

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. 9117
Order No. R-8443

APPLICATION OF CONOCO INC. FOR POOL
CREATION, SPECIAL POOL RULES, DISCOVERY
ALLOWABLE, AND AN UNORTHODOX OIL WELL
LOCATION, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 8, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of May, 1987, the Division Director, having considered the testimony, the record and the recommendation 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, Conoco Inc, is the owner and operator of the Bell Lake Unit Well No. 11, located 790 feet from the South line and 2265 feet from the West line (Unit N) of Section 31, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, which was spudded September 7, 1972 and subsequently completed in the Bell Lake-Bone Spring Pool from 8739 feet to 8772 feet.

(3) Said well, having been depleted in the Bone Spring formation, was recently recompleted to and successfully tested in the Cherry Canyon formation. Applicant now seeks the creation of a new pool for the production of oil and the promulgation of temporary special pool rules including both a provision for well location requirements and a provision for 80-acre spacing and proration units.

(4) Applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509 to

the above-described well which is also located at an unorthodox oil well location for the proposed special pool rules.

(5) The evidence presently available indicates that the aforementioned Bell Lake Unit Well No. 11 has discovered a separate common source of supply in the Cherry Canyon formation from 6,793 feet to 6,798 feet (depth measured from surface).

(6) The evidence presently available indicates that the Cherry Canyon formation encountered in the above-described well is of high permeability, and that the drainage radius of the well will be in excess of 40 acres.

(7) In order 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 to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the proposed pool.

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

(9) At the request of the applicant temporary special rules and regulations for the proposed pool should be established for a one-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 80-acre unit in the area can be efficiently and economically drained and developed by one well.

(10) A new pool classified as an oil pool for Cherry Canyon production should be created and designated the Bell Lake Cherry Canyon Pool, with vertical limits to include the Cherry Canyon formation, and the horizontal limits comprising Lot 4 and the SE/4 SW/4 of Section 31, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

(11) This case should be reopened at an examiner hearing in April, 1988, at which time the operators in the subject pool should be prepared to appear and show cause why the Bell Lake-Cherry Canyon Pool should not be developed on 40-acre spacing units.

(12) Said Bell Lake Unit Well No. 11 was originally drilled and located at a standard location within a 40-acre oil spacing and proration unit; however, under the proposed Special

Pool Rules for the Bell Lake Cherry Canyon Pool, the location is unorthodox and an exception should therefore be approved.

(13) Under the provisions of Division General Rule 509, said Bell Lake Unit Well No. 11 is also entitled to and should be assigned a discovery allowable equal to 5 barrels of oil for each foot of depth to the uppermost perforation below ground level or 33,965 barrels.

(14) At the hearing applicant requested that the effective date of this order be made retroactive to date of first production in the Cherry Canyon formation from the subject well which was February 12, 1987.

(15) Making the effective date of an order issued in this case retroactive to February 12, 1987, will not violate correlative rights and this request should therefore be approved.

IT IS THEREFORE ORDERED THAT:

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

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 31: Lot 4 and SE/4 SW/4

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

SPECIAL RULES FOR THE
BELL LAKE-CHERRY CANYON POOL

RULE 1. Each well completed or recompleted in the Bell Lake-Cherry Canyon Pool or in the Cherry Canyon formation within one mile thereof, and not nearer to or within the limits of another designated Cherry Canyon oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules 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 being a legal subdivision of the United States Public Lands Survey; provided, however, 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 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 single 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 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. The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 222 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. 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) Effective February 12, 1987, the discovery well for said pool, the applicant's Bell Lake Unit Well No. 11, located at an unorthodox oil well location 790 feet from the South line

and 2265 feet from the West line (Unit N) of Section 31, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby approved and assigned a discovery allowable in the amount of 33,965 barrels, said allowable to be produced in accordance with Division Rule 509.

(4) The locations of any other wells drilling to or completed on or before the date of this order in the Bell Lake-Cherry Canyon Pool or within one mile thereof, and not nearer to or within the limits of another designated Cherry Canyon pool, 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 August 1, 1987.

(5) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Bell Lake-Cherry Canyon 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 a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Bell Lake-Cherry Canyon Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, within one mile thereof shall receive no more than one-half of a standard allowable for said pool.

(6) This case shall be reopened at an examiner hearing in April, 1988, at which time the operators in the subject pool may appear and show cause why the Bell Lake-Cherry Canyon Pool should not be developed on 40-acre spacing units.

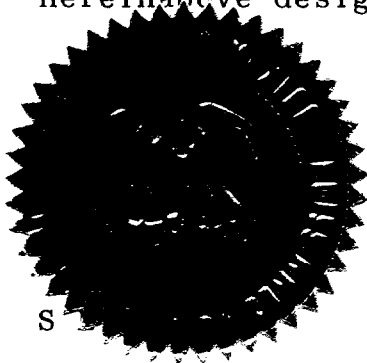
(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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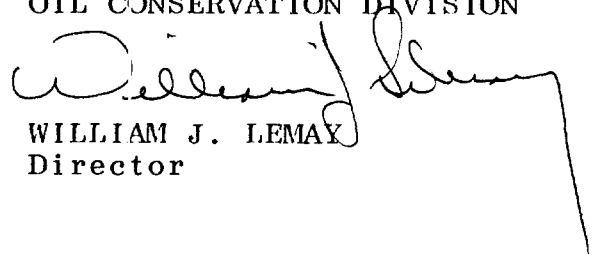
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DONE at Santa Fe, New Mexico, on the day and year
hereinafter designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director