

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. 10671
ORDER NO. R-9859

**APPLICATION OF CHUZA OPERATING FOR POOL CREATION AND SPECIAL
POOL RULES, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18 and March 4, 1993, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 17th day of March, 1993 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, Chuza Operating ("Chuza"), is the owner and operator of the Gambi Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, which was plugged back and recompleted in November/December, 1992 from the Cline Drinkard-Abo Pool to the Blinebry formation with perforations from 5,489 feet to 5,705 feet.

(3) The applicant now seeks the creation of a new pool for the production of oil from the Blinebry and Paddock formations comprising the SE/4 NE/4 and NE/4 SE/4 of Section 11 and the SW/4 NW/4 of Section 12, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, and the promulgation of special rules therefor including a provision for a gas/oil ratio limitation of 6,000 cubic feet of gas per barrel of oil.

(4) The applicant further requests that the proposed special rules be made effective retroactive to December 14, 1992, which corresponds with the date of first reported Blinebry production from Chuza's Gambi Well No. 1.

(5) At the February 18, 1993 hearing the applicant requested the Paddock formation be dismissed from the vertical limits of the proposed pool and that this application consider only the Blinebry formation.

(6) There are no other Blinebry pools within one mile of the proposed pool Chuza is seeking to create.

(7) It appears the first well or discovery well for the proposed pool was the Kelton Operating Corporation ("Kelton") Lineberry Well No. 1 located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 11, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, which was plugged back and recompleted in October 1992 from the Cline Drinkard-Abo Pool to the Blinebry formation with perforations from 5,342 feet to 5,706 feet. The Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas, for this well on file with the Division in Santa Fe, indicates the completion/ready to produce date was October 20, 1992.

(8) Evidence presented by the applicant at the February 18, 1993 hearing indicates that the newly discovered reservoir is similar in nature to other Blinebry producing oil pools in the general area, being a typical interbedded dolomite with interstitial porosity having a combination structural/stratigraphic trapping mechanism, where the different laminated dolomite sections have either free oil or free gas phases that co-exist together.

(9) Evidence further indicates that such a reservoir can be produced with the higher gas-oil ratio without ultimately affecting overall recovery from the reservoir.

(10) It appears from the evidence presented at the hearing that approval of such higher gas-oil ratio throughout the proposed pool can be made on a permanent basis; however, should the Division deem it necessary to return said pool to the statewide 2000 to 1 ratio limitation in order to prevent waste, protect correlative rights or conserve reservoir energy the Director of the Division may issue such a directive without notice and hearing.

(11) The applicant at said hearing also requested to amend that portion of this application seeking a retroactive effective date of December 14, 1992 for the order issued in this matter to October 14, 1992 which, according to the testimony presented, represents the date the Kelton well discovered the proposed Blinebry pool.

(12) A representative for Kelton entered an appearance at the February 18, 1993 hearing in support of Chuza's application and proposed amendments.

(13) Since this amendment is beyond the scope of this application and its advertised intent, and to assure complete fairness to all concerned that any change in an assigned allowable affecting more than one well in a pool where there is more than one operator, any retroactive approval date for this application should be **denied**.

(14) The applicant proposed at the February 18, 1993 hearing to designate the above-described pool as the "Cline-Blinebry Pool", after the nearby Cline Drinkard-Abo, Cline-Devonian, and Cline-Tubb Pools.

(15) There was no opposition by any operator or by any interested party to the subject application.

(16) A new pool classified as an oil pool for Blinebry production should be created and designated the Cline-Blinebry Pool, with vertical limits to include the Blinebry formation and the horizontal limits comprising the SE/4 NE/4 and the NE/4 SE/4 of Section 11 and the SW/4 NW/4 of Section 12, both in Township 23 South, Range 37 East, NMPM, Lea County, New Mexico. FURTHER, the proposed pool and affiliated pool rules should be adopted on a permanent basis.

(17) The effective date for this application should be the first day of the next month following the date of this order.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Blinebry production, is hereby created and designated the Cline-Blinebry Pool, with vertical limits comprising the Blinebry formation, and the horizontal limits encompassing the following described area:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 11: SE/4 NE/4 and NE/4 SE/4
Section 12: SW/4 NW/4

(2) Permanent Special Rules for said pool are hereby promulgated as follows:

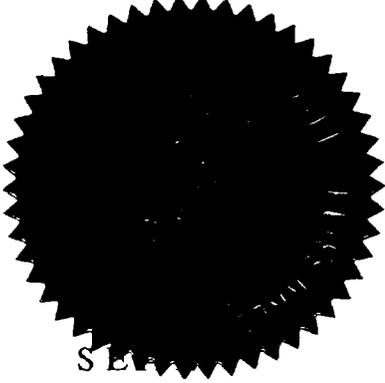
**SPECIAL RULES AND REGULATIONS
FOR THE
CLINE-BLINEBRY POOL**

- RULE 1.** Each well completed or recompleted in the Cline-Blinebry Pool or in the Blinebry formation within one mile thereof, and not nearer to or within the limits of another designated Blinebry pool, shall be produced in accordance with the Special Rules herein set forth.
- RULE 2.** The limiting gas/oil ratio for said Cline-Blinebry Pool shall be 6,000 cubic feet of gas per barrel of oil produced; each production unit in said pool shall produce only that volume of gas equivalent to 6,000 multiplied by the top unit depth bracket allowable set for the pool.

IT IS FURTHER ORDERED THAT:

- (3) The effective date of this order shall be **April 1, 1993**.
- (4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary, **INCLUDING**, the return to the statewide 2,000-to-1 gas/oil ratio limitation of the pool without notice and hearing should the Division Director deem it necessary to prevent waste and to protect correlative rights.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

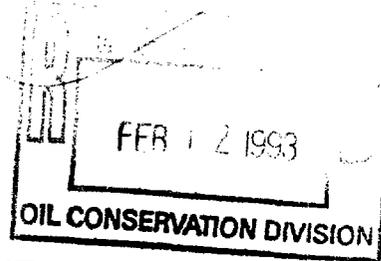
William J. LeMay
WILLIAM J. LEMAY
Director

**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:

APPLICATION OF CHUZA OPERATING
FOR POOL CREATION AND SPECIAL POOL
RULES AND A DISCOVERY ALLOWABLE,
LEA COUNTY, NEW MEXICO.

CASE NO. 10671



PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Chuza Operating _____
c/o Jim Chandlier _____
Post Office Box 51010 _____
Midland, Texas 79710 _____
(915) 686-8985 _____
name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq. _____
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

OPPOSITION OR OTHER PARTY

name, address, phone and
contact person

ATTORNEY

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Chuza Operating, applicant in the above-captioned cause, seeks the creation of a new pool for the production of oil from the Blinebry formation comprising the SE/4 NE/4 and NE/4 SE/4 of Section 11, and the SW/4 NW/4 of Section 12, both in Township 23 South, Range 37 East, and the promulgation of special rules therefor including a provision for a gas-oil limitation of 6000 cubic feet of gas per barrel of oil. Applicant further requests that the proposed special pool rules be made effective retroactive to December 14, 1992.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

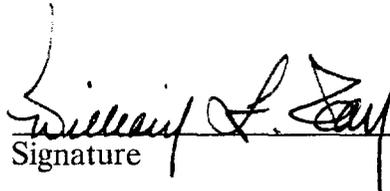
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Richard L. Stamets, Geologist	15 Min.	Approximately 6
Tom Waller, Petroleum Engineer	10 Min.	Approximately 4

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)


Signature