

Entered February 1, 1967

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. 3520
Order No. R-3184

APPLICATION OF SOUTHERN NATURAL GAS
COMPANY FOR SPECIAL RULES, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 25, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 1st day of February, 1967, 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-3182, effective February 1, 1967, the Commission created the Northeast Bagley-Wolfcamp Pool for oil production from the Wolfcamp formation comprising the NW/4 of Section 11, Township 11 South, Range 33 East, NMPM, Lea County, New Mexico. The discovery well for said pool is the Southern Natural Gas Company State C Well No. 1 located in Unit C of said Section 11.

(3) That the applicant, Southern Natural Gas Company, seeks the promulgation of special rules and regulations for the Northeast Bagley-Wolfcamp Pool, including a provision for 80-acre spacing units.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of

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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 Northeast Bagley-Wolfcamp Pool.

(5) That 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.

(6) That the temporary special rules and regulations should be established for a one-year 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.

(7) That this case should be reopened at an examiner hearing in February, 1968, at which time the operators in the subject pool should be prepared to appear and show cause why the Northeast Bagley-Wolfcamp Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

That temporary Special Rules and Regulations for the Northeast Bagley-Wolfcamp Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTHEAST BAGLEY-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the Northeast Bagley-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp 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.

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RULE 3. The Secretary-Director of the Commission 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 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 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Secretary-Director may grant an exception to the 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 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 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 4.00 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 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:

(1) That the locations of all wells presently drilling to or completed in the Northeast Bagley-Wolfcamp Pool or in the Wolfcamp

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formation within one mile thereof are hereby approved; 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 February 21, 1967.

(2) That each well presently drilling to or completed in the Northeast Bagley-Wolfcamp Pool or in the Wolfcamp formation 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.

(3) That this case shall be reopened at an examiner hearing in February, 1968, at which time the operators in the subject pool may appear and show cause why the Northeast Bagley-Wolfcamp Pool should not be developed on 40-acre spacing units.

(4) That 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



DAVID F. CARGO, Chairman



GUYTON B. HAYS, Member



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

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