

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:

*NOMENCLATURE  
CASE NO. 11040  
ORDER NO. R-5353-0*

**APPLICATION OF MARALO INC. FOR THE CREATION OF A NEW  
ASSOCIATED OIL AND GAS POOL AND FOR SPECIAL POOL RULES, EDDY  
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 21, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 23<sup>rd</sup> day of August, 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) The applicant, Maralo Inc., seeks the creation of a new associated pool in the Bone Spring formation in the NE/4 of Section 32, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico to be designated as the Burton Flat-Bone Spring Associated Pool.

(3) The applicant also requests that the pool be operated in accordance with the Division's General Rules and Regulations for Associated Pools as promulgated by Division Order R-5353, as amended. Additional pool rules are sought including 80-acre oil spacing, 160-acre gas spacing, a limiting GOR of 8,000 and a depth bracket oil allowable of 222 barrels per day.

(4) Maralo Inc. completed its Keystone Well No.1 in the Bone Spring formation in 1994. It is located in Unit G of said Section 32. The pay interval is from 6310 feet to 6545 feet. Production data submitted by Maralo shows a daily producing rate of 172 barrels of oil, 185 barrels of water and 998 MCF of gas on May 21, 1994.

(5) The well is located in a general area which is currently productive from the Bone Spring formation. The East Avalon-Bone Spring Gas Pool is immediately adjacent to the proposed pool on the North and West. The Old Millman Ranch-Bone Spring Associated Pool is approximately 5 miles northeast and the East Avalon-Bone Spring Oil Pool is 1 1/2 miles to the East. With the exception of the Old Millman Ranch, current production is at marginal rates from the surrounding pools.

(6) The applicant presented Bone Spring structure and isopach maps of the proposed pool showing similarity to the Old Millman Ranch-Bone Spring Associated Pool. The reservoir as depicted on the isopach map includes portions of the East Avalon-Bone Spring Gas Pool.

(7) Production history for the Keystone Well No.1 was submitted in both tabular and graphic form. The data shows that the well produces more efficiently on a larger choke and that smaller choke settings result in higher GORs.

(8) The applicant used this information to support its request for a limiting GOR of 8,000, a top daily oil allowable of 222, and a top daily gas allowable of 1,776 MCF.

(9) Production data shows that maximum daily oil production from the well has been 172 barrels; maximum daily gas production has been 1,385 MCF. Current daily production is less than 50 barrels of oil and 750 MCF of gas.

(10) Based on production data, a GOR limit of 5,000 with a 1,100 MCF per day gas allowable should be adequate for the proposed pool. This is the same GOR currently in effect in the Old Millman Ranch-Bone Spring Associated Pool.

(11) The applicant submitted data showing that reservoir pressure is below the bubble point. Current reservoir pressure is 2130 psig. A reservoir fluid study reported a dewpoint pressure of 4847 psig. Production reports show an API oil gravity of 43.1 degrees.

(12) Additional drilling may take place within the proposed pool within the next 12 months.

(13) At the hearing the applicant requested that the proposed pool rules be adopted for a 12 to 18 month period.

(14) The applicant's request for creation of the new Associated Pool should be approved. The requested temporary rules (with the exception of the proposed GOR limit of 8,000) should be adopted for a period of 12 months. A limiting GOR of 5,000 should be adopted.

(15) No offset operator or interest owner appeared at the hearing in opposition to the applicant's proposal.

(16) This cause should be reopened at an examiner hearing in September, 1995, at which time the operators in the proposed Burton Flat-Bone Spring Associated Pool, the East Avalon-Bone Spring Gas Pool, and the East Avalon-Bone Spring Oil Pool should be prepared to appear and present evidence and testimony concerning the adoption of permanent rules and the possible consolidation of the three pools.

**IT IS THEREFORE ORDERED THAT:**

(1) A new associated oil and gas pool located in the NE/4 of Section 32, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, is hereby created and designated as the Burton Flat-Bone Spring Associated Pool.

(2) The pool shall be governed by the General Rules and Regulations for the Associated Oil and Gas Pools of 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 and Regulations shall apply.

**TEMPORARY SPECIAL RULES AND REGULATIONS  
FOR THE  
BURTON FLAT-BONE SPRING ASSOCIATED POOL**

RULE 2. A standard oil proration unit shall consist of 80 acres. A standard gas proration unit shall consist of 160 acres. Top oil allowable for an 80-acre oil proration unit shall be 222 barrels per day.

RULE 6. The limiting gas-oil ratio shall be 5,000 cubic feet of gas per barrel of oil.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Burton Flat-Bone Spring Associated Pool are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within 30 days from the date of this order. Order R-5353, A. Rule 1 shall be applicable to wells in the Bone Spring formation within one mile of said pool.

(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 and gas wells in the Burton Flat-Bone Spring Associated Pool shall have dedicated thereto 80 and 160 acres, respectively, 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.

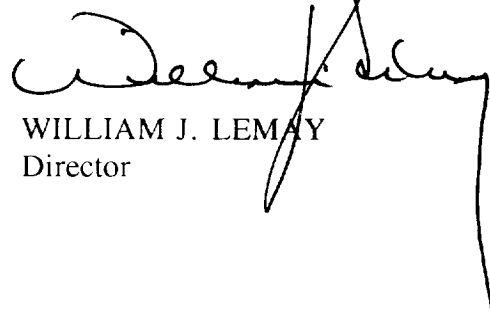
Failure to file new Forms C-102 with the Division dedicating the appropriate acreage to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said form C-102 has been filed or until a non-standard spacing unit has been approved, and subject to said 60-days limitation, each well presently drilling to or completed in the Burton Flat-Bone Spring Associated Pool shall receive no more than one-fourth of a standard allowable for said pool.

(5) This case shall be reopened at an examiner hearing in September, 1995, at which time the operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Pool promulgated herein should not be rescinded and the pool reclassified and/or consolidated with surrounding Bone Spring Pools.

(6) Jurisdiction of this cause is hereby 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



WILLIAM J. LEMAY  
Director

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