

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:

Nomenclature
CASE NO. 11269
ORDER NO. R-10427

**APPLICATION OF AMERADA HESS CORPORATION FOR POOL CREATION,
THE PROMULGATION OF SPECIAL POOL RULES THEREFOR, AND AN
UNORTHODOX GAS 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 20 and May 18, 1995 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of July, 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) The applicant in this matter, Amerada Hess Corporation, is the owner and operator of the North Bell Lake Well No. 2 (**API No. 30-025-32672**), which was drilled in late 1994 and early 1995 to a total depth of 17,710 feet at a location 1100 feet from the South line and 1500 feet from the West line (Unit N) of Section 5, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) The applicant seeks the creation of a new pool for the production of gas from the Ellenburger formation underlying all of irregular Section 5, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, with special pool-wide rules and regulations therefor including provisions for 640-acre gas spacing and proration units and designated well location requirements.

(4) The applicant presented preliminary reservoir and production data obtained from its North Bell Lake Well No. 2 which indicates that the Ellenburger formation is capable of draining an area in excess of the standard 320 acres assigned to gas wells to this producing horizon.

(5) At the time of the hearing the applicant requested a period of 18 months be established to temporarily implement any special rules for said proposed Ellenburger gas pool so that the operator(s) can obtain sufficient and adequate reservoir, drainage, and production data to support the permanent adoption of any pool rules provided for in this order.

(6) Temporary special rules and regulations establishing 640-acre spacing and proration units should be promulgated for the proposed pool in order to prevent the possibility of economic loss resulting from the drilling of unnecessary wells. Further, said temporary rules should provide for limited well locations in order to assure the orderly development of the pool and to protect correlative rights.

(7) The subject pool should be designated the "*North Bell Lake-Ellenburger Gas Pool*".

(8) This case should be reopened at an examiners hearing in December, 1996, at which time the operator(s) in the subject pool should appear and show cause why the North Bell Lake-Ellenburger Gas Pool should not be developed on 320-acre spacing units and the temporary pool rules adopted herein should not be rescinded.

(9) The subject well location for the North Bell Lake Well No. 2 was approved under the authority of Division Administrative Order NSL-3439, dated December 5, 1994, when it was initially drilled as a "wildcat" gas well spaced on 320 acres to test the Ellenburger formation. Since the existing well location is no closer than 1650 feet from the outer boundary of the said Section 5, which will also be the corresponding gas spacing and proration unit to be dedicated to the well upon approval of 640-acre spacing, approval of the unorthodox portion of this application will afford the applicant the continued opportunity to produce its just and equitable share of the gas in the Ellenburger formation and will otherwise serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Amerada Hess Corporation, a new pool in

Lea County, New Mexico, classified as a gas pool for production from the Ellenburger formation is hereby created and designated the "*North Bell Lake-Ellenburger Gas Pool*", with horizontal limits comprising all of Section 5, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) Temporary special rules and regulations for said pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
NORTH BELL LAKE-ELLENBURGER GAS POOL**

RULE 1. Each well completed in or recompleted in the North Bell Lake-Ellenburger Gas Pool or in the Ellenburger formation within one mile thereof, and not nearer to or within the limits of another designated Ellenburger gas 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 640 acres, more or less, substantially in the form of a square, which is a governmental section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The supervisor of the Hobbs District Office of the Division shall have authority to approve non-standard units without notice when the unorthodox size or shape is due to a variation in the legal subdivision of the United States Public Lands Survey and consists of an entire governmental section and the non-standard unit is no less than 90% nor more than 110% of a standard unit;

RULE 4. The Director of the Oil Conservation 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 consisting of less than 640 acres and when the following facts exists and the following provisions are complied with:

- (a) the non-standard unit consists of quarter-quarter sections and/or lots that are contiguous by a common bordering side;

(b) the non-standard unit lies wholly within a single governmental section;

(c) the applicant presents written consent in the form of waivers from;

(I) all offset operators to the section in which the non-standard gas unit is located; and,

(II) from all working interest owners in the section in which the non-standard unit is situated and which acreage is not included in the non-standard unit;

(d) in lieu of sub-part (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties to be notified were notified by registered or certified mail of his intent to form such non-standard unit, the Division Director may approve the application if no such notified party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application;

RULE 5. Each well shall be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary;

RULE 6. The Division Director may grant an exception to the requirements of Rule 5 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions. 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.

IT IS FURTHER ORDERED THAT:

(3) The resulting unorthodox gas well location of Amerada Hess Corporation's North Bell Lake Well No. 2 (API No. 30-025-32672), located 1100 feet from the South line and 1500 feet from the West line (Unit N) of Section 5, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, in which is now dedicated all of said Section 5, being a standard 640-acre, more or less, gas spacing and proration unit for said North Bell Lake-Ellenburger Gas Pool, is hereby approved.

(4) Division Administrative Order NSL-3439, dated December 5, 1994, is hereby placed in abeyance until further notice.

FURTHERMORE:

(5) Any other wells presently drilling to or completed in the North Bell Lake-Ellenburger Gas Pool or in the Ellenburger 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 within 30 days from the date of this order.

(6) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing gas wells in the North Bell Lake-Ellenburger Gas Pool shall have dedicated thereto 640 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.

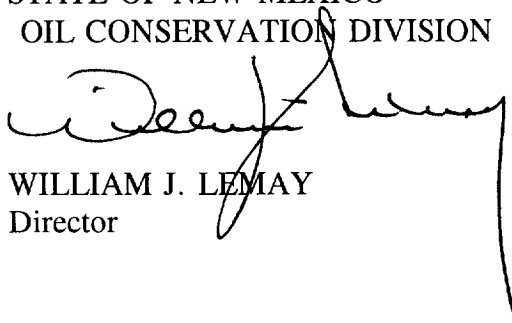
Failure to file new Forms C-102 with the Division dedicating 640 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to being shut-in

(7) This case shall be reopened at an examiner hearing in December, 1996, at which time the operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the North Bell Lake-Ellenburger Gas Pool promulgated herein should not be rescinded.

(8) Jurisdiction is hereby 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

A handwritten signature in black ink, appearing to read 'W. J. Lemay', is written over the printed name and title.

WILLIAM J. LEMAY
Director

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