

Entered September 30, 1983
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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. 7936
Order No. R-7364

APPLICATION OF HILLIARD OIL
& GAS INC. FOR TEMPORARY SPECIAL
POOL RULES, CHAVES COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 14, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of September, 1983, 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, Hilliard Oil & Gas Inc., seeks the promulgation of temporary special pool rules for the Cedar Point-Strawn Pool in Chaves County, New Mexico, to provide for 80-acre proration units and specified orthodox well locations in order to assure orderly development of the pool and protect correlative rights.

(3) That the applicant requests that the temporary special rules and regulations be established for a one-year period.

(4) That the Cedar Point-Strawn Pool was previously created by Division Order No. R-7279 and consists of the SE/4 of Section 27, Township 15 South, Range 30 East, NMPM, Chaves County, New Mexico.

(5) That the applicant is the operator of the only well currently completed in and capable of producing from said pool.

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(6) That temporary special rules and regulations establishing 80-acre spacing should be promulgated for the subject pool in order to prevent the possibility of economic loss resulting from the drilling of unnecessary wells and in order to allow the operators in the subject pool to gather information concerning the reservoir characteristics of the pool.

(7) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(8) That the temporary special rules and regulations should be established for a one-year period and that during this one-year period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(9) That this case should be reopened at an examiner hearing in November, 1984, at which time the operators in the subject pool should appear and show cause why the Cedar Point-Strawn Pool should not be developed on 40-acre proration units.

IT IS THEREFORE ORDERED:

(1) That temporary special rules and regulations for the Cedar Point-Strawn Pool are hereby promulgated as follows, effective October 1, 1983.

SPECIAL RULES AND REGULATIONS
FOR THE
CEDAR POINT-STRAWN POOL

RULE 1. Each well completed or recompleted in the Cedar Point-Strawn Pool or in the Strawn formation within one mile of the Cedar Point-Strawn Pool, and not nearer to or within the limits of another designated Strawn pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Cedar Point-Strawn Pool shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a single governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without notice and hearing

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when an application has been filed for a non-standard unit comprising a single quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. The first well drilled on every standard or non-standard unit in the Cedar Point-Strawn Pool shall be located within 200 feet of the center of either the NW/4 or the SE/4 of a governmental quarter section.

RULE 5. The Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) in the Cedar Point-Strawn Pool shall be assigned an 80-acre depth bracket allowable of 400 barrels for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable in the Cedar Point-Strawn Pool as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the Strawn formation within the Cedar Point-Strawn Pool or within one mile of the Cedar Point-Strawn Pool that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of Rule 4. The operator shall notify the Hobbs District Office in writing of the name and location of the well on or before January 1, 1984.

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(2) That, pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Cedar Point-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

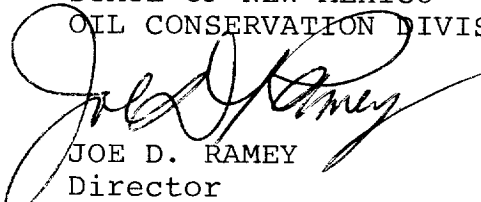
Failure to file new Forms C-102 with the Division dedicating the appropriate acreage to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Cedar Point-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than a 40-acre allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in November, 1984, at which time the operators in the subject pool may appear and show cause why the Cedar Point-Strawn Pool should not be developed on 40-acre proration units.

(4) 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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