

Entered January 18, 1974
A.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5111
Order No. ~~R-4706~~

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO
CONSIDER EXTENDING THE POOL LIMITS
OF THE BURTON FLATS-MORROW GAS POOL,
EDDY COUNTY, NEW MEXICO, TO CONSIDER
THE INSTITUTION OF GAS PRORATIONING
IN SAID POOL, AND TO CONSIDER THE
ADOPTION OF SPECIAL RULES AND
REGULATIONS FOR SAID POOL.

Order No.

Submission to

to 1673-P

(R-4706-A)

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 16, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 18th day of January, 1974, the Commission, a quorum being present, 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 Commission had jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-4486 effective March 1, 1973, the Commission created the Burton Flats-Morrow Gas Pool, Eddy County, New Mexico, for the production of gas from the Morrow formation.

(3) That the horizontal limits of said pool have been extended from time to time by order of the Commission.

(4) That the horizontal limits of the Burton Flats-Morrow Gas Pool as defined by the Commission at the time of hearing this case comprise the following described area:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 2: Lots 1 through 8: All
Section 3: All

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(5) That the Burton Flats-Morrow Gas Pool in Eddy County, New Mexico should be extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 8: N/2
Section 9: N/2
Section 10: All

(6) That at the time of hearing of this case, there were eight wells completed in and capable of producing from the Burton Flats-Morrow Gas Pool as described in Finding No. (4) above and as extended pursuant to Finding No. (5) above, and three additional wells completed in and capable of producing from the Morrow formation within one mile thereof, all producing from a common reservoir, and of these eleven wells, eight were actually connected to a gas pipe line.

(7) That at the time of the hearing of this case, gas was being taken from wells producing from the subject reservoir by three transporters, being El Paso Natural Gas Company, Southern Union Gas Company, and Transwestern Pipe Line Company.

(8) That during the month of November, 1973, the latest month for which full monthly statistics are available, the estimated total delivery capacity of the six wells which had pipe line connections during the entire month was at least 38,500 Mcf per day.

(9) That during the month of November, 1973, the actual production from the aforesaid six wells producing from the subject reservoir was approximately 29,300 Mcf per day.

(10) That since, during the month of November, 1973, no restrictions other than market demand were placed upon the production from wells producing from the subject reservoir, actual production should be considered as market demand for gas from the reservoir.

(11) That during the month of November, 1973, the total delivery capacity of the wells within the subject reservoir exceeded market demand for gas from the reservoir.

(12) That under the conditions that now exist in the subject pool, there is a potential for non-ratable taking by pipelines from the various wells in the pool.

(13) That non-ratable taking by pipelines from the various wells in the pool would constitute a violation of correlative rights.

(14) That unrestricted production creates a potential for drainage which is not equalized by counter-drainage and that such drainage constitutes a violation of correlative rights.

(15) That the protection of correlative rights is a necessary adjunct to the prevention of waste.

(16) That in order to prevent waste and ensure that all owners of property in the subject pool have the opportunity to produce without waste their fair share of the gas in the pool, the subject pool should be prorated to limit the amount of gas to be recovered from each tract to that tract's share of the reasonable market demand for gas from the pool.

(17) That to ensure that each owner of property in the subject pool has the opportunity to produce that amount of gas that can be practicably obtained without waste substantially in the proportion that the recoverable gas under his tract bears to the total recoverable gas in the pool, the subject pool should be prorated in order to limit the amount of gas to be produced from the pool to the reasonable market demand and the capacity of the gas transportation facilities serving that pool.

(18) That the subject pool has not been completely developed.

(19) That production from the Morrow formation in the subject pool is from many separate stringers which vary greatly in areal extent and in porosity and thickness, both within individual stringers and between stringers.

(20) That the above-described stringers are not continuous across the pool but are interconnected by the perforations in the various completions in the pool.

(21) That due to the above-described variations in the stringers and the lack of continuity of the stringers, the effective feet of pay and the reserves underlying each developed tract cannot be practicably determined from the data obtained at the wellbore.

(22) That there are recoverable gas reserves underlying each of the developed 320-acre tracts within the horizontal limits of the subject pool; that there are eight 320-acre tracts within the pool as described in Finding No. (4) above and as extended pursuant to Finding No. (5) above and three additional developed 320-acre tracts within one mile thereof, there being a total of 11 wells completed and capable of producing from the Burton Flats-Morrow gas reservoir.

(23) That due to the nature of the reservoir, the amount of recoverable gas under each producer's tract cannot be practicably determined in the subject pool by a formula which considers effective feet of pay and pore volume.

(24) That due to the nature of the reservoir, the total amount of recoverable gas in the subject pool cannot be practicably determined by a formula which considers effective feet of pay and pore volume.

(25) That due to the nature of the reservoir, the proportion of recoverable gas underlying each tract to the total amount of recoverable gas in the subject pool cannot be practicably determined by a formula which considers effective feet of pay and pore volume.

(26) That the amount of recoverable gas under each producer's tract cannot be practicably determined in the subject pool by a formula which considers the deliverability of a well.

(27) That the total amount of recoverable gas in the subject pool cannot be practicably determined by a formula which considers the deliverability of the wells in the pool.

(28) That the proportion of recoverable gas underlying each tract to the total amount of recoverable gas in the subject pool cannot be practicably determined by a formula which considers the deliverability of the wells within the pool.

(29) That the amount of recoverable gas under each producer's tract cannot be practicably determined by a formula which considers previous production and pressure decline.

(30) That due to the early state of depletion of the subject pool, the total amount of recoverable gas in the pool cannot be practicably determined by a formula which considers previous production and pressure decline.

(31) That the proportion of recoverable gas underlying each tract to the total amount of recoverable gas in the subject pool cannot be practicably determined by a formula which considers previous production and pressure decline.

(32) That the amount of gas which can be practicably obtained without waste by the owner of each property in the subject pool substantially in the proportion that the recoverable gas under his tract bears to the total recoverable gas in the pool can be practicably determined best by allocating the allowable production among the wells on the basis of developed tract acreage compared to total developed tract acreage in the pool.

(33) That, considering the nature of the reservoir and the known extent of development, a proration formula based upon surface acreage will afford the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool so far as such can be practicably obtained without waste substantially in the proportion that the recoverable gas under such property bears to the total recoverable gas in the pool.

(34) That in order to prevent waste, the total allowable production from all gas wells producing from the subject pool should be limited to the total reasonable market demand for gas from the pool.

(35) That in order to prevent waste the total allowable production from each gas well producing from the subject pool should be limited to that well's share of the reasonable market demand for gas from the pool.

(36) That, in order to prevent drainage between tracts that is not equalized by counter drainage, the allowable production from the pool should be prorated to the various producers on a just and equitable basis.

(37) That, considering the available reservoir information, a 100 percent surface acreage formula is the most reasonable basis for allocating the allowable production among the wells delivering to the gas transportation facilities.

(38) That the adoption of a 100 percent surface acreage formula for allocating the allowable production in the subject pool will, insofar as is presently practicable, prevent drainage between producing tracts which is not equalized by counter drainage.

(39) That in order to ensure that each operator is afforded the opportunity to produce his property ratably with all other operators in the pool, allowable production from the pool should be prorated to the various producers upon a just and equitable basis.

(40) That the adoption of a 100 percent surface acreage formula for allocating the allowable production in the subject pool will insofar as is presently practicable allow each operator the opportunity to produce his property ratably with all other operators in the pool.

(41) That the subject pool should be governed by the general rules and regulations for the prorated gas pools of southeastern New Mexico promulgated by Order No. R-1670 as amended insofar as such general rules and regulations are not inconsistent with this order.

IT IS THEREFORE ORDERED:

(1) That the Burton Flats-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 34: S/2

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TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 8: N/2

Section 9: N/2

Section 10: All

(2) That the Burton Flats-Morrow Gas Pool in Eddy County, New Mexico, is hereby prorated effective April 1, 1974.

(3) That the subject pool shall be governed by the general rules and regulations for the prorated gas pools of southeastern New Mexico promulgated by Order No. R-1670, as amended, insofar as such general rules and regulations are not inconsistent with this order.

SPECIAL RULES AND REGULATIONS
FOR THE
BURTON FLATS-MORROW GAS POOL

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1. Each well completed or recompleted in the Burton Flats-Morrow Gas Pool or in the Morrow formation within one mile thereof and not nearer to nor within the boundaries of another pool producing from the Morrow formation shall be spaced, drilled, operated, and prorated in accordance with the rules for the Burton Flats-Morrow Gas Pool as set forth herein.

RULE 2. Each well shall be located no nearer than 1980 feet to the end boundary nor nearer than 660 feet to the side boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8. (A) The total allowable to be allocated to gas wells in the pool regulated by this order each month shall be equal to the sum of the "preliminary" or "supplemental" nominations (whichever is applicable) together with any adjustments which the Commission deems advisable. The allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factor for all non-marginal gas wells in the pool.

RULE 8. (B) Allowables to newly completed gas wells shall commence on the day of connection to a gas transportation facility as determined from an affidavit furnished to the Commission (Drawer DD, Artesia, New Mexico 88210) by the purchaser or the date of filing of Form C-104 and a plat (Form C-102) whichever date is the latter.

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RULE 9. (A) A standard unit consisting of 320 acres shall be assigned an acreage factor of 1.00, provided however, the acreage tolerances provided in Rule 5 (A) shall apply.

C. GENERAL

RULE 25. The vertical limits of the Burton Flats-Morrow Gas Pool shall be the Morrow formation.

RULE 26. The first proration period for the Burton Flats-Morrow Gas Pool shall commence on April 1, 1974.

IT IS FURTHER ORDERED:

(1) That 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 herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


A. L. PORTER, JR., Member & Secretary

S E A L

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