

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. 10804
ORDER NO. R-10010

**APPLICATION OF COLLINS & WARE, INC. FOR SPECIAL POOL RULES AND
FOR THE ASSIGNMENT OF A SPECIAL DEPTH BRACKET ALLOWABLE, EDDY
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 26, 1993 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of November, 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, Collins & Ware, Inc., seeks the adoption of special rules and regulations for the Happy Valley-Delaware Pool, Eddy County, New Mexico, establishing a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil.
- (3) The applicant also seeks the assignment of a special depth bracket allowable, pursuant to General Rule 505(d), of 160 barrels of oil per day to replace the current depth bracket allowable for said pool of 80 barrels of oil per day.
- (4) By Order No. R-9837, dated January 27, 1993 and made effective February 1, 1993, the Division created and defined the Happy Valley-Delaware Pool for the production of oil from the entire Delaware Mountain Group, more commonly known as the "Delaware formation." The horizontal limits for said pool, as currently defined, include the following described lands in Eddy County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 33: NW/4

(5) The Happy Valley-Delaware Pool is currently governed by the Division's General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 80 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 160 MCF per day.

(6) At the time of the hearing, there were only two wells completed within the governing limits of the pool, both operated by Collins & Ware, Inc.

(7) According to the evidence presented, the subject reservoir is a solution gas drive reservoir, and no evidence currently available indicates the presence of a gas cap.

(8) The current engineering and geologic evidence available further indicates that the subject reservoir may be produced at a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil without waste, and may in fact prevent waste by allowing the recovery of oil that otherwise may not be recovered at the current producing gas/oil ratio limitation of 2,000 cubic feet of gas per barrel of oil.

(9) Evidence available further indicates that both of said wells are capable of producing in excess of the current depth bracket allowable and that an increased rate of production from wells in said pool will not result in damage to the reservoir nor have an adverse effect on the ultimate recovery from the pool.

(10) Additional data on the producing characteristics of this reservoir, including the appropriate gas/oil producing rates, are being acquired due to the development currently underway in this pool and if this application is granted, such approval on a temporary basis should be reviewed by the Division in twelve months.

(11) No offset operators and/or interest owners appeared at the hearing in opposition to the application.

(12) Approval of the subject application will afford the applicant and other operators in the subject pool the opportunity to produce their share of the oil and gas within the Happy Valley-Delaware Pool, will allow additional oil recovery thereby preventing waste, and will protect correlative rights.

(13) The applicant's request that temporary pool rules and regulations for this pool be effective as of November 1, 1993 and this request should be granted.

(14) The Division Director should reserve the authority to adjust downward the depth bracket allowable and/or adjustment of the gas/oil ratio limitation as required should it appear correlative rights are being violated, waste is occurring or reservoir damage is suspected.

IT IS THEREFORE ORDERED THAT:

(1) The application of Collins & Ware, Inc. for special pool rules providing for an increased gas/oil ratio limit and the poolwide assignment of a special depth bracket allowable for the Happy Valley-Delaware Pool, Eddy County, New Mexico, is hereby approved on a temporary basis.

(2) Temporary special pool rules for the Happy Valley-Delaware Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS FOR THE
HAPPY VALLEY-DELAWARE POOL**

Rule 1: The limiting gas/oil ratio for said Happy Valley-Delaware Pool shall be 10,000 cubic feet of gas per barrel of oil produced.

Rule 2: The depth bracket allowable for said pool shall be 160 barrels of oil per day.

IT IS FURTHER ORDERED THAT:

(3) The Special Rules and Regulations for the Happy Valley-Delaware Pool shall become effective November 1, 1993.

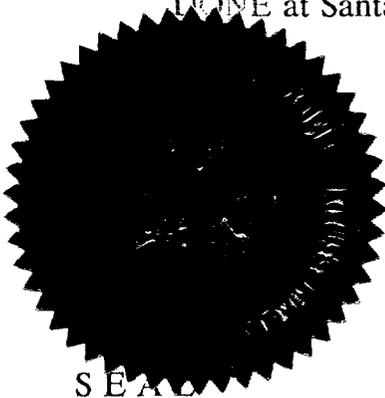
(4) This case shall be reopened at an Examiner Hearing in November 1994, at which time the operators in the subject pool may appear and present evidence and show cause why the foregoing Special Rules and Regulations should remain in effect.

(5) The Division Director may, at any time it appears that reservoir damage is apparent or other evidence of waste is occurring, rescind the provision of the order and cause the top unit allowable and/or gas/oil ratio limitation for the Happy Valley-Delaware Pool to be adjusted accordingly.

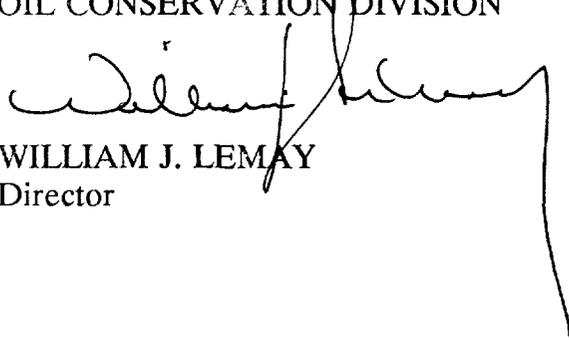
(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


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:**

**REOPENED
CASE NO. 10804
Order No. R-10010-A**

**IN THE MATTER OF CASE NO. 10804 BEING
REOPENED PURSUANT TO THE PROVISIONS OF
DIVISION ORDER NO. R-10010, WHICH
ORDER PROMULGATED TEMPORARY SPECIAL
RULES AND REGULATIONS FOR THE HAPPY
VALLEY-DELAWARE POOL IN EDDY COUNTY,
NEW MEXICO, INCLUDING PROVISIONS FOR
A LIMITING GAS-OIL RATIO OF 10,000
CUBIC FEET OF GAS PER BARREL OF OIL
AND A SPECIAL DEPTH BRACKET ALLOWABLE
OF 160 BARRELS PER DAY.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 2, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of March, 1995, 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-10010, issued in Case No. 10804 on November 4, 1993, the Division, upon application of Collins & Ware, Inc., promulgated Temporary Special Rules and Regulations for the Happy Valley-Delaware Pool, Eddy County, New Mexico, including provisions for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil and a special depth bracket allowable of 160 barrels per day.

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Order No. R-10010-A

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(3) Pursuant to the provisions of Division Order No. R-10010, this case was reopened to allow the operators within the subject pool to appear and show cause why the Temporary Special Rules and Regulations for the Happy Valley-Delaware Pool should remain in effect.

(4) The Happy Valley-Delaware Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 28: SW/4

Section 33: N/2

(5) Louis Dreyfus Natural Gas Corporation (Louis Dreyfus), successor operator to Collins & Ware, Inc., appeared at the hearing through legal counsel.

(6) By letter submitted at the hearing, Louis Dreyfus stated that the Happy Valley-Delaware Pool can be effectively developed under statewide rules and regulations.

(7) Louis Dreyfus is currently the only operator in the subject pool.

(8) No other offset operator and/or interest owner appeared at the hearing.

(9) There is no evidence at the current time to support the continuation of the Special Rules and Regulations for the Happy Valley-Delaware Pool.

(10) The Temporary Special Rules and Regulations for the Happy Valley-Delaware Pool should be rescinded.

IT IS THEREFORE ORDERED THAT:

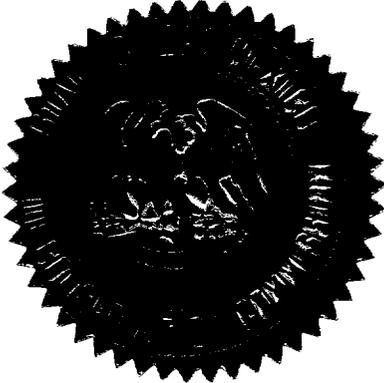
(1) The Temporary Special Rules and Regulations for the Happy Valley-Delaware Pool, as promulgated by Division Order No. R-10010, are hereby rescinded.

(2) The Happy Valley-Delaware Pool shall hereafter be governed by Division Statewide Rules and Regulations including a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil and an oil allowable of 80 barrels per day.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay". The signature is fluid and cursive, extending to the right with a long, thin tail.

WILLIAM J. LEMAY
Director