

Entered November 30, 1978
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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6373
Order No. R-5875

APPLICATION OF BEARD OIL COMPANY FOR
A DUAL COMPLETION, SURFACE COMMINGLING,
POOL CREATION, AND SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 8, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of November, 1978, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Beard Oil Company, seeks authority to complete its Hanlad Well No. 1, located in Unit E of Section 17, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from the Atoka formation through tubing and the Abo formation through the casing-tubing annulus, and to commingle the production at the surface.
- (3) That the applicant proposes to meter one zone of the dual completion prior to commingling and to determine the production from the other zone by the subtraction method utilizing the pipeline measured volume for the commingled stream.
- (4) That the mechanics of the proposed dual completion and commingling are feasible and in accord with good conservation practices provided that the gas stream measured prior to commingling should be dry.

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(5) That the supervisor of the Division's district office at Artesia should be authorized to approve the metering system to be used by the applicant.

(6) That applicant's said Hanlad Well No. 1 having its top perforations at 4670 feet, has discovered a separate common source of supply which should be designated the East High Hope-Abo Gas Pool; that the vertical limits of said pool should be the Abo formation and that the horizontal limits of said pool should be the W/2 of Section 17, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.

(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, temporary special rules and regulations providing for 320-acre spacing units should be promulgated for the East High Hope-Abo Gas Pool.

(8) 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.

(9) That special rules and regulations should be established for a temporary period to expire February 1, 1980.

(10) That this case should be reopened at an examiner hearing during January, 1980, at which time the operators in the subject pool should appear and show cause why the East High Hope-Abo Gas Pool should not be developed on 160-acre spacing units.

(11) That approval of the subject application will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Beard Oil Company, is hereby authorized to complete its Hanlad Well No. 1, located in Unit E of Section 17, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from the Atoka formation through 2-inch tubing and gas from the Abo formation through the casing-tubing annulus, with separation of the zones achieved by means of a packer set at approximately 7026 feet.

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PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Division Rules and Regulations insofar as said rule is not inconsistent with this order;

PROVIDED FURTHER, that the applicant shall take packer leakage tests upon completion and annually thereafter during the Annual Shut-In Pressure Test Period for gas wells in Southeast New Mexico.

(2) That the applicant is further authorized to commingle Atoka and Abo gas production at the surface after separately metering the Abo production.

(3) That the applicant shall determine Atoka production by subtracting the metered Abo production from the commingled stream measured by the transporter.

(4) That prior to installation of the meter on the Abo zone, the operator shall obtain approval for the use of such meter or meter system from the supervisor of the Division's district office at Artesia.

(5) That a new pool in Eddy County, New Mexico, classified as a gas pool for Abo production, is hereby created and designated the East High Hope-Abo Gas Pool, with vertical limits comprising the Abo formation and horizontal limits comprising the following-described area:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM
Section 17: W/2

(6) That temporary Special Rules and Regulations for the East High Hope-Abo Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
EAST HIGH HOPE-ABO GAS POOL

RULE 1. Each well completed or recompleted in the East High Hope-Abo Gas Pool or in the Abo formation within one mile thereof, and not nearer to or within the limits of another designated Abo gas 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, consisting of a governmental half section.

RULE 3. The Director of the Division 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 governmental half section 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 half section 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 aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The 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 Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the nearest side boundary nor nearer than 1980 feet to the nearest end boundary nor nearer 330 feet to any governmental quarter-quarter section line.

RULE 5. The 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 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 Director has received the application.

IT IS FURTHER ORDERED:

(7) That the locations of all wells presently drilling to or completed in the East High Hope-Abo Gas Pool or in the Abo 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 Division in writing of the name and location of the well on or before February 1, 1979.

(8) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, existing wells in the East High Hope-Abo Gas 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 Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 320 acres 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 unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the East High Hope-Abo Gas Pool or in the Abo formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(9) That this case shall be reopened at an examiner hearing in January, 1980, at which time the operators in the subject pool may appear and show cause why the East High Hope-Abo Gas Pool should not be developed on 160-acre spacing units.

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

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DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

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