

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:

NOMENCLATURE
CASE NO. 11493
ORDER NO. R-10595

**APPLICATION OF BONNEVILLE FUELS CORPORATION FOR POOL
CONTRACTION, POOL CREATION, AND THE PROMULGATION OF SPECIAL
POOL RULES THEREFOR, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 2, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of May, 1996 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) By Division Order Nos. R-6913, R-6913-A, R-7211, and R-7211-A, the South Humble City-Strawn Pool was created and designated as an oil pool for the production of oil from the Strawn formation in Lea County, New Mexico. Said orders further provided for 80-acre spacing units with well location requirements such that each well completed or recompleted in the South Humble City-Strawn Pool shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

(3) With amendments to this order the horizontal limits of said pool have been extended since that time and currently comprise the following described area in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 12: S/2
Section 13: NE/4 and W/2
Section 14: All.

(4) The South Humble City-Strawn Pool is further subject to the provisions of Division General Rules 505.A and 506.A for pools with development on 80-acre spacing units each having a top unit depth bracket allowable of 445 barrels of oil per day and a limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 890 MCF per day.

(5) Division records indicate that there are 10 wells currently completed within the South Humble City-Strawn Pool:

(a) SECTION 12:

1. The Nearburg Producing Company Wright Well No. 1 (API No. 30-025-29580) located 2460' FSL - 760' FEL (Unit I).
2. The Nearburg Producing Company Byers "12" Well No. 1 (API No. 30-025-32845) located 330' FSL - 1300' FWL (Unit M).
3. The Nearburg Producing Company Wright Well No. 2 (API No. 30-025-29999) located 1200' FSL - 760' FEL (Unit P).

(b) SECTION 13:

1. The Bonneville Fuels Corporation Norris Well No. 4 (API No. 30-025-33197) located 710' FSL - 330' FWL (Unit M).
2. The Bonneville Fuels Corporation Norris Well No. 2 (API No. 30-025-28327) located 800' FSL - 2550' FWL (Unit N).

(b) SECTION 14:

1. The Yates Petroleum Corporation Bureaucrat "AGV"

Well No. 1 (API No. 30-025-30767) located 2086' FN & WL (Unit F).

2. The Bonneville Fuels Corporation Lea Farms Well No. 2 (API No. 30-025-29660) located 1800' FNL - 500' FEL (Unit H).
3. The Bonneville Fuels Corporation Lottie York Well No. 2 (API No. 30-025-28111) located 1650' FS & EL (Unit J).
4. The Bonneville Fuels Corporation Lottie York Well No. 3 (API No. 30-025-32933) located 2030' FSL - 2300' FWL (Unit K).
5. The Bonneville Fuels Corporation Lottie York Well No. 1 (API No. 30-025-27552) located 990' FSL - 660' FEL (Unit P).

(6) The applicant in this matter, Bonneville Fuels Corporation ("Bonneville"), seeks the contraction from the horizontal limits of the South Humble City-Strawn Pool by the deletion of the W/2 SW/4 of said Section 13 and the NW/4 and S/2 of said Section 14 and the concomitant creation of a new pool for the production of oil from the Strawn formation within said acreage. The applicant further seeks the promulgation of special rules for the proposed "Southwest Humble City-Strawn" pool including provisions for 80-acre oil spacing and proration units, designated well location requirements, both of which are to be identical to those provisions governing the South Humble City-Strawn Pool, and for a special gas/oil ratio limitation of 8,000 cubic feet of gas per barrel of oil.

(7) Geologic evidence presented by the applicant indicates the presence of two separate porous algal reef mounds within the horizontal limits of the South Humble City-Strawn and that the aforementioned (Yates) Bureaucrat "AGV" Well No. 1, the Bonneville Lottie York Well Nos. 1, 2, and 3, and Norris Well No. 4 are completed within the southwestern most "mound" and the other five remaining wells are completed within the other.

(8) Reservoir engineering evidence indicates and production characteristics verify that wells completed within this southwestern most "mound" are capable of producing casinghead gas at a much higher rate than allowed under the present 2,000 to one GOR limit. Further investigation by the applicant indicates that depletion of this mound by the aforementioned five wells have utilized gas cap expansion, free gas expansion, and

gravitational segregation energy to optimize oil recovery. The requested 8,000 to one GOR limit will serve to enable the operators with completions in this "southwest mound" to adequately drain and fully deplete the remaining reserves in a sound and prudent manner.

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

(10) The applicant at the time of the hearing proposed this new pool be designated the Southwest Humble City-Strawn Pool. Such name is deemed appropriate and should therefore be accepted.

(11) Approval of this application is in the best interest of conservation, will enable the operator to produce his just and fair share of production from the reservoir in a prudent manner, will serve to prevent waste, will afford the applicant the continued opportunity to produce its just and equitable share of the oil in the subject reservoir and will otherwise serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The South Humble City-Strawn Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 13:	W/2 SW/4
Section 14:	W/2 and SE/4.

(2) Concomitantly a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production is hereby created and designated the Southwest Humble City-Strawn Pool, with vertical limits comprising the Strawn formation and the horizontal limits comprising that area described in Decretory Paragraph No. (1) above.

(3) All provisions currently governing the South Humble City-Strawn Pool shall remain in full force and effect.

(4) Special Rules and Regulations for the newly created Southwest Humble City-Strawn Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
SOUTHWEST HUMBLE CITY-STRAWN POOL**

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

RULE 2: The limiting gas/oil ratio for said Southwest Humble City-Strawn Pool shall be 8,000 cubic feet of gas per barrel of oil produced; each proration unit in said pool shall produce only that volume of gas equivalent to 8,000 multiplied by the top unit depth bracket allowable set for the pool (which is 445 barrels of oil per day).

RULE 3: Each well 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 governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the two quarter-quarter sections in the unit.

RULE 4: The Director of the Oil Conservation Division, hereinafter referred to as the "Division Director", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been duly filed under the provisions of **Rule 104.d(2)** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

RULE 5: Each well drilled in the Southwest Humble City-Strawn Pool shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 6: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of **Rule 104.F** of said General Rules and Regulations of the Division.

RULE 7: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 310 barrels of oil per day.

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

IT IS FURTHER ORDERED THAT:

(5) The locations of all wells presently drilling to or completed in the Southwest Humble City-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(6) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Southwest Humble City-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.

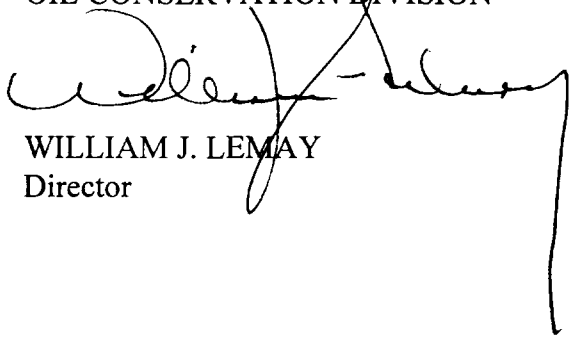
Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the Southwest Humble City-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(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