

Entered June 23, 1966
WLP

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3002
Order No. R-2684-B

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR EXTENSION AND AMENDMENT
OF THE SPECIAL RULES AND REGULATIONS
FOR THE FOWLER-LOWER PADDOCK POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 25, 1966,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 23rd day of June, 1966, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

- (1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.
- (2) That by Order No. R-2684, dated March 31, 1964, the
Fowler-Lower Paddock Gas Pool was created and temporary Special
Rules and Regulations were promulgated for the Fowler-Lower
Paddock Gas Pool, Lea County, New Mexico.
- (3) That by Order No. R-2684-A, dated May 4, 1965, said
temporary Special Rules and Regulations were continued in full
force and effect for an additional one-year period.
- (4) That pursuant to the provisions of Order No. R-2684-A,
this case was reopened April 27, 1966, to allow the operators in
the subject pool to appear and show cause why the Fowler-Lower
Paddock Gas Pool should not be developed on 160-acre units.

(5) That at the request of the applicant, Pan American Petroleum Corporation, Case No. 3002 was continued to May 25, 1966, and readvertised to consider the amendment of Order No. R-2684 and Order No. R-2684-A to establish special rules and regulations governing the Fowler-Lower Paddock Pool.

(6) That the applicant seeks the promulgation of rules classifying wells as gas wells or oil wells, establishing spacing for gas wells and oil wells, and fixing a limiting gas-oil ratio of 6000 to one.

(7) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on 320-acre spacing, and that the oil area can be efficiently and economically drained and developed on 80-acre spacing.

(8) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 50,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(9) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 4000 cubic feet of gas per barrel of liquid hydrocarbons.

(10) That temporary special rules and regulations providing for 320-acre gas well spacing and 80-acre oil well spacing should be promulgated for the subject pool 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 otherwise prevent waste and protect correlative rights.

(11) That the temporary special rules and regulations should provide for the classification of a gas well as a well producing with a gas-liquid ratio of 50,000 or more cubic feet of gas per barrel of liquid hydrocarbons and should provide for the establishment of a gas-liquid ratio of 4000 cubic feet of gas per barrel of liquid hydrocarbons in order to afford the owner of each property in the pool the opportunity to produce his just and equitable share of the oil or gas, or both, and for this

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purpose to use his just and equitable share of the reservoir energy.

(12) That the Special Rules and Regulations promulgated by Order No. R-2684 and Order No. R-2684-A are inadequate to afford the owner of each property in the pool the opportunity to produce his just and equitable share of the gas and oil in the pool.

(13) That the Special Rules and Regulations promulgated by Order No. R-2684 and Order No. R-2684-A of the Commission Rules and Regulations should be amended to allow the owner of each property in the pool the opportunity to produce his just and equitable share of the gas and oil in the pool.

(14) That this case should be reopened at an examiner hearing in May, 1968, at which time the operators in the subject pool should be prepared to appear and show cause whether these special pool rules, as they relate to well spacing, well classification, and limiting gas oil-ratios, should remain in effect.

IT IS THEREFORE ORDERED:

That, effective July 1, 1966, the Special Rules and Regulations promulgated by Order No. R-2684 and Order No. R-2684-A are hereby amended to read in their entirety as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
FOWLER-LOWER PADDOCK POOL

RULE 1. Each well completed or recompleted in the Fowler-Lower Paddock Pool or in the Lower Paddock formation within one mile thereof, and not nearer to or within the limits of another designated Lower Paddock pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. A gas well shall mean a well producing from within the vertical and horizontal limits of the Fowler-Lower Paddock Pool which produces with a producing gas-liquid ratio of 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons.

RULE 3. A well producing from within the horizontal and vertical limits of the Fowler-Lower Paddock Pool and not classified

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as a gas well shall be classified as an oil well in the Fowler-Lower Paddock Pool.

RULE 4. Each gas well shall be located on a standard unit containing 320 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental section.

RULE 5. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 6. Each oil 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 7. The Secretary-Director may grant an exception to the requirements of Rule 6 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 Secretary-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 Secretary-Director has received the application.

RULE 8. A standard oil proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 2.33 for allowable purposes, 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 oil proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

RULE 9. Each well shall be located no nearer than 660 feet to the outer boundary of the quarter section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 10. The Secretary-Director may grant an exception to the requirements of Rule 9 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 Secretary-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 Secretary-Director has received the application.

RULE 11. Acreage dedicated to a gas well shall not be simultaneously dedicated to an oil well and the dual completion of a well so as to produce gas and oil from two different zones in said pool is hereby prohibited.

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RULE 12. Gas-liquid ratio tests shall be conducted annually during the month of May on all wells located in and producing from the Fowler-Lower Paddock Pool.

RULE 13. The limiting gas-oil ratio for an oil well shall be 4000 cubic feet of gas for each barrel of oil produced.

RULE 14. The maximum allowable for a gas well shall be equal to four times the top allowable gas limit for an oil well.

IT IS FURTHER ORDERED:

(1) That the vertical limits of the Fowler-Lower Paddock Pool shall be the zone encountered in the Pan American SMU Well No. 16, located in Unit O of Section 15, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, between the top of the Lower Paddock formation at 5088 feet and the top of the Blinebry formation at 5230 feet, and horizontal limits comprising all of Section 15, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) That the locations of all wells presently drilling to or completed in the Fowler-Lower Paddock Pool or within one mile thereof are hereby approved provided that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before July 15, 1966.

(3) That each oil well presently drilling to or completed in the Fowler-Lower Paddock Pool or within one mile thereof shall receive a 40-acre allowable until a Form C-102 dedicating 80 acres to the well has been filed with the Commission.

(4) That this case shall be reopened at an examiner hearing in May, 1968, at which time the operators in the subject pool may appear and show cause whether these temporary special rules, as they relate to well spacing, well classification and gas-oil ratio limitation, should remain in effect.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission 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 COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary

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