

Entered November 28, 1979

JLR

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. 6670
Order No. R-6183

APPLICATION OF BTA OIL PRODUCERS
FOR POOL CREATION AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 19, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 28th day of November, 1979, 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, BTA Oil Producers, is the owner of the 7811 JV-P Rojo Well No. 1, located 660 feet from the North line and 660 feet from the West line of Section 27, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) That said well was drilled at an unorthodox gas well location approved by Division Order No. R-5905, dated January 16, 1979.

(4) That said well was completed in the Devonian formation as a producing gas well on June 29, 1979, with perforations from 17,420 feet to 17,515 feet.

(5) That the applicant herein seeks the creation of a new gas pool for said well and the promulgation of special rules therefor, including a provision for 640-acre spacing with well locations no closer than 660 feet to the outer boundary of the unit.

(6) That the Devonian structure and producing zone in which the subject well is completed appear to be the same Devonian structure and producing zone encountered by the Red Hills Unit Well No. 1, located approximately 2.4 miles Southwest of the subject well in Unit O of Section 32, Township 25 South, Range 33 East, NMPM.

(7) That although said Red Hills Unit Well No. 1 was found to be capable of producing considerable quantities of gas from the Devonian formation when tested in 1964, there was no market available at the time for the type of gas produced from said formation, and the Devonian perforations in said well were squeezed and the well completed in the Wolfcamp formation, from which it is still producing.

(8) That available data would indicate that the subject Devonian reservoir is contained in a Northeast-Southwest trending anticline and that the productive area in said anticline above the gas-water contact is probably no more than 3.75 miles long and 1.25 miles wide.

(9) That considering the limited areal extent of the reservoir and the concomitant limited reserves contained therein, combined with the high cost (over \$3 million) of Devonian wells to this depth (over 17,000 feet), it would seem proper to adopt a well spacing and acreage dedication plan for the pool which would preclude a proliferation of unnecessary and possibly uneconomic wells such as might result without such a plan.

(10) That it appears that the most desirable plan for the reservoir would provide for 640-acre spacing and proration units, and with well locations at least 1650 feet from the outer boundary of the unit but no closer than 330 feet to any interior quarter-quarter section line.

(11) That creation of the Red Hills-Devonian Gas Pool and development of said pool in the manner described in Finding No. (10) above will protect correlative rights and not cause waste and should be approved.

(12) 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 640-acre spacing units should be provided for the Red Hills-Devonian Gas Pool.

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(13) 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.

(14) That the temporary special rules and regulations should be established for a period of one year to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(15) That this case should be reopened at an examiner hearing in January, 1981, at which time the operators in the pool should be prepared to appear and show cause why the Red Hills-Devonian Gas Pool should not be developed on 320-acre spacing units.

(16) That the application for well locations 660 feet from the outer boundary of the spacing and proration unit should be denied.

IT IS THEREFORE ORDERED:

(1) That a new gas pool for Devonian production, designated the Red Hills-Devonian Gas Pool, is hereby created with vertical limits comprising the Devonian formation and horizontal limits described as follows:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM
Section 22: S/2
Sections 27 and 28: All
Sections 32 and 33: All

(2) That temporary Special Rules and Regulations for the Red Hills-Devonian Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
RED HILLS-DEVONIAN GAS POOL

RULE 1. Each well completed or recompleted in the Red Hills-Devonian Gas Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian 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 640 acres, more or less, consisting of a governmental 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 section and contains less acreage than a standard unit.
- (c) The applicant present written consent in the form of waivers from all offset operators and from all operators owning interests in the 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 Division 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 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Division 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 a deeper 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

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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:

(1) That the locations of all wells presently drilling to or completed in the Red Hills-Devonian Gas Pool or in the Devonian formation within one mile thereof are hereby approved; that 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 on or before December 15, 1979.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the Red Hills-Devonian Gas Pool shall have dedicated thereto 640 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 640 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 Red Hills-Devonian Gas Pool or in the Devonian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in January, 1981, at which time the operators in the subject pool may appear and show cause why the Red Hills-Devonian Gas Pool should not be developed on 320-acre spacing units.

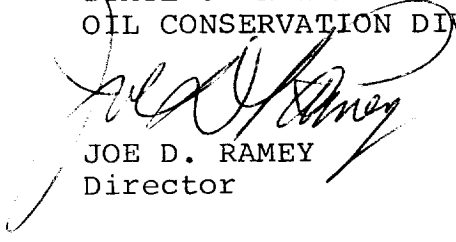
(4) That the application of BTA Oil Producers for well locations no closer than 660 feet to the outer boundary of the spacing and proration unit is hereby denied.

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(5) That 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 herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

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