

Entered April 9, 1979

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6470
Order No. R-5971

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 9 a.m. on February 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of April, 1979, 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, Phillips Petroleum Company, seeks a determination pursuant to the Federal Energy Regulatory Commission Regulations, Section 271.305(b), that ten specific wells proposed to be drilled in applicant's East Vacuum Grayburg-San Andres Unit Area on existing proration units in the Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, are necessary to effectively and efficiently drain a portion of the reservoir covered by each of the proration units which cannot be effectively and efficiently drained by any existing well within that proration unit.
- (3) That the applicant, Phillips Petroleum Company, further seeks a unit-wide determination pursuant to the Federal Energy Regulatory Commission Regulations, Section 271.305(b), that each subsequent infill well, in addition to the original ten wells, is necessary to effectively and efficiently drain oil and gas reserves from a portion of the reservoir covered by the proration

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unit involved which cannot be effectively and efficiently drained by any existing well within the proration unit.

(4) That the standard spacing unit in the Vacuum Grayburg-San Andres Pool is 40 acres and the applicant proposes to infill drill a substantial part or all of said Unit Area on 20-acre spacing.

(5) That the Division, after notice and hearing of the evidence presented in Case No. 6366, previously entered its Order No. R-5871 on November 27, 1978, approving applicant's East Vacuum Grayburg-San Andres Unit Agreement for the development and operation of a portion of the Vacuum Grayburg-San Andres Pool, finding that the unitized management, operation and further development of that portion of said pool, as proposed, is necessary in order to carry out secondary recovery operations and to substantially increase ultimate recovery of oil and associated gas from the pool, and that the proposed method of operation will prevent waste and result in increased recovery of substantially more oil and associated gas from the pool than would otherwise be recovered as a result of the unit operations.

(6) That the Division, after notice and hearing of the evidence presented in Case No. 6367, entered its Order No. R-5897 on January 16, 1979, approving institution of a pressure maintenance project in the East Vacuum Grayburg-San Andres Unit, based on a finding that such pressure maintenance project will result in the production of hydrocarbons from tracts within the unit that would not otherwise be recovered, and said order also approved unorthodox well locations for the wells listed in Finding No. (7) below as exceptions to existing well spacing regulations.

(7) That at the hearing of the instant case on February 28, 1979, evidence was presented that established that the infill drilling in the East Vacuum Grayburg-San Andres Unit Area of the wells listed below is necessary to effectively and efficiently drain that portion of the reservoir covered by the proration unit upon which each respective well is located which cannot be effectively and efficiently drained by any existing well within the proration unit, and that such wells will recover natural gas and other hydrocarbons that will not otherwise be recovered by any other well within the East Vacuum Grayburg-San Andres Unit or within the proration unit involved. The subject wells are as follows:

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Tract No.	Well No.	Location	Unit	Section
3229	005	1110'S 1290'W	M	32
2801	004	1310'S 1330'E	O	28
2801	002	1140'S 1310'W	M	28
3328	002	1310'S 1160'W	M	33
3202	003	1180'N 1480'E	B	32
2739	005	1330'S 1380'W	K	27
3456	005	1030'N 1410'W	C	34
3333	004	1380'N 1280'E	H	33
3308	003	1150'N 1510'W	C	33
3202	001	1330'S 1310'E	I	32

all in Township 17 South, Range 35 East, NMPM, Lea County, New Mexico.

(8) That the evidence presented demonstrated that the drilling and completion of the above ten infill wells and approximately 102 subsequent infill wells should result in the production of an additional 4.054 billion cubic feet of gas from the proration units involved, which gas would not otherwise be recovered from the proration units.

(9) That each of the above ten infill wells and each of the subsequent infill wells to be drilled in the East Vacuum Grayburg-San Andres Unit Area is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit on which such well is located which cannot be effectively and efficiently drained by any existing well within the proration unit.

(10) That in order to permit the drainage of a portion of the reservoir underlying the proration units on which the ten infill wells described in Finding No. (7) above, and the subsequent infill wells described in Finding No. (8) above, are located and which cannot be efficiently and effectively drained by any existing well thereon, the previously approved infill drilling authority should be ratified as an exception to the standard well spacing requirements for said Vacuum Grayburg-San Andres Pool.

IT IS THEREFORE ORDERED:

(1) That the authorization of Phillips Petroleum Company to drill its infill wells as listed in Finding No. (7) of this order, the unorthodox locations of which have heretofore been approved by Division Order No. R-5897, be and the same hereby is ratified and confirmed. The ratification and affirmation of the infill drilling by this order is an exception to applicable

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well spacing requirements and is necessary to permit the drainage of a portion of the reservoir covered by the existing proration units underlying each of the subject wells which cannot effectively and efficiently be drained by any existing wells on such proration units.

(2) That each of the above infill wells and each additional infill well approved by the Division or by the Division Director as provided for by Division Order No. R-5897 shall be an exception to applicable well spacing requirements and is necessary to permit the drainage of a portion of the reservoir covered by the existing proration unit underlying each of such wells which cannot effectively and efficiently be drained by any existing wells on such proration units.

(3) That jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

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