

STATE OF NEW MI CO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

O. C. D.
ARTESIA, OFFICE

CASE No. 7521
Order No. R-6948

APPLICATION OF WILLIAM B. BARNHILL
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 31, 1982, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 16th day of April, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, William B. Barnhill, seeks approval of an unorthodox gas well location 660 feet from the South line and 660 feet from the West line of Section 35, Township 19 South, Range 25 East, NMPM, to test the Permo-Penn, Strawn, Atoka and Morrow formations, in the so-called "Boyd Channel" Area, Eddy County, New Mexico.

(3) That the S/2 of said Section 35 is to be dedicated to the well.

(4) That an offset operator, Chama Petroleum Company, appeared at the hearing and objected to approval of the aforesaid unorthodox location without penalty on the grounds that a well drilled at said location would drain gas from offsetting leases, thereby violating correlative rights.

(5) That approval of the unorthodox location will improve applicant's geological prospect for encountering the Morrow formation in a thickened section of the Boyd Channel and will better enable it to produce the gas underlying the S/2 of the aforesaid Section 35.

(6) That said unorthodox location will also place applicant in a more favorable position to drain gas from the offsetting leases which drainage would not be compensated for by counter drainage.

(7) That such drainage without counter drainage would result in the impairment of offsetting correlative rights.

(8) That approval of the proposed unorthodox location should be considered only if an adequate penalty is imposed on production from such location to minimize the aforesaid drainage and thus protect correlative rights.

(9) That a well drilled at the proposed unorthodox location and having the S/2 of the section dedicated thereto would be located at a standard distance relative to the South boundary of the spacing and proration unit.

(10) That a well drilled at the proposed unorthodox location and having the S/2 of the section dedicated thereto would be located 1320 feet or 67 percent closer to the west boundary of the spacing and proration unit than a well drilled at a standard location.

(11) That the drainage pattern of a well located at the proposed location would be encroaching primarily on two presently undeveloped spacing and proration units, namely the S/2 of Section 34, Township 19 South, Range 25 East, NMPM, and the N/2 of Section 3, Township 20 South, Range 25 East, NMPM.

(12) That according to the best geological evidence available at the hearing, the aforesaid two spacing and proration units have a total of some 13,638.5 and 13,443.6 acre feet of pay, respectively, or an average of 13,541.1 acre feet apiece, whereas the S/2 of Section 35, being the spacing and proration unit to which the well drilled at the proposed location would be dedicated, has some 3450.3 acre feet of pay.

(13) That on an acre-feet- of-pay basis, the S/2 of Section 26 has 25.5 percent of the acre feet of pay as the average of the two most directly affected spacing and proration units.

(14) That in accordance with Finding No. (8) above, the proposed unorthodox location should only be approved subject to a production limitation factor, and such factor should be computed by averaging the variation from a standard location and comparable acre feet of pay as follows: distance from south line of section, 100 percent of standard; distance from west line of section, 33 percent of standard; comparison of acre feet of pay with affected offsetting units' acre feet of pay, 25.5