

*Entered October 11, 1973
A.L.P.*

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. 4745
Order No. R-4365-A

IN THE MATTER OF CASE NO. 4745 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF ORDER NO. R-4365, WHICH ORDER
ESTABLISHED SPECIAL RULES AND REGULATIONS
FOR THE PENASCO DRAW-SAN ANDRES-YESO POOL,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 19, 1973, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 11th day of October, 1973, 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-4365, dated August 28, 1972, temporary special rules and regulations were promulgated for the Penasco Draw San Andres-Yeso Pool, Eddy County, New Mexico, establishing 40-acre spacing units for oil wells, 320-acre spacing units for gas wells, providing for classification of oil wells and gas wells and imposing a limiting gas-oil ratio of 3000 to 1.

(3) That pursuant to the provisions of Order No. R-4365, this case was reopened to allow operators in the subject pool to appear and show cause why the special rules and regulations promulgated by that order should not be discontinued and why the limiting gas-oil ratio of 3000 to 1 should not be reduced.

(4) The evidence establishes that the gas area of the subject pool can be efficiently and economically drained and developed on 320-acre spacing and that the oil area of the subject pool can be efficiently and economically drained and developed on 40-acre spacing.

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(5) That the applicant has submitted evidence indicating that the limiting gas-oil ratio should be lowered to 2,000 to 1.

(6) That the Special Rules and Regulations promulgated by Order No. R-4365 as modified by this order will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool.

(7) 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, the Special Rules and Regulations promulgated by Order No. R-4365, with the exception of the limiting gas-oil ratio established therein, should be continued in full force and effect until further order of the Commission.

(8) That the limiting gas-oil ratio in the subject pool should be reduced to 2000 to 1.

IT IS THEREFORE ORDERED:

(1) That Rule 6 of the Special Rules and Regulations governing the Penasco Draw San Andres-Yeso Pool as promulgated by Order No. R-4365 is hereby amended to read in its entirety as follows:

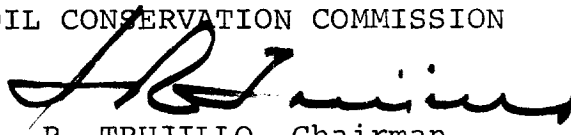
"RULE 6. That the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced."

(2) That the Special Rules and Regulations for the Penasco Draw San Andres-Yeso Pool, Eddy County, New Mexico, as promulgated by Order No. R-4365, and as modified by this order, are hereby continued in full force and effect until further order of the Commission.

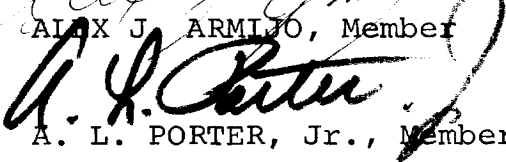
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


ALEX J. ARMLINO, Member


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

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