

Entered March 12, 1969
A.M.

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. 4065
Order No. R-3706
NOMENCLATURE

APPLICATION OF HUMBLE OIL & REFINING
COMPANY FOR THE CREATION OF A NEW OIL
POOL, ASSIGNMENT OF DISCOVERY ALLOW-
ABLE, AND THE PROMULGATION OF POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 5, 1969,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of March, 1969, 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 the applicant, Humble Oil & Refining Company, is
the owner and operator of the New Mexico State "S" Water Source
Well No. 4 (CP-427), located 175 feet from the South line and
650 feet from the West line of Section 2, Township 22 South,
Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks the reclassification of the
aforesaid New Mexico State "S" Water Source Well No. 4 (CP-427)
as an oil well for the production of oil from the San Andres
formation.

(4) That the applicant further seeks the creation of a new
oil pool for San Andres production in Lea County, New Mexico,

for its aforesaid New Mexico State "S" Water Source Well No. 4 (CP-427), and the assignment of an oil discovery allowable in the amount of 21,190 barrels to said well.

(5) That the applicant further seeks the promulgation of special rules and regulations governing said pool, including a provision for 80-acre spacing units.

(6) That the evidence presently available indicates that the aforesaid New Mexico State "S" Water Source Well No. 4 (CP-427) has discovered a separate common source of supply which should be designated the South Eunice-San Andres Pool; that the vertical limits of said pool should be the San Andres formation and that the horizontal limits of said pool should be the S/2 SW/4 of said Section 2 and the N/2 NW/4 of Section 11, Township 22 South, Range 37 East, NMPM.

(7) That the aforesaid New Mexico State "S" Water Source Well No. 4 (CP-427) should be reclassified as an oil well for the production of oil from the San Andres formation.

(8) That the discovery well for the aforesaid pool, Humble Oil & Refining Company's New Mexico State "S" Water Source Well No. 4 (CP-427), is entitled to and should receive a bonus discovery oil allowable in the amount of 21,190 barrels, based upon the top perforations in said well at 4238 feet, to be assigned over a two-year period.

(9) That 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 Eunice-San Andres Pool.

(10) 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.

(11) 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.

-3-

CASE No. 4065

Order No. R-3706

(12) That this case should be reopened at an examiner hearing in March, 1970, at which time the operators in the subject pool should be prepared to appear and show cause why the South Eunice-San Andres Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That the Humble Oil & Refining Company New Mexico State "S" Water Source Well No. 4 (CP-427), located 175 feet from the South line and 650 feet from the West line of Section 2, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby reclassified as an oil well for the production of oil from the San Andres formation.

(2) That a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production, is hereby created and designated the South Eunice-San Andres Pool, with vertical limits comprising the San Andres formation and horizontal limits comprising the following-described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 2: S/2 SW/4
Section 11: N/2 NW/4

(3) That the discovery well, the aforesaid Humble Oil & Refining Company New Mexico State "S" Water Source Well No. 4 (CP-427), is hereby authorized an oil discovery allowable of 21,190 barrels to be assigned to said well at the rate of 30 barrels per day in accordance with Rule 509 of the Commission Rules and Regulations.

(4) That temporary Special Rules and Regulations for the South Eunice-San Andres Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH EUNICE-SAN ANDRES POOL

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

-4-

CASE No. 4065

Order No. R-3706

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2 or S/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 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 no closer than 330 feet to a quarter-quarter section line.

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 2.00 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.

-5-

CASE No. 4065
Order No. R-3706

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the South Eunice-San Andres Pool or in the San Andres 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 April 1, 1969.

(2) That each well presently drilling to or completed in the South Eunice-San Andres Pool or in the San Andres 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 March, 1970, at which time the operators in the subject pool may appear and show cause why the South Eunice-San Andres Pool should not be developed on 40-acre spacing units.

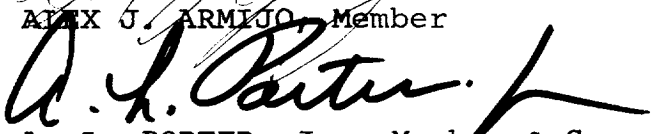
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


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

S E A L

esr/