

Entered September 10, 1980  
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. 6964  
Order No. R-6468

APPLICATION OF MORRIS R. ANTWEIL  
FOR AN UNORTHODOX WELL LOCATION  
AND SIMULTANEOUS DEDICATION,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of September, 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, Morris R. Antweil, seeks approval  
of an unorthodox gas well location for his Rio Com Well No. 2  
to be drilled at a point 660 feet from the North line and 660  
feet from the West line of Section 29, Township 18 South, Range  
25 East, NMPM, Penasco Draw-Morrow Gas Pool, Eddy County, New  
Mexico.

(3) That the applicant further seeks to simultaneously  
dedicate the N/2 of said Section 29 to the above-described well  
and to his Rio Com. Well No. 1, located in Unit G of said  
Section 29.

(4) That the proposed unorthodox location and simultaneous  
dedication were opposed by Gulf Oil Corporation, which operates  
two Morrow gas wells in Section 19 of Township 18 South, Range  
25 East, immediately to the Northwest of the proposed location.

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(5) That this matter was the subject of Case No. 6213, heard by a Division Examiner on May 17, 1978, whereupon Order No. R-5856 was entered, and of a de novo hearing on January 24, 1979, whereupon Order No. R-5856-A was entered.

(6) That the applicant in this case, who was also the applicant in the previous Case No. 6213, upon filing for hearing in the instant case, stated that, "Applicant's request that the Division consider this matter again...is based on the belief and contention that the production and depletion of surrounding Morrow wells has significantly changed the considerations in regard to the protection of correlative rights."

(7) That at the hearing of the instant case, Gulf requested dismissal of the case on the grounds that it is res judicata.

(8) That no ruling was made on Gulf's motion at the hearing and evidence was taken both from the applicant and from Gulf concerning the proposed location.

(9) That while to some extent the matter is res judicata, conditions in the reservoir have changed since the matter was first heard, and in the interest of obtaining all the facts in this particular case and rendering a decision based on current conditions, Gulf's motion for dismissal should be denied.

(10) That at the hearing of the instant case it was ruled that the Division would take administrative notice of the record in the previous hearings on this matter.

(11) That there are gas reserves in the NW/4 of Section 29 which the applicant will apparently be unable to produce through his existing well in the NE/4 of Section 29.

(12) That in order to produce his just and equitable share of the reserves in the pool, particularly those reserves underlying the NW/4 of Section 29, the applicant should be permitted to drill a well thereon and simultaneously dedicate the N/2 of said section to the new well and to his Rio Com. Well No. 1.

(13) That said Rio Com. Well No. 1 is apparently draining only a very limited area probably confined to the SW/4 NE/4 of Section 29, and in all probability is not affecting the Gulf acreage in Section 19.

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(14) That a well at the proposed location for applicant's Rio Com Well No. 2, being 660 feet from the North line and 660 feet from the West line of Section 29, is at a standard location relative to the North and South lines of said Section 29.

(15) That a well at the proposed location is 67 percent closer to the West line of said Section 29 than permitted by Division Rules and Regulations.

(16) That a well at the proposed location will have an area of drainage in the Morrow formation which extends 67.2 net acres outside Section 29, an amount of acreage equivalent to 21 percent of a standard proration unit in said pool.

(17) That to offset the advantage gained over the offset operators resulting from the drilling of a well at the proposed unorthodox location, production from the N/2 of said Section 29 should be limited from the Morrow formation.

(18) That such limitation should be based upon the variation of the location from a standard location and the 67.2 net-acre encroachment described in Finding No. (15) above, and may best be accomplished by assigning the proration unit an allowable limitation factor of 0.71 (100 percent North/South factor plus 33 percent East/West factor plus 79 percent net-acre factor, divided by 3).

(19) That in the absence of any special rules and regulations for the prorationing of production from said Penasco Draw-Morrow Gas Pool, the aforesaid production limitation factor should be applied against the proration unit's ability to produce into the pipeline as determined by periodic well tests.

(20) That considering the risks involved in drilling to the Morrow formation, each proration unit should have a reasonable minimum calculated allowable.

(21) That at a sustained flowing rate of 500,000 cubic feet per day, a Morrow well in this area would pay-out in approximately 2.5 years.

(22) That 2.5 years is a reasonable pay-out period for a Morrow well in this area.

(23) That the minimum calculated allowable for the subject proration unit should be 500,000 cubic feet of gas per day.

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(24) That approval of the subject application subject to the above provisions and limitations and to the Special Rules and Regulations for the Application of a "Production Limitation Factor" hereinafter set forth will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for the Morris R. Antweil Rio Well No. 2 to be located at a point 660 feet from the North line and 660 feet from the West line of Section 29, Township 18 South, Range 25 East, NMPM, Penasco Draw-Morrow Gas Pool, Eddy County, New Mexico.

(2) That a 320-acre proration unit consisting of the N/2 of said Section 29 shall be simultaneously dedicated to the above-described well and to the Rio Well No. 1 located in Unit G of said Section 29.

(3) That said proration unit is hereby assigned a Production Limitation Factor in the Morrow Formation of 0.71.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said Penasco Draw-Morrow Gas Pool, the Special Rules hereinafter promulgated shall apply.

(5) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well or wells:

SPECIAL RULES AND REGULATIONS  
FOR THE  
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"  
TO A NON-PRORATED GAS WELL OR WELLS

APPLICATION OF RULES

RULE 1.(A) These rules shall apply to the proration unit consisting of the N/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, upon completion and connection as a Morrow formation producing well of the Morris R.

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Antweil Rio Well No. 2 located 660 feet from the North line and 660 feet from the West line of said Section 29.

RULE 1.(B) A Production Limitation Factor of 0.71 shall be applied to the proration unit's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

RULE 1.(C) Any deliverability determined by any of the hereinafter described procedures shall be the total deliverability of any Morrow producing wells on such proration unit as determined by adding such deliverabilities.

#### ALLOWABLE PERIOD

RULE 2. The allowable period for the subject unit shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.

#### DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the Rio Well No. 2 the operator shall determine the open flow capacity of producing wells on the proration unit in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's or wells' initial deliverability shall be calculated against average pipeline pressure.

RULE 5. The well's or wells' "subsequent deliverability" shall be determined twice a year, and shall be equal to its or their highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well or wells have been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

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RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

#### CALCULATION AND ASSIGNMENT OF ALLOWABLES

RULE 8. The unit's allowable as determined by these rules shall commence upon the date of connection to a pipeline of said Rio Well No. 2 and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The unit's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The unit's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the unit shall not have been producing under these rules for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.

RULE 13. In no event shall the unit receive an allowable of less than 500,000 cubic feet of gas per day.

#### BALANCING OF PRODUCTION

RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 15. If the unit has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may

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produce such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the unit shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 17. If the unit has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the unit is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the unit, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for the unit if it has produced in excess of the monthly rate authorized by the Director.

RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17, 18, or 19 above upon a showing at public hearing that the same is necessary to avoid material damage to the well or wells.

#### GENERAL

RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the unit. No further allowable shall be assigned to the unit until all rules and regulations are complied with. The Division shall notify the operator of the unit and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

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(6) 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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