

Entered January 25, 1971
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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. 4482
Order No. R-4093
NOMENCLATURE

APPLICATION OF THE PETROLEUM CORPORATION
FOR THE CREATION OF A NEW POOL, SPECIAL
RULES THEREFOR, AND EXCEPTIONS TO ORDERS
NOS. R-3221 AND R-4070, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 6, 1971, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of January, 1971, 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, The Petroleum Corporation, seeks the creation of a new oil pool for Strawn production in Eddy County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 160-acre spacing units and a gas-oil ratio of 4000 cubic feet of gas per barrel of oil.

(3) That The Petroleum Corporation Petco State Well No. 1, located in Unit P of Section 26, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, having its top perforations at 10,655 feet, has discovered a separate common source of supply

which should be designated the Parkway-Strawn Pool; that the vertical limits of said pool should be the Strawn formation; and that the horizontal limits of said pool should be the SE/4 of said Section 26.

(4) 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 160-acre spacing units should be promulgated for the Parkway-Strawn 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 in order to allow each operator in the pool the opportunity to use his just and equitable share of the reservoir energy, the temporary special rules and regulations should provide for a limiting gas-oil ratio of 2000 to 1 until such time as the pool has a gas gathering facility and thereafter a limiting gas-oil ratio of 3000 to 1.

(7) 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.

(8) That this case should be reopened at an examiner hearing in January, 1972, at which time the operators in the subject pool should be prepared to appear and show cause why the Parkway-Strawn Pool should not be developed on 40-acre or 80-acre spacing units and why the limiting gas-oil ratio should not revert to the State-wide limit of 2000 to one.

(9) That the applicant further seeks an exception to the provisions of Commission Order No. R-3221 to permit the disposal of salt water produced by its aforesaid Petco State Well No. 1 in an unlined surface pit located in the vicinity of said well.

(10) That there appears to be no shallow fresh water in the vicinity of the subject pit for which a present or reasonably

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foreseeable beneficial use is or will be made that would be impaired by contamination from the subject pit.

(11) That the applicant should be permitted to dispose of water produced by the subject well in an unlined surface pit located in the vicinity of said well.

(12) That the applicant further seeks an exception to Commission Order No. R-4070 to permit the flaring or venting of the casinghead gas produced by the above-described well until such time as the subject well is connected to a gas gathering facility.

(13) That the nearest gas gathering facility is more than five miles from the subject well.

(14) That there is no prospect for an immediate connection of the well to a gas gathering facility.

(15) That the applicant should be permitted to flare or vent casinghead gas produced by the above-described well until such time as the subject pool has a gas gathering facility.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as an oil pool for Strawn production, is hereby created and designated the Parkway-Strawn Pool, with vertical limits comprising the Strawn formation, and horizontal limits comprising the following-described area:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 26: SE/4

(2) That temporary Special Rules and Regulations for the Parkway-Strawn Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
PARKWAY-STRAWN POOL

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

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RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

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 consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United State 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 nearer than 660 feet to the outer boundary of the proration unit boundary and no nearer than 330 feet to any governmental 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 (158 through 162 acres) shall be assigned a 160-acre proportional factor of 7.67 for allowable purposes, and in the event there is more than one well on a 160-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 160 acres.

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RULE 7. That the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced until such time as the pool has a gas gathering facility and thereafter the limiting gas-oil ratio shall be 3000 cubic feet of gas for each barrel of oil produced.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Parkway-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before February 1, 1971.

(2) That, pursuant to Paragraph A. of Section 65-3-14-5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Parkway-Strawn Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 160 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Parkway-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-fourth of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in January, 1972, at which time the operators in the subject pool may appear and show cause why the Parkway-Strawn Pool should not be developed on 40-acre or 80-acre spacing units and why the limiting gas-oil ratio should not revert to the Statewide limit of 2000 to one.

(4) That the applicant, The Petroleum Corporation, is hereby granted an exception to Order (3) of Commission Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, by its aforesaid Petco State

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Well No. 1, Parkway-Strawn Pool, in an unlined surface pit located in the vicinity of said well;

PROVIDED HOWEVER, that the Secretary-Director of the Commission may by administrative order rescind such authority whenever it reasonably appears to the Secretary-Director that such recission would serve to protect fresh water supplies from contamination.

(5) That the applicant is hereby granted an exception to Commission Order No. R-4070 to flare or vent casinghead gas produced by the above-described Petco State Well No. 1 until such time as the Parkway-Strawn Pool has a gas gathering facility;

PROVIDED HOWEVER, that the Secretary-Director of the Commission may by administrative order rescind such authority whenever it reasonably appears to the Secretary-Director that such recission would serve to prevent waste or protect correlative rights.

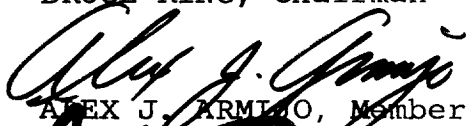
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



BRUCE KING, Chairman



ALEX J. ARMILLO, Member



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

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