



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 10, 1996

CAMPBELL, CARR & BERGE, P.A.
Attorneys At Law
Post Office Box 2208
Santa Fe, New Mexico 87504

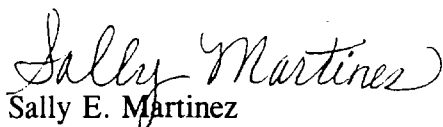
Attn: Bill Carr

RE: CASE NO. 11617
ORDER NO. R-10602-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez

Administrative Secretary

cc: BLM - Carlsbad
Taxation & Revenue Dept.

**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. 11617
Order No. R-10602-A**

**APPLICATION OF MANZANO OIL
CORPORATION TO AMEND DIVISION
ORDER NO. R-10602 BY COMPUL-
SORY POOLING ADDITIONAL
ACREAGE, FOR AN UNORTHODOX
OIL WELL LOCATION, AND FOR THE
CREATION OF TWO NEW POOLS 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 September 26, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of October, 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 Order No. R-10602 issued in Case No. 11513 on May 23, 1996, the Division, upon application of Manzano Oil Corporation, pooled all mineral interests from the surface to the base of the Strawn formation underlying the NE/4 SW/4 of Section 11, Township 16 South, Range 36 East, NMPM, thereby forming a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within said vertical extent. Said unit was to be dedicated to the applicant's proposed "SV" Chipshot Well No. 1 to be drilled at an approved unorthodox location (40-acre spacing) 2164 feet from the South line and 1362 feet from the West line (Unit K) of Section 11.

(3) The applicant, Manzano Oil Corporation, seeks in the immediate case:

- a) the creation of two pools for the production of oil from the Strawn and Wolfcamp formations comprising the N/2 SW/4 of Section 11;
- b) the promulgation of special rules and regulations for the proposed Strawn and Wolfcamp pools including 80-acre spacing and designated well location requirements; and,
- c) the amendment of Division Order No. R-10602 to include provisions compulsory pooling all mineral interests in the Strawn and Wolfcamp formations underlying standard 80-acre proration units comprising the N/2 SW/4 of Section 11.

(4) Division records indicate that the current spacing unit for the "SV" Chipshot Well No. 1 (NE/4 SW/4 of Section 11) is located one mile from the outer boundary of the Northeast Lovington-Pennsylvanian Pool and the Northeast Lovington-Wolfcamp Pool.

(5) The Northeast Lovington-Pennsylvanian Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-3816, as amended, which require standard 80-acre spacing and proration units with wells to be located within 150 feet of the center of either quarter-quarter section or lot.

(6) The Northeast Lovington-Wolfcamp Pool is currently governed by Rule No. 104 of the Division General Rules and Regulations which require standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(7) Pursuant to Division Rule No. 104.A.(2)(a), the "SV" Chipshot Well No. 1 should be properly classified at this time as a "wildcat" well.

(8) The "SV" Chipshot Well No. 1 was spudded on June 8, 1996, and was drilled to a total depth of 11,954 feet. The well was completed and tested in the Strawn formation at an initial producing rate of approximately 100 BOPD, 160 MCFGD and 286 BWPD through perforations from 11,528-11,544 feet. The Strawn interval was then temporarily abandoned and the well plugged back and completed and tested in the Wolfcamp interval at an initial producing rate of approximately 253 BOPD, 452 MCFGD and 0 BWPD.

(9) In support of its request to establish new Strawn and Wolfcamp pools, the applicant presented a map which identifies some of the various Strawn and Wolfcamp pools within Township 15 South, Ranges 35 and 36 East, and Township 16 South, Ranges 36 and 37 East, NMPM, Lea County, New Mexico, described as follows:

<u>POOL NAME</u>	<u>SPACING REQUIREMENTS</u>
West Lovington-Strawn	80 acres
Diamond-Strawn	80 acres
Northeast Lovington-Pennsylvanian	80 acres
Casey-Strawn	80 acres
West Casey-Strawn	80 acres
Lovington-Pennsylvanian	40 acres
Dean Permo-Pennsylvanian	80 acres
North Shoe Bar-Wolfcamp	160 acres
South Shoe Bar-Wolfcamp	40 acres
Lovington-Wolfcamp	40 acres
Northeast Lovington-Wolfcamp	40 acres

(10) The applicant proposes to create new pools and establish pool rules for the Strawn and Wolfcamp formations based upon analogy to established pools in this area.

(11) The applicant presented no geologic evidence to show that:

- a) the "SV" Chipshot Well No. 1 has discovered a separate common source of supply in either the Strawn or Wolfcamp formations;
- b) the geologic properties of the Strawn formation encountered in the "SV" Chipshot Well No. 1, (i.e. porosity, permeability) are similar to various other Strawn reservoirs in this area which are spaced on 80-acres; and,
- c) the geologic properties of the Wolfcamp formation encountered in the "SV" Chipshot Well No. 1, (i.e. porosity, permeability) are significantly different from other various Wolfcamp reservoirs in this area which are spaced on 40 acres;

(12) The applicant presented no engineering evidence with regards to:

- a) bottomhole pressure data in the Strawn and Wolfcamp formations within the "SV" Chipshot Well No. 1, and in various other Strawn and Wolfcamp reservoirs in this area;
- b) preliminary production data for either the Strawn or Wolfcamp formations within the subject well;

- c) preliminary volumetric reserve calculations and drainage estimates; and,
- d) drilling economics.

(13) The geologic and engineering evidence and testimony presented in this case is insufficient to demonstrate whether or not the “SV” Chipshot Well No. 1 has discovered a separate common source of supply in the Strawn and Wolfcamp formations, or has simply penetrated existing Strawn and Wolfcamp reservoirs.

(14) The geologic and engineering evidence and testimony presented in this case is insufficient to demonstrate that the Strawn and Wolfcamp formations within the “SV” Chipshot Well No. 1 should be spaced on 80 acres.

(15) Applicant’s request to establish special rules and regulations for the Strawn and Wolfcamp formations within its “SV” Chipshot Well No. 1 should be denied.

(16) Applicant’s request to amend Division Order No. R-10602 to compulsory pool additional acreage, and its request for an unorthodox oil well location (80-acre spacing) for its “SV” Chipshot Well No. 1 are predicated upon the promulgation of special rules and regulations for the Strawn and Wolfcamp formations, and as such, these requests should be denied at this time.

(17) Applicant should consult with the Division geologist at the Hobbs district office to determine the proper pool placement of the “SV” Chipshot Well No. 1.

IT IS THEREFORE ORDERED THAT:

(1) The application of Manzano Oil Corporation for the creation of two pools for production of oil from the Strawn and Wolfcamp formations comprising the N/2 SW/4 of Section 11, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, and for the promulgation of special rules and regulations for the proposed Strawn and Wolfcamp pools including 80-acre spacing and designated well location requirements is hereby denied.

(2) The application of Manzano Oil Corporation to amend Division Order No. R-10602 to include provisions compulsory pooling all mineral interests in the Strawn and Wolfcamp formations underlying standard 80-acre proration units comprising the N/2 SW/4 of Section 11, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, and for approval of an unorthodox oil well location (80-acre spacing) for its “SV” Chipshot Well No. 1 located 2164 feet from the South line and 1362 feet from the West line (Unit K) of Section 11 is hereby denied.

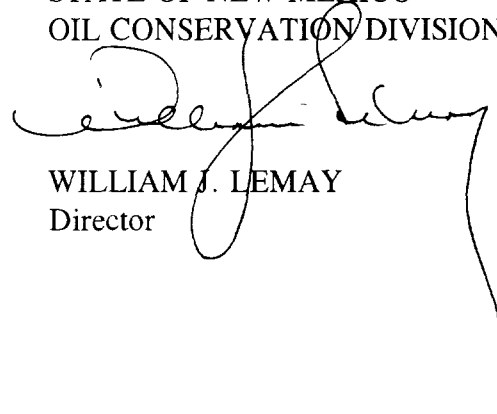
(3) Applicant shall consult with the Division geologist at the Hobbs district office to determine the proper pool placement of the "SV" Chipshot Well No. 1.

(4) Jurisdiction is hereby 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