

Entered January 16, 1980
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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. 6709
Order No. R-6256

APPLICATION OF HNG OIL COMPANY FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 14, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 16th day of January, 1980, 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, HNG Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 33, Township 16 South, Range 35 East, NMPM, Shoe Bar Gas Field, Lea County, New Mexico.

(3) That the applicant co-owns the NE/4 of said Section 32 with certain other parties and seeks an order pooling said quarter section with the NW/4 of said Section 33 which is owned by Exxon Company, USA to form a 320-acre gas spacing and proration unit to be dedicated to a well which applicant proposes to drill at a standard location for said unit at a point 660 feet from the North line and 1980 feet from the West line of said Section 33.

(4) That under applicant's proposal, HNG et al would own a 50 percent interest in the proposed unit and Exxon Company, USA would own a 50 percent interest.

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(5) That according to the evidence in this case, approximately 1/3 of the potential reserves attributable to applicant's proposed well underly the NE/4 of Section 33 and approximately 2/3 of said reserves underly the NW/4 of the section.

(6) That Exxon Company, USA opposed the proposed unit at the hearing of this case and declared that it has budgeted, and is committed to, the drilling of an Atoka-Morrow test well at a standard location in the SW/4 NW/4 of Section 33, to which it would dedicate the W/2 of the section.

(7) That approval of HNG's application in the instant case would impair the correlative rights of Exxon Company, USA inasmuch as said company would be contributing 2/3 of the reserves to the well but would be credited with only 1/2 the well's production.

(8) That alternate drilling and acreage dedication arrangements are available to HNG by which it can protect its correlative rights and those of its co-owners.

(9) That denial of the application will serve to protect correlative rights and will not cause waste, and such denial should be ordered.

IT IS THEREFORE ORDERED:

(1) That the application of HNG Oil Company for an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 33, Township 16 South, Range 35 East, NMPM, Shoe Bar Gas Field, Lea County, New Mexico, is hereby denied.

(2) 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 hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

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