

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 9651
Order No. R-8940

APPLICATION OF SUN EXPLORATION AND
PRODUCTION COMPANY FOR AMENDMENT
OF DIVISION ORDERS NOS. R-8644-A
AND R-8734, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on April 17, 1989, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of May, 1989, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) On July 14, 1988 the Commission consolidated and heard the applications of Phillips Petroleum Co. (Cases 9331 and 9429) and Mobil Exploration and Producing U.S. Inc. (Case 9430) in which Phillips and Mobil sought, among other things, the creation of certain non-standard proration units in Section 22, Township 17 South, Range 35 East, NMPM, South Shoe Bar-Atoka Gas Pool, Lea County, New Mexico.

(3) On September 19, 1988 the Commission entered Orders R-8644-A (Cases 9331 and 9429) and R-8734 (Case 9430) which resulted in three non-standard gas proration units in Section 22, and imposed production limitations for the wells on these non-standard units.

(4) Applicant, Sun Exploration and Production Company, "Sun", is the operator of a standard 320-acre proration unit

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in the S/2 of Section 15, Township 17 South, Range 35 East, NMPM, on which is located at an orthodox location a gas well completed in the South Shoe Bar-Atoka Gas Pool, Lea County, New Mexico. Sun seeks amendment of Commission Orders R-8644-A and R-8734 to provide for new production limitations on gas production from the wells to which non-standard spacing or proration units are dedicated in Section 22.

(5) T. H. McElvain, operator of the New Mexico "AC" State Well No. 1, located on a non-standard gas proration unit comprised of the SE/4 and the S/2 SW/4 of Section 22, appeared in opposition to Sun's application contending it constituted a collateral attack on the prior orders of the Division.

(6) Phillips Petroleum Company opposed any amendment of Order R-8644-A which would result in additional production limitation factors for its Phillips State 22-#1 Well, located in Unit D, Section 22, Township 17 South, Range 35 East, Lea County, New Mexico.

(7) Phillips drilled their Phillips State 22-#1 Well in Unit D of Section 22 relying upon Commission Order R-8644-A which restricted its daily producing rate to 3,000,000 cubic feet of gas.

(8) Phillips completed their Phillips State 22-#1 well for a calculated open flow of 546 Mcf of gas per day and subsequent production history established that the well would produce 450 Mcf per day until it loads up with water which results in no gas being produced against the 600 pound line pressure.

(9) Phillips testified that a minimum of 1,000,000 cubic feet of gas per day is required to lift the liquids in its wellbore.

(10) Imposing new production penalties on the Phillips State 22-#1 well would constitute waste.

(11) Sun did not submit evidence pertaining to relative encroachment or drainage radii for the Sun, McElvain and Phillips wells.

(12) Sun did not show that their correlative rights were being violated by the current locations of wells in Sections 15 and 22, Township 17 South, Range 35 East, and their respective producing rates.

(13) Sun testified that their gas reserves were being drained by the McElvain well in Section 22 from December of

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1987 through April of 1988 and that they could have countered this drainage by producing their Shoe Bar State Comm #1 well in Section 15 but chose not to do so.

(14) This application should therefore be denied.

IT IS THEREFORE ORDERED THAT:

(1) Application of Sun Exploration and Production Company for amendment of Orders R-8644-A and R-8734 to establish new production limitation factors for wells to which non-standard spacing or proration units are dedicated in Section 22, Township 17 South, Range 35 East, NMPM, South Shoe Bar-Atoka Gas Pool, is hereby denied.

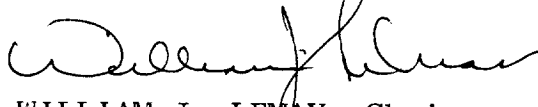
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

WILLIAM R. HUMPHRIES, Member


ERLING A. BROSTUEN, Member


WILLIAM J. LEMAY, Chairman and
Secretary

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