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JASON KELLAHIN (RETIRED 1991)

December 19, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

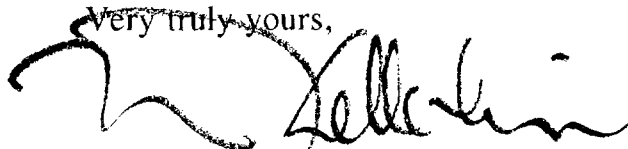
Re: NMOCD Case 11169
North Hardy Tubb-Drinkard Pool
Application of Conoco Inc. for
Pool Creation and Special Rules
Lea County, New Mexico

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed our proposed order for your consideration in this matter which was presented to you at the hearing held on December 15, 1994.

I have enclosed a copy of this draft order on the enclosed 3.5 diskette which is formatted to wordperfect 5.1

Very truly yours,



W. Thomas Kellahin

cc: Jerry Hoover (Conoco Inc.)

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**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. 11169
ORDER NO. R-_____

APPLICATION OF CONOCO INC.
FOR POOL CREATION INCLUDING
SPECIAL POOL RULES AND THE
ASSIGNMENT OF A DISCOVERY ALLOWABLE
LEA COUNTY, NEW MEXICO

DE- 100

CONOCO INC.'S
PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 15, 1994,
at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 1994, 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, Conoco Inc. ("Conoco"), seeks the creation of a new pool for the production of oil and gas from the Tubb and the Drinkard formations to comprise the SW/4NE/4, the S/2NW/4, Then N/2SW/4 and the NW/4SE/4 of Section 36, T20S, R37E, NMPM, Lea County, New Mexico and to be designated as the North Hardy Tubb-Drinkard-Pool ("the Pool").

(3) Conoco further proposes that the Division adopt statewide 40-acre oil spacing and proration units including the adoption of temporary special rules and regulations for the pool including a special limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(4) Conoco proposes that the vertical limits of the Pool shall be from the top of the Tubb formation to the base of the Drinkard formation, identified as being 6308 feet and 6886 feet, respectively, on the log of the Hardy "36" State Well No. 1 located 1980 feet FSL and 2230 feet FWL (Unit K) of Section 36, T20S, R37E, NMPM.

(5) If Conoco's application is approved there will be two currently producing wells in the Pool:

Hardy "36" State Well No. 1 (Unit K) Sec 36;
Hardy "36" State Well No. 3 (Unit G) Sec 36.

(6) Conoco is the only operator in the proposed pool and currently all categories of owners in the pool have common ownership.

(7) On August 19, 1994, Conoco completed its Hardy "36" State Well No. 3 at a standard location 2080 feet FNL and 1730 feet FEL, (Unit G) of said Section 36.

(8) The Hardy "36" State Well No. 3 constitutes a "new discovery" under Division Rule 509 and is entitled to a discovery oil allowable for production from the Tubb-Drinkard formations.

(9) On March 21, 1994, Conoco completed its Hardy "36" State No. 1 well at a standard location 1980 feet FSL and 2230 feet FWL, (Unit K) of said Section which has been designated by the Division as a "new discovery" under Division Rule 509 for production from the Simpson-Ellenburger.

(10) Division's records indicate that the Hardy "36" State Well Nos. 1 and 3 are located more than a mile from any current established pool for this production, the closest such pools being the Hardy Tubb-Drinkard Pool, the Monument Tubb Pool, and the Weir Drinkard Pool.

(11) Conoco presented geologic and petroleum engineering evidence which demonstrates that The Pool is:

(a) a circular shaped feature draped over a structural high located approximately in the center of Section 36, is of limited extent. The trap of the reservoir is formed by a down structural limit of effective porosity within the Drinkard and Tubb formations;

(b) a single structural feature geologically separated from any other Tubb/Drinkard pool in the area;

(c) the pool is a solution gas drive reservoir with both wells having production characteristics of oil wells with high GORs;

(d) there is no indication that a gas cap exists or is being formed up-structure to the oil wells;

(e) extrapolation of production tests conducted on the discovery well demonstrates that the GOR for the Tubb formation in that well is not rate dependant, and once the pressure in that formation is drawn down to below the bubble point, the GOR will significantly increase;

(f) the wells in the pool can be produced at the requested

10,000 to 1 GOR without adversely effecting oil recovery;
and

(g) characteristics of the Tubb and Drinkard production within the proposed pool are compatible and there are no foreseeable reservoir engineering reasons which preclude combination into a single pool for purpose of conservation regulations.

(12) Conoco's proposed plan of development for this pool is to drill an initial Tubb-Drinkard formation well in each 40-acre tract and to dually produced that production with other formations which may also be productive including but not limited to the Simpson-Ellenburger formations.

(13) Conoco presented geological and petroleum engineering data and conclusions which demonstrated that the Drinkard and Tubb formations constitute one single common source of supply ("reservoir") in this particular area and that there is no geologic, petroleum engineering or conservation reason to require that they be treated as separate pools.

(14) Based upon the present evidence available concerning the nature of the Tubb and Drinkard formations, both are typical solution gas drive oil pools which are commonly combined by the Division and authorized to be produced at special gas oil ratio rates.

(15) Conoco has presented petroleum engineering data which supports its request that the Division establish an initial special gas oil ratio of 10,000 cubic feet of gas per barrel of oil for the North Hardy Tubb-Drinkard Pool.

(16) That the evidence indicates that 40-acre oil well spacing is the appropriate initial spacing pattern to adopt for this pool

(17) Conoco has submitted economic analysis/production data which demonstrated that the Drinkard formation is a low productivity formation and cannot be developed in this area unless combined into the same pool with the Tubb formation

(18) That in order to avoid the arbitrary effect of having any well in the pool shut-in or curtailed as a result of allowables being calculated based upon inapplicable statewide rules the effective date of this order should be made retroactive to August 19, 1994 which is the date of first production from the discovery well.

(19) Conoco was the only interested party to appear and provide technical geologic and engineering testimony concerning the reservoir and its classification.

(20) That there was no evidence or testimony presented upon which to base a denial of this application.

(21) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(22) Approval of Conoco's request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pool, will not reduce ultimate recovery from the subject pool, and will not violate correlative rights.

(23) This case should be reopened at an examiner hearing in January, 1996, at which time the operators in the Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to making these rules permanent.

IT IS THEREFORE ORDERED THAT:

(1) A new oil pool for the production of oil and gas from the Drinkard and Tubb formations is hereby created and designated as the North Hardy Tubb-Drinkard Oil Pool with horizontal limits to comprise the SW/4NE/4, the S/2NW/4, Then N/2SW/4 and the NW/4SE/4 of Section 36, T20S, R37E, NMPM, Lea County, New Mexico.

(2) The vertical limits of the Pool shall be from the top of the Tubb formation to the base of the Drinkard formation, identified as being 6308 feet and 6886 feet, respectively, on the log of the Hardy "36" State Well No. 1 located 1980 feet FSL and 2230 feet FWL (Unit K) of Section 36, T20S, R37E, NMPM.

(3) Temporary Special Rules and Regulations for the North Hardy Tubb-Drinkard Oil Pool shall be effective on August 19, 1994 and are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND
REGULATIONS FOR THE
NORTH HARDY TUBB-DRINKARD POOL

Rule 1. The limiting gas-oil ratio for the North Hard Tubb-Drinkard Pool is 10,000 cubic feet of gas for each barrel of oil.

IT IS FURTHER ORDERED THAT:

(5) That the Hardy "36" State Well No. 3 constitutes a "new discovery" under Division Rule 509 and is entitled to a discovery oil allowable for production from the Tubb-Drinkard formations for a combined allowable and discovery allowable of 186 BOPD from August 19, 1994 until August 19, 1996.

(6) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), existing oil wells in the Pool shall have dedicated thereto 40-acre 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 administratively by the Division and dedicated thereto.

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(7) Failure to file a new Form 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 a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilled to or completed in the Pool or in its corresponding vertical limits or within one mile thereof shall receive no more than a 40-acre allowable for the pool

(8) The special rules and regulations for this pool established herein shall remain in effect for a temporary period until such time as the Division has entered further orders in this matter.

(9) This case shall be reopened at an Examiner hearing in January, 1996, at which time the operators in the Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to making these rules permanent.

(10) 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

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