

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 8678 DE NOVO
Order No. R-7983-C

APPLICATION OF WILTON SCOTT
TO VACATE AND VOID DIVISION
ORDER NO. R-7983, AS AMENDED,
LEA COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on January 7, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of February, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) On April 15, 1985, APC Operating Partnership made application to the Oil Conservation Division (Division) for a hearing to consider creation of a new Wolfcamp oil pool and establishment of 80-acre spacing therefor, in Lea County, New Mexico.

(3) This matter was assigned Case No. 8595 and was heard by Division Examiner Gilbert P. Quintana on May 8, 1985.

(4) Division Order No. R-7983 was entered in Case No. 8595 on July 12, 1985.

(5) Said Order denied the application for pool creation insofar as the Northeast Caudill-Wolfcamp Pool had previously

been created in the area in question, but did establish temporary special pool rules for said Northeast Caudill-Wolfcamp Pool, including a provision for 80-acre spacing and made the effective date for said special rules retroactive to June 1, 1985.

(6) On August 2, 1985, Wilton Scott, a working interest owner in said pool, filed an application seeking to vacate Division Order No. R-7983 alleging he had not received notice of the application and that the order adversely affected property in which he had an interest.

(7) This matter was assigned Case No. 8678 and was heard by Division Examiner Michael E. Stogner on August 14 and 28, 1985.

(8) On October 14, 1985, Division Order No. R-7983-B was entered in Case No. 8678 continuing Division Order No. R-7983 in full force and effect but amending the effective date of said order to July 12, 1985, the date that order R-7983 was originally entered.

(9) On November 14, 1985, Wilton Scott filed a timely application for hearing de novo of Case No. 8678 before the Commission.

(10) This matter came on for hearing de novo on January 7, 1986, and was consolidated for the purposes of testimony with Cases Nos. 8793, 8794, and 8795.

(11) At the hearing, Scott withdrew all objection to the special pool rules contained in said Order No. R-7983, as amended, but continued his objection to an effective date for said order at any time prior to July 12, 1985.

(12) Union Texas Petroleum Corporation is the operator of the Scott Well No. 1 located in Unit L of Section 1, Township 15 South, Range 35 East, with an 80-acre tract consisting of the W/2 SW/4 of said Section 1 dedicated thereto in said Northeast Caudill-Wolfcamp Pool.

(13) The Scott Well No. 1 was drilled on acreage farmed out by Scott to Robert Edsel.

(14) The evidence presented in this case indicates that under terms of the farmout agreement, Scott was entitled to a reassignment of the SW/4 SW/4 of said Section 1, as well as other acreage, if no well was commenced thereon or if that acreage was not assigned to a spacing unit on or before June 15, 1985.

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(15) The percentage of ownership interests are altered between the various interest owners in the SW/4 SW/4 of said Section 1 with said reassignment.

(16) Union Texas argued that the Commission should reestablish the June 1, 1985, effective date for said Order No. R-7983 and the special rules contained therein in order to protect correlative rights.

(17) Union Texas argued that correlative rights would be protected by preserving all interests in said Scott Well No. 1 as they were at the time the well was drilled and at the time Case No. 8595 was filed and heard.

(18) At the time of the original hearing in Case No. 8595, no party presented evidence or any request in support of entry of an order with an effective date on or before June 15, 1985.

(19) Scott presented evidence to the Commission to show that the June 15, 1985, date passed without the drilling of a well on the SW/4 SW/4 of said Section 1 or the dedication thereof to an existing well.

(20) As no order authorizing dedication of more than 40 acres to said Scott Well No. 1 existed prior to July 12, 1985, the operator of said well could not have dedicated the SW/4 SW/4 of said Section 1 thereto on or before June 15, 1985.

(21) Under the terms of the farmout, the ownership interest in the SW/4 SW/4 of said Section 1 did change on June 16, 1985, as a matter of private contractual agreement.

(22) While Union Texas' arguments contained in Findings Nos. (16) and (17) above could have been justification for Division action to enter an order in Case No. 8595 prior to and effective on or before June 15, 1985, those arguments were not timely made and ownership changes in acreage dedicated to said Scott Well No. 1 did occur.

(23) To enter an order at this time with a retroactive date on or before June 15, 1985, would alter existing ownership within the acreage dedicated to said Scott Well No. 1 and would violate existing correlative rights.

(24) To protect existing correlative rights, the effective date of Division Order No. R-7983 should be affirmed as July 12, 1985.

(25) Decretory Paragraph (5) of said Order No. R-7983 provided that, "this case shall be reopened at an examiner

Case No. 8678 De Novo
Order No. R-7983-C

hearing in August, 1986, at which time the operators in the Northeast Caudill-Wolfcamp Pool may appear and show cause why said pool should not be developed on 40-acre spacing units."

(26) The evidence presented in this case clearly established that 80-acre spacing is the correct spacing for said Northeast Caudill-Wolfcamp Pool and the special rules therefore should be made permanent.

(27) Entry of an order in this case in conformity with the above findings will protect correlative rights and prevent waste.

IT IS THEREFORE ORDERED THAT:

(1) The effective date of Division Order No. R-7983, as amended, and of the special rules and regulations contained therein is hereby affirmed as and shall be July 12, 1985.

(2) The Temporary Special Rules and Regulations for the Northeast Caudill-Wolfcamp Pool contained in said order are hereby made permanent and continued in full force until further order of the Division or Commission.

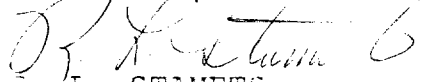
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

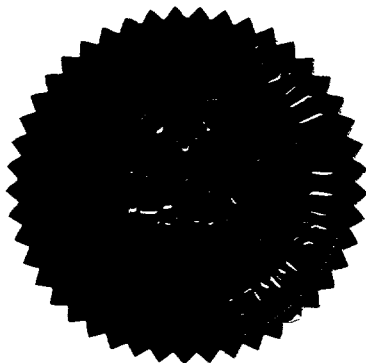
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS,
Chairman and Secretary



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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8595
Order No. R-7983

APPLICATION OF APC OPERATING
PARTNERSHIP 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 a.m. on May 8, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 12th day of July, 1985, 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, APC Operating Partnership, seeks the creation of a new oil pool for Wolfcamp production comprising portions of Sections 1 and 2, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) The applicant further seeks the establishment of temporary pool rules including a provision for 80-acre well spacing and proration units for the proposed pool.

(4) The Enstar Petroleum Inc. (now Union Texas Petroleum) Scott Well No. 1 located in the NW/4 SW/4 of Section 1 and the Florida Exploration (now APC Operating Partnership) Gilliam Well No. 1 located in the NE/4 SE/4 of Section 2, both in Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, produce from the Wolfcamp formation in the proposed new Wolfcamp pool area.

(5) The proposed new Wolfcamp pool area is presently within a portion of the established Northeast Caudill-Wolfcamp Pool.

(6) The wells described in Finding Paragraph No. (4), above, are the only producing wells currently producing in the Northeast Caudill-Wolfcamp Pool.

(7) The portion of the application requesting the creation of a new pool should be denied as an established pool for the Wolfcamp formation in said area is already in existence.

(8) The portion of the application requesting 80-acre spacing should be considered for the pool presently existing in the subject area.

(9) Evidence was presented indicating the Wolfcamp formation in the subject area, being part of the Northeast Caudill-Wolfcamp Pool, may be effectively drained with 80-acre spacing and proration units.

(10) Temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and to protect correlative rights.

(11) Temporary special rules and regulations should be established for a one-year period in order to allow the operators in the Northeast Caudill-Wolfcamp Pool to gather reservoir information to establish conclusively that one well can efficiently and economically drain 80 acres.

(12) This case should be reopened at an examiner hearing in August, 1986, at which time the operators in the Northeast Caudill-Wolfcamp Pool should be prepared to appear and show cause why said pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED THAT:

(1) The portion of the application requesting the formation of a new Wolfcamp oil pool in Sections 1 and 2, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby denied.

(2) The following temporary special pool rules and regulations for the Northeast Caudill-Wolfcamp Pool are hereby established for a period of one year:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTHEAST CAUDILL-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the Northeast Caudill-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp oil pool, shall be spaced, drilled, operated, and produced in accordance with the special rules and regulations hereinafter set forth.

RULE 2. 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.

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. 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 furnished. The Division 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 4. Each well shall be located within 150 feet of the center of either governmental quarter-quarter section or lot dedicated to the well.

RULE 5. The Division Director may grant an exception to the footage requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another 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 furnished. 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.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 222 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:

(3) The locations of all wells presently drilling to or completed in the Northeast Caudill-Wolfcamp Pool or in the Wolfcamp 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 on or before October 1, 1985.

(4) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the Northeast Caudill-Wolfcamp 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 60 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 60-day limitation, each well presently drilling to or completed in the Northeast Caudill-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

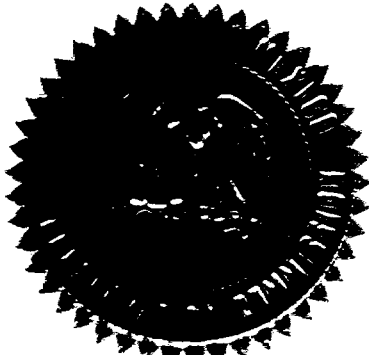
(5) This case shall be reopened at an examiner hearing in August, 1986, at which time the operators in the Northeast Caudill-Wolfcamp Pool may appear and show cause why said pool should not be developed on 40-acre spacing units.

(6) The provisions of this order shall become effective retroactive to June 1, 1985.

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

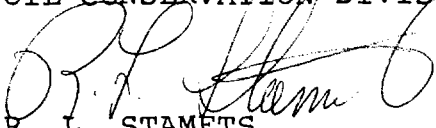
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Case No. 8595
Order No. R-7983

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS
Director

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 8595
Order No. R-7983-A

APPLICATION OF APC OPERATING
PARTNERSHIP FOR POOL CREATION
AND SPECIAL POOL RULES, LEA
COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-7983,
dated July 12, 1985, does not correctly state the intended
order of the Division,

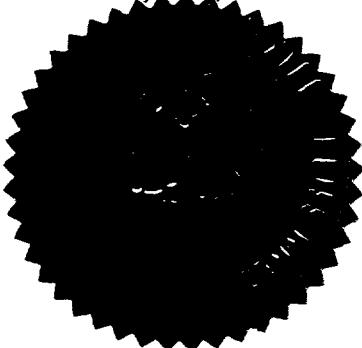
IT IS THEREFORE ORDERED THAT:

(1) RULE 6 of Ordering Paragraph No. (2) on page 4 of
Division Order No. R-7983 is hereby corrected to read in its
entirety as follows:

"RULE 6. A standard proration unit (79 through
81 acres) shall be subject to an 80-acre depth bracket
allowable of 400 barrels of oil per day. The allow-
able 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."

(2) The corrections set forth in this order be entered
nunc pro tunc as of July 12, 1985.

DONE at Santa Fe, New Mexico, on this 20th day of
August, 1985.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. STAMETS
Director

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 8595 (Reopened)
Order No. R-7983-D

IN THE MATTER OF CASE NO. 8595 BEING
REOPENED PURSUANT TO THE PROVISIONS OF
ORDER NO. R-7983 WHICH ORDER PROMULGATED
TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE NORTHEAST CAUDILL-WOLFCAMP POOL
IN LEA COUNTY, INCLUDING A PROVISION FOR
80-ACRE SPACING UNITS.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 3, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of December, 1986, 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 No. R-7983, dated July 12, 1985, issued in Case No. 8595, temporary special rules and regulations were promulgated for the Northeast Caudill-Wolfcamp Pool in Lea County, New Mexico, including a provision for 80-acre spacing units and designated well locations.

(3) This Order was subsequently amended by Order Nos. R-7983-A and R-7983-B to include minor changes to the rules.

(4) Order No. R-7983-C, dated February 26, 1986 issued by the Oil Conservation Commission in De Novo Case No. R-8678, made permanent the Special Rules for the Northeast Caudill-Wolfcamp Pool as promulgated by said Order No. R-7983 and also reaffirmed those amendments as promulgated by said Order Nos. R-7983-A and R-7983-B.

(5) This case was inadvertently reopened at this time pursuant to provision in the original Order No. R-7983.

(6) The immediate case should be dismissed.

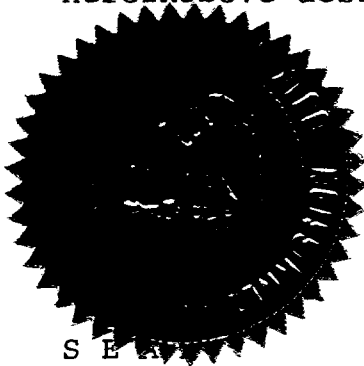
IT IS THEREFORE ORDERED THAT:

(1) Case No. 8595 reopened at the Examiner Hearing on September 3, 1986 is hereby dismissed.

(2) The Special Rules and Regulations for the Northeast Caudill-Wolfcamp Pool promulgated by Division Order No. R-7983-C, as amended, shall remain in full force until further order of the Division or Commission.

(3) 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

R. L. Stamets
R. L. STAMETS,
Director