

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8802 DE NOVO
Order No. R-8181-B

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this 20th day of May, 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) The applicant, Southland Royalty Company, seeks the promulgation of special pool rules for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, including a provision for 80-acre spacing units.

(3) By Order No. R-3342, effective December 1, 1967, the Commission created the South Corbin-Wolfcamp Pool as a result of the completion of the Aztec Oil and Gas Company Federal "MA" Well No. 2 located in Unit I of Section 21, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

(4) Although the development of said pool has resulted in wells being drilled on what constitutes an 80-acre spacing pattern, it has remained since its creation governed by general statewide 40-acre spacing units.

(5) Geologic and engineering evidence presented at the hearing showed that wells in the South Corbin-Wolfcamp Pool may be capable of draining 80-acre spacing units.

(6) Evidence and testimony at the hearing demonstrated that drilling wells in the South Corbin-Wolfcamp Pool on 40-acre spacing is uneconomical at the present time and may result in the drilling of unnecessary wells.

(7) Adoption of temporary special pool rules including provisions for 80-acre spacing would encourage continued drilling of South Corbin-Wolfcamp Pool wells, thereby producing oil which might not otherwise be produced, thereby preventing waste.

(8) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the South Corbin-Wolfcamp Pool as previously defined and described.

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

(10) The temporary special rules and regulations should be established for an 18-month period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(11) Unless called earlier, this case should be reopened at an Oil Conservation Division examiner hearing in October, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED THAT:

(1) Temporary Special Rules and Regulations for the South Corbin-Wolfcamp Pool, Lea County, New Mexico, as previously defined and described, are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH CORBIN-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the South Corbin-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; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as 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 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 a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 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 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 445 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:

(1) The locations of all wells presently drilling to or completed in the South Corbin-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 July 1, 1986.

(2) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the South Corbin-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 South Corbin-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.

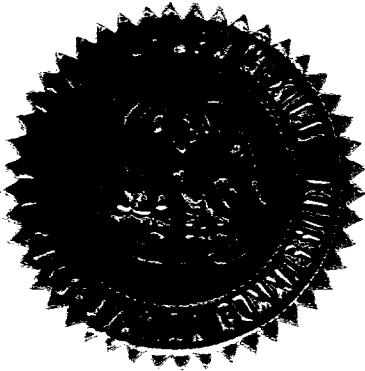
(3) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in October, 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Wolfcamp Pool should not be developed on 40-acre spacing units.

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(4) 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
ED KELLEY, Member

R. L. Stamets
R. L. STAMETS, Chairman and
Secretary

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