

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. 10426
ORDER NO. R-9009-A*

**APPLICATION OF BTA OIL PRODUCERS
FOR SIMULTANEOUS DEDICATION AND TO
AMEND DIVISION ORDER NO. R-9009, LEA
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 19, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of February, 1992 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 in this matter, BTA Oil Producers, is currently developing the Antelope Ridge-Atoka Gas Pool underlying Section 34, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, in the current manner and in accordance with the provisions of Division Order No. R-9009, dated October 3, 1989:

the N/2 of said Section 34 comprising 320 acres is dedicated to the Maxus "B" 8026 JV-P Well No. 3, located at an unorthodox gas well location 660 feet from the North line and 1650 feet from the East line (Unit B). This well was drilled and completed in the last quarter of 1989. On January 4, 1990 this well began producing gas from the Antelope Ridge-Atoka Gas Pool;

the S/2 of said Section 34, comprising 320 acres, is dedicated to the Maxus "B" 8026 JV-P Well No. 1, located at an unorthodox gas well location 660 feet from the South and East lines (Unit P). This well was drilled in the first quarter of 1987 by Maxus Exploration Company. In September 1987, this well was dually completed in both the Antelope Ridge-Atoka and Antelope Ridge-Morrow Gas Pools. On December 1, 1987, this well began producing from both intervals.

(3) The BTA Oil Producers' Maxus "B" 8026 JV-P Well No. 2, located 990 feet from the South line and 1980 feet from the West line (Unit N) of said Section 34 has been "shut-in" since 11:00 am on January 4, 1990. Said Well No. 2 was originally drilled by Maxus Exploration Company in the first quarter of 1987. In January 1987, this well was completed in the Antelope Ridge-Atoka Gas Pool, and first delivery occurred on February 12, 1988. Said Division Order No. R-9009 contained provisions whereby the No. 2 well would be plugged and abandoned at such time as the No. 3 well was placed on production (January 4, 1990). A reprieve from the plugging requirements was granted BTA Oil Producers by the Division whereby the No. 2 well could be temporarily abandoned and still satisfy the provisions of Decretory Paragraph No. (5) of said Order No. R-9009.

(4) At this time, BTA Oil Producers seeks an exception to Division General Rule 104.C(2) to allow for the simultaneous dedication of the existing 320-acre gas spacing and proration unit within the Antelope Ridge-Atoka Gas Pool, comprising the S/2 of said Section 34 to both the aforementioned Well Nos. 1 and 2. A concurrent request is being sought to amend said Order No. R-9009 whereby the No. 2 well would be allowed to produce Atoka Gas at a restricted flow not to exceed 500 MCF per day in any one month period (15,000 MCF per month).

(5) The Antelope Ridge-Atoka Gas Pool is at this time considered an "unprorated gas pool" and therefore is not governed by the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Division Order No. R-8170, as amended.

(6) The spacing requirements provided in Division Statewide Rule 104.C(2)(b) would therefore apply in this particular situation. Specifically that which states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool..., shall be located on a designated drilling tract..."

(7) Two separate memorandums issued by the Division Director on July 22, 1988 and August 3, 1990 set forth officially the Division's interpretation and policy for those instances, such as this case, where an applicant is requesting an additional well on an existing non-prorated gas spacing unit. The Division's conclusions were as follows:

"Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules and reasons for the request."

(8) BTA Oil Producers failed in this case to adequately show that its correlative rights would be impaired unless both the Maxus "B" 8026 JV-P Well Nos. 1 and 2 were allowed to produce continuously and concurrently, even at the proposed restricted flow rate for the No. 2 well.

(9) The applicant further indicated at the time of the hearing that both wells producing alternately could recover all of the gas to which BTA is entitled under the S/2 of said Section 34.

(10) The applicant's request to continuously and concurrently produce Atoka gas from both the Maxus "B" 8026 JV-P Well Nos. 1 and 2 within the 320-acre gas spacing and proration unit comprising the S/2 of said Section 34 should be *denied*; however, nothing contained herein should be construed as prohibiting the applicant from producing Atoka gas from both wells alternately (one well shut-in while the other produces). Such producing/shut-in cycle length should be administratively set by the Division Director, but should not be less than a one month period.

(11) Because both wells will not be permitted to produce simultaneously under this order, the well which is producing at any given time should not be subject to a restricted producing rate.

IT IS THEREFORE ORDERED THAT:

(1) The subject application of BTA Oil Producers for an exception to Division General Rule 104.C(2) and to amend Division Order no. R-9009, dated October 3, 1989, to allow for the simultaneous dedication of the existing 320-acre gas spacing and proration unit within the Antelope Ridge-Atoka Gas Pool, comprising the S/2 of Section 34, Township 22 South, Range 34 East, NMPPM, Lea County, New Mexico, to both its Maxus "B" 8026 JV-P Well Nos. 1 and 2, located respectively in Units P and N of said Section 34, is hereby granted conditional approval;

WHEREBY the applicant is permitted to produce Atoka gas from both wells alternately (one well shut-in while the other produces). Said production/shut-in cycle period for both wells may be established by the Division Director after administrative request by the applicant; however, such period shall not be for less than one month.

(2) The applicant's request to continuously and concurrently produce Antelope Ridge-Atoka Gas Pool production in the S/2 of said Section 34 from both of said wells is hereby *denied*.

(3) The applicant's proposal to restrict gas production from the Maxus "B" 8026 JV-P Well No. 2 at a maximum flow rate not to exceed 500 MCF per day is *dismissed*.

(4) Either well when producing shall be allowed to flow at an unrestricted rate.

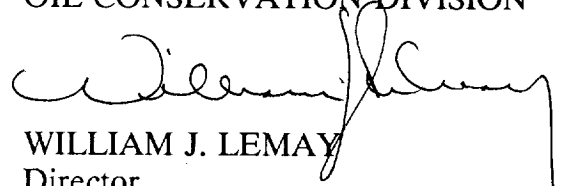
(5) Decretory Paragraph No. (5) on page 3 of Division Order No. R-9009, dated October 3, 1989, is hereby placed in abeyance until further notice.

(6) All other provisions of Division Order No. R-9009 shall remain in full force and effect.

(7) 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



WILLIAM J. LEMAY
Director

S E A L