. Weir "A" Well No. 7 (**API** No. 30-025-06073) located at a standard surface gas well location 1985 feet from the South line and 660 feet from the West line (Unit L) of Section 12, Township 20 South, Range 37 East, NMPM. Texaco proposes to recomplete to the Skaggs-Abo Gas Pool by kicking off in a northerly direction and drilling horizontally an approximate distance of 1,645 feet within an existing 160-acre non-standard gas proration unit that comprises the S/2 NW/4 and the N/2 SW/4 of Section 12, such that the producing area of the well extends to within 330 feet of the northern boundary of the spacing unit.

(3) The applicant further seeks an exception to Division Rule 104.D.(3) to simultaneously dedicate this 160-acre non-standard gas proration unit to the C. H. Weir "A" No. 7, and to its existing C. H. Weir "A" Well No. 14 (**API** No. 30-025-27829) located at a standard gas well location 1980 feet from the South line and 1815 feet from the West line (Unit K) of Section 12.

(4) This case was originally heard on November 1, 2001, at which time the case was taken under advisement. At the request of the Division, this case was reopened and heard on February 7, 2002 in order to allow Texaco the opportunity to provide additional notice to affected parties.

(5) The subject 160-acre non-standard gas proration unit, which was approved by Division Order No. R-7179 dated January 5, 1983, is located within the Skaggs-Abo Gas Pool, which is currently governed by Division Rule 104.C.(3).

(6) The evidence presented demonstrates that there are currently four established Skaggs-Abo Gas Pool 160-acre spacing units within Section 12, described as follows:

<u>Operator</u>	<u>Spacing Unit</u>	<u>Dedicated Well</u>
Conoco Inc.	N/2 N/2	Skaggs "B" Com No. 7 (Unit B)
Texaco	S/2 NW/4, N/2 SW/4	C. H. Weir "A" No. 14 (Unit K)
Texaco	S/2 NE/4, N/2 SE/4	C. H. Weir "A" No. 12 (Unit G)
Texaco	S/2 S/2	M. B. Weir "B" No. 11 (Unit N)

(7) Additionally, there are two offset wells in the Skaggs-Abo Gas Pool, the Texaco-operated C. H. Weir "B" No. 10, located in Unit I of Section 11, Township 20 South, Range 37 East, which is currently dedicated to a standard 160-acre spacing unit comprising the SE/4 of Section 11, and the Texaco-operated L. R. Kershaw No. 12, located in Unit C of Section 13, Township 20 South, Range 37 East, which is currently dedicated to a standard 160-acre spacing unit comprising the NW/4 of Section 13.

(8) Testimony by the applicant demonstrates that:

- (a) the C. H. Weir "A" No. 14 was drilled and completed in the Skaggs-Abo Gas Pool in 1983. The well has cumulatively produced approximately 2.7 BCF of gas from the Abo formation and is currently producing at a rate of approximately 300 MCF of gas per day;
- (b) the only other well that is currently producing from the Skaggs-Abo Gas Pool in this area is the Texaco M. B. Weir "B" No. 11, located in Unit N of

Section 12. This well currently produces at a rate of approximately 180 MCF of gas per day;

- (c) the C. H. Weir "A" No. 7 was previously a marginal producing well in the Skaggs-Drinkard Pool; however, the well is uneconomic in that zone and is currently shut-in;
- (d) engineering data indicates that the C. H. Weir "A" Well No. 14 may not be effectively draining the entire 160-acre non-standard gas proration unit;
- (e) the proposed horizontal wellbore will enable Texaco to drain gas reserves from the northern and western portions of the subject gas proration unit; and
- (f) the C. H. Weir "A" No. 7 should recover an additional 0.5 BCF of gas from the subject gas proration unit that may otherwise not be recovered, thereby preventing waste.

(9) Texaco notified all offset operators of its application in this case. No offset operator or interest owner appeared at the hearing in opposition to the application.

(10) Texaco did not present sufficient geologic or engineering evidence to justify drilling the C. H. Weir "A" No. 7 to an unorthodox bottomhole location that extends to within 330 feet of the northern boundary of the subject non-standard gas proration unit.

(11) Texaco should be allowed to drill the C. H. Weir "A" No. 7 at an unorthodox bottomhole location that terminates no closer than 660 feet to the northern boundary of the subject non-standard gas proration unit.

(12) Approval of the application will afford Texaco the opportunity to utilize the C. H. Weir "A" No. 7 to recover additional gas reserves from the Skaggs-Abo Gas Pool underlying the S/2 NW/4 and the N/2 SW/4 of Section 12 that may otherwise not be recovered by the existing well, thereby preventing waste, and will not violate correlative rights.

(13) Prior to commencing drilling operations, Texaco should obtain approval from the Division's Hobbs District Office for directional/horizontal drilling operations in accordance with Division Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Texaco Exploration and Production, Inc., is hereby granted an exception to Division Rule 104.C.(3) for its C. H. Weir "A" Well No. 7 (API No. 30-025-06073) located at a standard surface gas well location 1985 feet from the South line and 660 feet from the West line (Unit L) of Section 12, Township 20 South, Range 37 East, NMPM. Texaco may recomplete this well to the Skaggs-Abo Gas Pool by kicking off in a northerly direction and drilling horizontally an approximate distance of 1,315 feet within an existing 160-acre non-standard gas proration unit that comprises the S/2 NW/4 and the N/2 SW/4 of Section 12; **provided however, that the producing area of the well shall not extend closer than 660 feet to the northern boundary of the spacing unit.**

(2) The applicant is further granted an exception to Division Rule 104.D.(3) to simultaneously dedicate this 160-acre non-standard gas proration unit to the C. H. Weir "A" No. 7, and to its existing C. H. Weir "A" No. 14 (API No. 30-025-27829) located at a standard gas well location 1980 feet from the South line and 1815 feet from the West line (Unit K) of Section 12.

(3) Prior to commencing drilling operations, Texaco shall obtain approval from the Division's Hobbs District Office for directional/horizontal drilling operations in accordance with Division Rule 111.

(4) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

SEAL