

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

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

DEC 21 1998

CAMPBELL, CARR, et. al.

DE NOVO
CASE NO. 12003
Order No. R-11053-A

APPLICATION OF MANZANO OIL
CORPORATION FOR SPECIAL POOL
RULES, FEATHERSTONE-BONE SPRINGS
POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9:00 a.m. on November 16, 1998 at Santa Fe, New Mexico before the Oil Conservation Commission of the State of New Mexico ("Commission").

NOW, on this 18th day of December, 1998, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

(1) Due public notice has been given as required by law; the Commission has jurisdiction of this case and the subject matter.

(2) The applicant, Manzano Oil Corporation ("Manzano"), seeks an order to establish Special Pool Rules for the Featherstone-Bone Springs Pool to provide for 80-acre spacing and to permit wells to be located within 150 feet of the center of a governmental quarter-quarter section.

(3) By Order No. R-7030 dated July 21, 1982, and made effective August 1, 1982, the Oil Conservation Division ("Division") created and defined the Featherstone-Bone Springs Pool for the production of oil from the Bone Springs formation. The horizontal limits for that pool, as currently designated, include the following described lands in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 21: NE/4
Section 22: N/2

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12003 Exhibit No. 1
Submitted by: Manzano Oil Corporation
Hearing Date: January 20, 2000

CASE NO. 12003 (De Novo)

Order No. R-11053-A

Page -2-

(4) Currently the Featherstone-Bone Springs Pool is governed by the Division Rule 104 with development on standard 40-acre spacing and proration units each having a top unit depth bracket allowable of 320 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 640 MCF per day.

(5) Manzano is the owner and operator of the Appleseed Federal Well No. 1 (API No. 30-025-20377) located in the SE/4 NE/4 of Section 17, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico. It was originally drilled in June of 1963 as the Jake L. Hamon, Northeast Lynch Unit No. 1, and subsequently plugged in April of 1964. Manzano re-entered the well in March of 1996 as the Appleseed Federal Well No. 1 to test and complete in the Morrow formation, Lynch-Pennsylvanian Gas Pool. In April of 1998, it was plugged back and recompleted in the Bone Springs formation, Undesignated Featherstone-Bone Springs Pool.

(6) Manzano testified that the well is capable of draining in excess of the 40-acre spacing unit which is dedicated to it pursuant to Division Rule 104.

(7) Manzano presented geological and engineering evidence indicating the reservoir characteristics of the Featherstone-Bone Springs Pool are similar to those of the Scharb-Bone Springs Pool located approximately 8 miles to the northwest and the Lea-Bone Springs Pool located approximately 2 miles to the west.

(8) Manzano further testified that since the Scharb-Bone Springs Pool is located on 80-acre spacing units pursuant to Order No. R-2589 and the Lea-Bone Springs Pool is located on 80-acre spacing units pursuant to Order No. R-1827, the Featherstone-Bone Springs Pool should also be located on 80-acre spacing units.

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

(10) To prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights, temporary special rules providing for 80-acre spacing units should be established for the Featherstone-Bone Springs Pool.

(11) The temporary special rules should provide for designated well locations so that wells are located within 150 feet of the center of a governmental quarter-quarter section or lot to assure the orderly development of the pool and protect correlative rights.

(12) This case should be reopened at an examiner hearing in December, 1999, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special rules for the Featherstone-Bone Springs Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) The application of Manzano for special pool rules providing for 80-acre spacing and permitting wells to be located within 150 feet of the center of a governmental quarter-quarter section for the Featherstone-Bone Springs Pool, Lea County, New Mexico, is hereby approved.

(2) Temporary special rules for the Featherstone-Bone Springs Pool are hereby set forth as follows:

**TEMPORARY SPECIAL RULES
FOR THE
FEATHERSTONE-BONE SPRINGS POOL**

RULE 1. Each well completed or recompleted in the Featherstone-Bone Springs Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2, or W/2 of a single governmental quarter section.

RULE 2. The Director of the Division may grant an exception to the requirements of Rule 1 without hearing when an application has been filed for a non-standard unit consisting of less than 80 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been provided. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 3. Each well shall be located within 150 feet of the center of a governmental quarter section or lot.

CASE NO. 12003 (De Novo)

Order No. R-11053-A

Page -4-

RULE 4. The Division Director may grant an exception to the requirements of Rule 3 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been provided. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

(3) Pursuant to Paragraph A of NMSA 1978, § 70-2-18, existing oil wells in the Featherstone-Bone Springs Pool shall have dedicated thereto 80 acres in accordance with the foregoing special pool rules; or pursuant to Paragraph C of NMSA 1978, § 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 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.

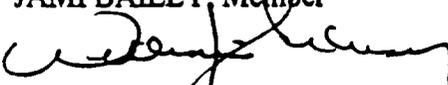
(4) This case shall be reopened at an examiner hearing in December, 1999, at which time the operators in the Featherstone-Bone Springs Pool shall appear and show cause why the temporary special rules for the pool set forth herein should not be rescinded.

(5) 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 hereinabove designated.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**


JAMI BAILEY, Member


WILLIAM J. LEMAY, Member


LORI WROTENBERY, Chairman

S E A L