

**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. 13908
ORDER NO. R-12839**

**APPLICATION OF OXY USA WPT, LIMITED
PARTNERSHIP, FOR AUTHORIZATION TO
SIMULTANEOUSLY DEDICATE A
STANDARD SPACING AND PRORATION
UNIT IN THE WOLFCAMP FORMATION TO
A HORIZONTAL WELL AND TWO
VERTICAL WELLS, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 21 and August 9, 2007, at Santa Fe, New Mexico, before Examiners David K. Brooks and Richard Ezeanyim.

NOW, on this 29th day of October, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

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

(2) By this application, OXY USA WPT, Limited Partnership, ("OXY" or "Applicant") seeks to simultaneously dedicate the S/2 of Section 15, Township 20 South, Range 28 East, NMPM, in Eddy County, New Mexico, in the North Burton Flat-Wolfcamp Gas Pool (73520), to the following three wells:

The **Government AC Com Well No. 1 (API No. 30-015-21432)**, a vertical well presently completed in the Wolfcamp, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 15;

The **Government AA Com Well No. 2 (API No. 30-015-32283)**, a horizontal well presently completed in the Wolfcamp, having a surface location 190 feet from the North line and 350 feet from the West line (Unit D) of Section 23, Township 20 South, Range 28 East, and projected horizontally in a northerly direction to a northern terminus 675 feet from the North line and 261 feet from the East line (Unit A) of Section 15 (and also projected southward to a separate terminus in Unit M of Section 23); and

The **Government AC Com Well No. 4 (API No. 30-015-32655)**, a vertical well located 660 feet from the South and East lines (Unit P) of Section 15, presently completed in the Morrow, which Applicant seeks to re-complete in the Wolfcamp.

(3) Well density in the North Burton Flat-Wolfcamp Gas Pool is governed by statewide Rule 104.C(2), which provides 320-acre units, on each of which two wells may be located, provided the wells are located in different quarter sections.

(4) The S/2 of Section 15 is a standard gas spacing unit in this pool. Because the Government AC Com Well No. 1 is located in the SW/4 of Section 15, and the horizontal shaft of the Government AA Com Well No. 2 crosses the S/2 of Section 15 only through the SE/4, the present well configuration conforms to Rule 104.C(2). However, a simultaneous dedication exception is required for the addition of a third Wolfcamp completion, the Government AC Com Well No. 4, in this unit.

(5) At the hearing, Applicant presented land and engineering testimony as follows:

(a) The Government AA Com Well No. 2 is a horizontal well dedicated to a project area (Rule 111) comprising all of Sections 14, 15, 22 and 23 of Township 20 South, Range 28 East.

(b) The entire project area is communitized in the Wolfcamp, such that working interest ownership is uniform throughout this four-section area.

(c) OXY is the operator and 100% working interest owner in the offsetting acreage to the west of Section 15.

(d) The existing Wolfcamp wells in this area are not adequately draining the reservoir.

(e) The limited drainage area of these wells is illustrated by relatively high bottomhole pressures encountered in wells located a short distance from existing producing wells. Thus, in drilling of the Government AC Com Well No. 4 in the SE/4 of Section 15 in 2004, Applicant measured the bottomhole pressure in the Wolfcamp formation as 3078 psi, whereas the bottomhole pressure in Government AC Well No. 1 in the SW/4 a year before that was down to 1300 psi.

(f) Using engineering calculations based on the initial bottomhole pressure and production history from the horizontal Government AA Com Well No. 2, Applicant's engineering witness calculated the probable ultimate drainage area from that well to be 97 acres.

(g) Dividing this drainage area by the 9200 foot total length of the two horizontal shafts of this well, the witness calculated that it would only drain the area within 450 feet of the wellbore. Given this limited drainage radius and the fact that the wellbore only crosses a small portion of the S/2 of Section 15, the witness concluded that reserves will be left in the ground unless another well is completed in the Wolfcamp in the SE/4 of Section 15.

(6) No other party appeared at the hearing or otherwise opposed this application.

The Division concludes that:

(7) Simultaneous dedication of the subject unit to Applicant's Government AC Com Well No. 4, in addition to the two wells already completed in the Wolfcamp in that unit, will, in reasonable probability, enable Applicant to produce gas reserves that cannot be produced from existing Wolfcamp completions.

(8) Granting of this application will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Simultaneous dedication of the S/2 of Section 15, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, in the North Burton Flat-Wolfcamp Gas Pool, to the following three wells is hereby approved:

The **Government AC Com Well No. 1 (API No. 30-015-21432)**, a vertical well presently completed in the Wolfcamp, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 15;

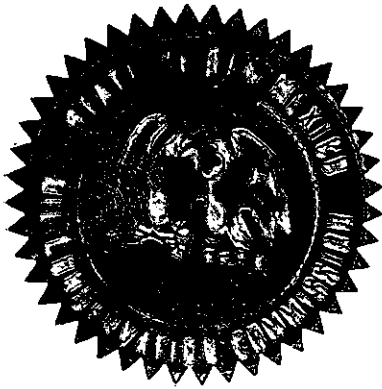
The **Government AA Com Well No. 2 (API No. 30-015-32283)**, a horizontal well presently completed in the Wolfcamp, having a surface location 190 feet from the North line and 350 feet from the West line (Unit

D) of Section 23, Township 20 South, Range 28 East, and projected horizontally in a northerly direction to a northern terminus 675 feet from the North line and 261 feet from the East line (Unit A) of Section 15 (and also projected southward to a separate terminus in Unit M of Section 23); and

The **Government AC Com Well No. 4** (API No. 30-015-32655), a vertical well located 660 feet from the South and East lines (Unit P) of Section 15, presently completed in the Morrow, to be re-completed in the Wolfcamp.

(2) Jurisdiction of this case 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

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director