

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10950
ORDER NO. R-5353-N

**APPLICATION OF SAMEDAN OIL CORPORATION FOR POOL
RECLASSIFICATION, POOL EXPANSION, THE PROMULGATION OF SPECIAL
POOL RULES, THE FURTHER AMENDMENT OF DIVISION ORDER NO. R-5353,
TWO NON-STANDARD GAS PRORATION UNITS, AND TWO UNORTHODOX GAS
WELL LOCATIONS, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 31, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of May, 1994 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Order No. R-8626, dated April 5, 1988 and made effective as of April 1, 1988, the Division created and defined the Cline-Tubb Pool for the production of oil from the Tubb formation underlying the SE/4 of Section 11, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico. By Division Order No. R-10091, dated March 28, 1994 and made effective April 1, 1994, the horizontal boundaries of said pool were extended to include the SW/4 of Section 1 and the W/2 of Section 12, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) *The original application that initiated this immediate case included a request for an extension of the Cline-Tubb Pool boundaries to include the SW/4 of Section 1 and the W/2 of Section 12 of said Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.*

FINDING: Since said Order No. R-10091 accomplished this request, that portion of this application for pool extension should be dismissed.

(4) The Cline-Tubb Pool is currently governed by the Division's General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 107 barrels of oil per day and a gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 214 MCF per day.

(5) Within said pool boundary the applicant in this matter, Samedan Oil Corporation ("Samedan"), owns and operates the Sarah "B", the Sharp, and the Branex Federal leases, which comprises approximately 75 percent of the pool's area. Samedan is also the operator of four existing wells completed in the Cline-Tubb Pool and, at the time of the hearing, is in the process of drilling a fifth well to test the Tubb interval.

(6) At this time the applicant seeks the reclassification of the Cline-Tubb Pool as an "associated pool" and to adopt the "General Rules and Regulations for Associated Pools in Southeast New Mexico", as promulgated by Division Order No. R-5353, as amended, as the governing procedures for said pool and to include provisions for 40-acre oil and 160-acre gas spacing and proration units.

(7) Within one-half mile of the northern boundary of the Cline-Tubb Pool is the rather large Tubb Oil and Gas Pool, which comprises portions of Townships 21, 22, and 23 South, Ranges 36, 37, and 38 East, NMPM, Lea County, New Mexico. Said Tubb Oil and Gas Pool is governed by special rules and regulations, as promulgated by Division Order No. R-8170, as amended, that provides for 40-acre oil and 160-acre gas spacing and proration units, the gas/oil ratio ("GOR") cutoff point in distinguishing between gas wells and oil wells in this pool at 50,000 cubic feet of gas per barrel of oil, restricted well location requirements, and for the allocation of oil and gas production.

(8) The proposed rules for the Cline-Tubb Pool are similar to those established for the Tubb Pool, with the exception of a GOR cutoff point of 30,000 to one (see RULE 5 of said Order No. R-5353, as amended).

(9) The geologic evidence presented at the time of the hearing indicates production from the Cline-Tubb Pool is from a separate and distinct geologic structure isolated from the much larger Tubb Pool to the north; however, technically supported testimony indicates both pools to have very similar production traits and characteristics.

(10) Further evidence presented by the applicant indicated that the Kelton Operating Corporation Lineberry Well No. 2 (API No. 30-025-23239), located 1980 feet from the South and East lines (Unit J) of Section 11, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, was the initial well in the Cline-Tubb Pool producing from the perforated interval from 5995 feet to 6179 feet. The Cline-Tubb interval was plugged in October 1992 and was recompleted to the Blinbry formation in November 1993. The applicant's Sarah "B" Well No. 2 (API No. 30-025-32052), located 2310 feet from the South line and 1803 feet from the West line (Unit K) of Section 12, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, has a producing GOR in the Cline-Tubb Pool of 92,818 to one.

(11) The evidence presented supports the reclassification of the Cline-Tubb Pool from an "oil pool" to an "associated pool" at this time. Further, said evidence indicates that this pool may be efficiently and economically developed by oil wells on 40-acre spacing and by gas wells on 160-acre spacing.

(12) The application for pool reclassification and to adopt the "General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico", as promulgated by Division Order No. R-5353, as amended, as the governing procedures for said pool and to include provisions for 40-acre oil and 160-acre gas spacing and proration units should be approved for a temporary period of two years to permit operators in the subject pool to gather additional reservoir and production information. Therefore this case should be reopened at an examiner hearing in May, 1996, at which time the operators in the subject pool should be prepared to appear and show cause why said pool should not be classified as an oil pool with standard 40-acre spacing, with perhaps a higher assigned GOR limit.

(13) With the above-described reclassification secured, Samedan further requests approval for the following two non-standard 80-acre gas spacing and proration units:

- (a) the E/2 NW/4 of said Section 12, to be dedicated to its Sharp Well No. 1 (API No. 30-025-32258), located at a standard gas well location 1980 feet from the North and West lines (Unit F) of said Section 12; and,
- (b) the E/2 SW/4 of said Section 12, to be dedicated to its Sarah "B" Well No. 2, as further described in Paragraph (10) above, which will be an unorthodox gas well location pursuant to the "Associated Pool Rules".

(14) Samedan has obtained a permit to drill its Branex Federal Well No. 1 (API No. 30-025-32319) at a location that is 2310 feet from the South line and 660 feet from the West line (Unit L) of said Section 12. Should this well be an oil well in the subject pool upon its completion, the location is considered to be standard for the standard 40-acre oil spacing and proration unit comprising the NE/4 SW/4 of said Section 12; however, should this well be classified a gas well, the location will be considered unorthodox for the resulting non-standard 80-acre gas spacing and proration unit, being the W/2 SW/4 of said Section 12, caused by the proposed 80-acre tract for the Sarah "B" Well No. 2.

(15) *The applicant's final request in this application is that any order issued in this matter be applied retroactively to the date of first production from said Sarah "B" Well No. 2, which according to the testimony presented at the hearing was sometime around September 1, 1993.*

FINDING: The applicant failed to adequately support its reasoning as to the necessity of making these rules apply retroactive to the date of first production on the Sarah "B" Well No. 2. Since inadequate testimony was presented showing that such approval would serve to prevent waste, protect correlative rights, and is in the best interest of conservation, such retroactive request is hereby denied.

HOWEVER: A starting date of April 1, 1994, being the first day of the first month after the hearing in this matter, would not be unreasonable.

(16) At the time of the hearing no other operators of wells in this pool or surrounding area, nor did any interested party appear at the hearing in opposition to this application.

(17) Considering that oil and gas production will remain to be prorated under the "Associated Pool Rules" the formation of the three aforementioned 80-acre non-standard proration units and the assignment of an appropriate acreage factor in these instances will assure the protection of correlative rights. Further, approval of this application is in the best interest of conservation and should serve to prevent waste.

IT IS THEREFORE ORDERED THAT:

(1) Effective April 1, 1994, the Cline-Tubb Pool in Lea County, New Mexico, is hereby reclassified as an associated pool and redesignated the "Cline-Tubb Associated Pool".

(2) Said Cline-Tubb Associated Pool shall be governed by the "General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico", as promulgated by Division Order No. R-5353, as amended, insofar as said General Rules and Regulations are not inconsistent with the Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules shall apply.

**TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE
CLINE-TUBB ASSOCIATED POOL**

RULE 2 (a): A standard oil proration unit shall be 40 acres.
 A standard gas proration unit shall be 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Cline-Tubb Associated Pool or in the Tubb formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Cline-Tubb Associated Pool shall have dedicated thereto 40 acres and existing gas wells shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating the appropriate acreage to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Cline-Tubb Associated Pool or in its corresponding vertical limits, or within one mile thereof, shall receive no more than a 40-acre allowable for the pool.

IT IS FURTHER ORDERED HOWEVER THAT:

(5) The following two non-standard 80-acre gas spacing and proration units are hereby approved:

(a) the E/2 NW/4 of said Section 12, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, said unit to be dedicated to the existing Sharp Well No. 1 (API No. 30-025-32258), located at a standard gas well location 1980 feet from the North and West lines (Unit F) of said Section 12; and,

(b) the E/2 SW/4 of said Section 12 is to be dedicated to the existing Sarah "B" Well No. 2 (API No. 30-025-32052), located at an unorthodox gas well location 2310 feet from the South line and 1803 feet from the West line (Unit K) of said Section 12 .

(6) The applicant's proposed Branex Federal Well No. 1 (API No. 30-025-32319) to be drilled 2310 feet from the South line and 660 feet from the West line (Unit L) of said Section 12 is hereby approved. Further, should this well be an oil well in the subject pool upon its completion, the location is considered to be standard for the standard 40-acre oil spacing and proration unit comprising the NE/4 SW/4 of said Section 12; however, should this well be classified a gas well, the location will be considered unorthodox for the resulting non-standard 80-acre gas spacing and proration unit, being the W/2 SW/4 of said Section 12, caused by the proposed 80-acre tract for the Sarah "B" Well No. 2.

(7) The original portion of this application requesting an extension of the Cline-Tubb (Associated) Pool boundaries to include the SW/4 of Section 1 and the W/2 of Section 12 of said Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby dismissed.

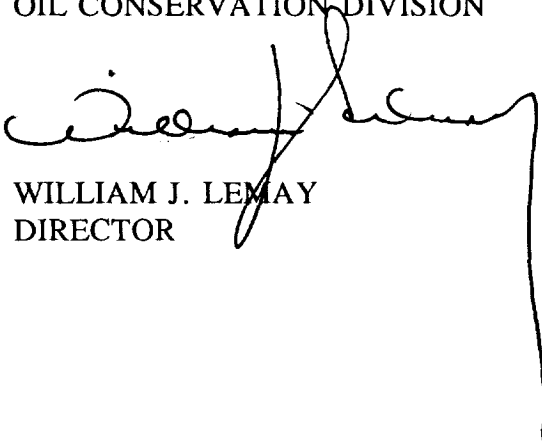
(8) The applicant's final request in this application for a retroactive effective date for this order back to the date of first production from said Sarah "B" Well No. 2, which according to the testimony presented at the hearing was sometime around September 1, 1993, is hereby denied.

(9) This case shall be reopened at an examiner hearing in May 1996, at which time the operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Cline-Tubb Associated Pool promulgated herein should not be reclassified as an oil pool to be governed by statewide rules.

(10) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

WILLIAM J. LEMAY
DIRECTOR

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