

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. 10367
Order No. R-9575

APPLICATION OF CHEVRON U.S.A.,
INC. FOR AN UNORTHODOX GAS WELL LOCATION
AND SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 3rd day of September, 1991, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Chevron U.S.A. Inc., (Chevron) seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its B. V. Culp (NCT-A) Gas Com (Culp Com) Well No. 11 to be drilled 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 19, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico. Chevron also proposes simultaneous dedication of a 477.14-acre non-standard gas spacing and proration unit to three wells. The three wells are the proposed Well No. 11 and two existing wells, B. V. Culp (NCT-A) Gas Com Wells No. 9 (Unit J) and No. 10 (Unit A). The 477.14-acre proration unit is made up of Lots 1 and 2, NE/4, E/2 NW/4 and SE/4 of said Section 19.

(3) Pool rules for the Eumont Gas Pool provide for standard 640 acre spacing and proration units and for well locations no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section or subdivision line.

For non-standard gas proration units, pool rules provide that the maximum acreage that may be assigned to a well shall be governed by the well location as follows: 660-660, 160 acres; 660-990, 320 acres; and 990-990, 600 acres.

Acreage is the only proration factor in the Eumont Gas Pool. A 640-acre proration unit is assigned an Acreage Factor of 4.00, a 160-acre proration unit an acreage factor of 1.00, etc.

(4) Chevron submitted the following information through exhibits and the testimony of witnesses:

- (a) Well No. 11 was proposed at a location 660 feet from the North line (instead of 990) so that it would be further removed from Well No. 3, a plugged and abandoned well in Unit F of Section 19, which recovered 9.336 BCF prior to abandonment.
- (b) Texaco's Saunders "K" State Com Well No. 1 in Section 18 is 760 feet North of Chevron's Culp Com acreage in Section 19. Chevron believes the Texaco well, which has already produced 7.233 BCF is draining Chevron's acreage. The Texaco well produced at the rate of 742 MCF per day in May, 1991.
- (c) Chevron considered dividing the 477.14 acre proration unit into two smaller units. A 160-acre proration unit in the SE/4 of Section 19 would have been assigned to the well No. 9 and the remaining 317.14 acres to Wells Nos. 10 and 11. Had this been possible, well No. 11 would have been at a standard location. However, the Gas Pooling Agreement which was entered into in 1957 and force pooling Order No. R-1487 dated September 14, 1959, make this impractical and unfair to royalty owners.
- (d) Chevron indicated a willingness to produce the three wells using allowable restrictions which would result from a proration unit division as described in Finding (4)(c) above. The 477.14-acre proration unit would remain intact, but Chevron would maintain separate records of self-imposed allowable restrictions and production and provide Texaco, Inc. with the information so that they could also monitor the producing rates of the three wells.

(5) Representatives of Texaco, Inc. (Texaco) appeared at the hearing and objected to the Chevron application. Texaco submitted the following information through exhibits and the testimony of witnesses:

- (a) The high cumulative production of Chevron's Culp No. 3 was discussed. The well recovered 9.336 BCF. Texaco indicated this recovery together with a 660 feet from the North line location for well No. 11 would allow Chevron to drain Texaco. Texaco proposed moving the 660 location to 990 feet from the North line.
- (b) A structure map and a cross-section were presented to show that geologically, the 990 location is as good as the 660 location proposed by Chevron for well No. 11.