

Entered September 26, '73
W.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. 5048
Order No. R-4637

APPLICATION OF ROGER C. HANKS FOR
CREATION OF A POOL AND SPECIAL RULES
THEREFOR, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 22, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 26th day of September, 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 the applicant, Roger C. Hanks, seeks the promulgation of special rules and regulations for the South Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, including a provision for classification of oil wells and gas wells, 320-acre spacing for all wells, a limiting gas-oil ratio of 8,000 to one, and for the assignment of a special depth bracket allowable for oil wells of 267 barrels of oil per day.
- (3) That while the said South Dagger Draw-Upper Pennsylvanian Pool is presently classified as a gas pool, the evidence adduced indicates it is in fact an associated oil and gas reservoir.
- (4) That said South Dagger Draw-Upper Pennsylvanian Pool should be classified and designated the South Dagger Draw-Upper Pennsylvanian Associated Pool and special rules and regulations should be promulgated therefor.
- (5) That the reservoir characteristics of the subject pool indicate that the gas and oil area cannot be efficiently and economically drained and developed on less than 320-acre spacing.

-2-

Case No. 5048

Order No. R-4637

(6) That special rules and regulations providing for 320-acre spacing for gas wells and oil wells 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.

(7) That the reservoir characteristics of the subject pool presently available justify the definition of an oil well in said pool as a well producing with a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons.

(8) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 8,000 cubic feet of gas per barrel of liquid hydrocarbons.

(9) That the special rules and regulations should provide for the classification of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(10) That the depth bracket allowable for oil wells in the subject pool should be 267 barrels of oil per day.

(11) That the temporary special rules and regulations should establish proration rules for gas wells in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That effective October 1, 1973, the South Dagger Draw-Upper Pennsylvanian Pool is hereby classified as an associated oil and gas reservoir and designated the South Dagger Draw-Upper Pennsylvanian Associated Pool with vertical limits comprising the Upper Pennsylvanian (Cisco-Canyon) formation and horizontal limits comprising the following-described area:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM
Section 23, 26, and 35: All

(2) That, effective October 1, 1973, Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL

RULE 1. Each well completed or recompleted in the South Dagger Draw-Upper Pennsylvanian Associated Pool or in the Upper Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian 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 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Land Surveys provided that for the purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard 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 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 standard proration unit for the well under the applicable provisions of Rule 2 above 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 standard proration unit for the well 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 afore-said 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 4. Each well shall be located no nearer than 660 feet to the nearest side boundary of the tract nor nearer than 1980 feet to the nearest end boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

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 proration 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 operators offsetting the proration unit 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 well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. Any well completed in and capable of producing from the South Dagger Draw-Upper Pennsylvanian Associated Pool and not classified as a gas well shall be classified as an oil well.

RULE 7. The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 8. That the special depth bracket allowable for an oil well on a 320-acre tract shall be 267 barrels of oil per day.

RULE 9. That the limiting gas-oil ratio shall be 8,000 cubic feet of gas for each barrel of oil produced.

RULE 10. An oil well which has 320 acres dedicated to it shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 320-acre oil proration unit, the operator may produce the allowable assigned to the 320-acre unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 320. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

-5-

Case No. 5048
Order No. R-4637

RULE 11. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 12. Subsequent to completion of the initial gas-liquid ratio test, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 12. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The Commission district supervisor may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 13. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 14. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 15. The initial balancing date shall be 7 o'clock a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

RULE 16. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 17. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 18. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 19. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 20. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 21. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in order to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 22. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

-7-

Case No. 5048
Order No. R-4637

RULE 23. Failure to comply with any provisions of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 24. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 25. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the South Dagger Draw-Upper Pennsylvanian Associated Pool or in the Upper Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the appropriate district office of the Commission in writing of the name and location of the well on or before October 1, 1973.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing oil wells in the South Dagger Draw-Upper Pennsylvanian Associated Pool shall have dedicated thereto 320 acres and existing gas wells in said pool shall have dedicated thereto 320 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 320 acres to an oil well or 320 acres to a gas 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 South Dagger Draw-Upper Pennsylvanian Associated Pool as an oil well or in the Upper Pennsylvanian formation within one mile thereof as an oil well shall receive no more than a 40-acre allowable for this pool.

-8-

Case No. 5048

Order No. R-4637

(3) That this cause shall be reopened in September, 1975, to permit operators in the subject pool to appear and show cause why the special rules promulgated herein should remain in effect.

(4) That during the period of these temporary pool rules, the operators in the South Dagger Draw-Upper Pennsylvanian Associated Pool shall file a report each six months with the Santa Fe office of the Commission outlining current productive capabilities, gas-oil ratios, and production trends for the wells therein.

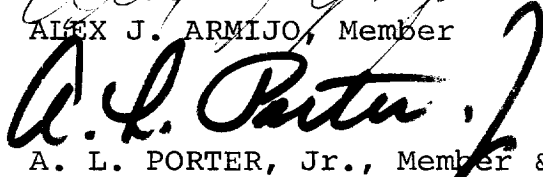
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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. ARMIJO, Member


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

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