

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. 8715
Order No. R-6469-B

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR THE AMENDMENT
OF THE SPECIAL RULES AND REGULATIONS
FOR THE WEST PUERTO CHIQUITO-MANCOS OIL
POOL, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on September 25, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of March, 1986, 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) At the time of the hearing Division Cases Nos. 8695, 8714 and 8715 were consolidated for the purposes of testimony.

(3) By Division Orders Nos. R-2565-C, R-6469, and R-6469-A, the New Mexico Oil Conservation Division amended the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as promulgated by Division Order No. R-2565-B, which included, among other things, provisions for 640-acre spacing and proration units, well location requirements, assigning to each 640-acre unit a depth bracket allowable of 640 barrels of oil per day, and restricting the number of wells drilled on each unit to only one.

(4) The applicant, Benson-Montin-Greer Drilling Corporation, seeks, at this time, the amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil

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Pool, to allow a second well to be drilled on any 640-acre proration unit in a "Buffer Zone" to be formed on the western portion of the pool where it shares, in part, a common boundary with the Gavilan-Mancos Oil Pool, which is spaced on 320-acre proration units with a depth bracket allowable of 702 barrels of oil per day from each unit.

(5) Said Buffer Zone would consist of the following described acreage which includes, in part, the western-most two rows of sections in the subject pool, all in Rio Arriba County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

(6) Applicant further seeks an amendment increasing the depth bracket allowable for the pool with additional provisions in the above-described Buffer Zone.

(7) Based on the evidence presented at this hearing and the testimony and evidence from the previous cases concerning the Gavilan and West Puerto Chiquito-Mancos Oil Pools of which administrative notice was taken, the two aforementioned pools share a common reservoir within the Mancos formation.

(8) Within this general area the Mancos formation sharply updips to the east and actually outcrops within a mile to the east of the West Puerto Chiquito-Mancos Oil Pool's eastern boundary thereby placing it in depth range of 0 to 5,000 feet. The Mancos formation within the Gavilan-Mancos Oil Pool averages between 6,000 to 7,000 feet.

(9) The fact of producing wells on each side of the common boundary between the West Puerto Chiquito-Mancos and the Gavilan-Mancos Oil Pools would strongly indicate that uncompensated drainage would be reduced and correlative rights would be better served if the West Puerto Chiquito-Mancos Oil Pool was assigned an allowable more nearly equivalent to the 640-acre total allowable in the Gavilan-Mancos Pool.

(10) The applicant proposed the new allowable of the subject pool be based on the allowable assigned in the Gavilan-Mancos Oil Pool times two, or 1404 barrels of oil per day.

(11) A review of the testimony presented at the hearing indicates that the evidence is insufficient to support this reasoning. The allowable should therefore be based on the depth bracket allowable as set out in Division General Rule 505, which is calculated to be 1342 barrels of oil per day for a 640-acre unit at a depth range of 6,000 to 7,000 feet.

(12) Within the proposed "Buffer Zone" as described in Finding No. (5) above, the applicant proposes the following amendments to the subject Special Pool Rules:

(a) A second well be permitted on a 640-acre proration unit;

(b) Only one well should be allowed to be drilled in the west one-half of each section in the row of Sections in the pool which immediately borders the Gavilan-Mancos Oil Pool;

(c) Any well on a proration unit that is located closer than 2310 feet from the immediate eastern boundary of the Gavilan-Mancos Oil Pool would not be allowed to produce that share of its proration unit's top allowable that is in excess of the top allowable for a well on a 320-acre proration unit in the Gavilan-Mancos Oil Pool, or 702 barrels of oil per day; and,

(d) When there is only one well on a 640-acre proration unit and it is located 2310 feet or more from the immediate eastern boundary of the Gavilan-Mancos Oil Pool, it would be allowed to produce a full proration unit's top allowable.

(13) The evidence presented shows that an order embodying the above findings is in the best interest of conservation, would prevent waste and protect correlative rights, and should therefore be approved and made effective as of February 1, 1986.

(14) The Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated and amended by Division Orders Nos. R-2565-B, R2565-C, R-6469, and R-6469-A, have become somewhat complex, complicated, and unclear; therefore, these Special Rules should at this time be renumbered for the purpose of clarification.

IT IS THEREFORE ORDERED THAT:

(1) The Special Rules for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as previously established by Division Order No. R-2565-B as amended by Division Orders Nos. R-2565-C and R-6469-A are hereby superseded.

(2) That new Special Rules are hereby established for the West Puerto Chiquito-Mancos Oil Pool incorporating new or revised provisions in compliance with the findings of this order and pre-existing rules not in conflict therewith, all as follows:

SPECIAL RULES FOR THE
WEST PUERTO CHIQUITO-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 640-acres which shall comprise a single governmental section, being a legal subdivision of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 632 and 648 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. An exception to the provisions of Rule 2 above may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the

non-standard unit within 30 days after the Director received the application.

RULE 4. (a) Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located no nearer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line, provided however, that, with the exception of those areas as described in Rule 5 below, nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

(b) The operator of each well projected to and completed in the West Puerto Chiquito-Mancos Oil Pool shall conduct deviation tests on such well to determine the deviation from the vertical at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Gas.

(c) If the total deviation, assumed in a constant direction, indicates a horizontal displacement of the lowermost perforation, or the bottom of the hole in the case of an open-hole completion, of more than 330 feet from the surface location, no allowable shall be approved for the well unless a directional survey approved by the Division Director establishes a horizontal displacement of 330 feet or less, or unless the well has been approved for production, subject to a possible production penalty; after notice and hearing.

RULE 5. The Division Director may grant an exception to the surface location requirements of Rule 4 (a) 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 proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers of objection from all operators or if no objection is received from any offsetting operator within 20 days after receipt of the application and written waivers have been received from all offset operators whose lands are being "crowded" either directly or diagonally by the proposed unorthodox location.

RULE 6. (a) A second well may be drilled on any proration unit which lies within the following described

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"Buffer Zone" which includes the western-most two rows of sections within the pool, all in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

However, only one well shall be allowed in the western one-half of each section of the western-most row of sections in the above-described "Buffer Zone".

(b) The Director of The Oil Conservation Division may administratively extend the "Buffer Zone" upon an extension of the common boundary between the West Puerto Chiquito Oil Pool and the Gavilan-Mancos Oil Pool.

RULE 7. (a) Except as otherwise provided for in subparts (b) and (c), below, a standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 648 acres) shall be assigned a top allowable of 1342 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned an allowable in the same ratio to 1342 as the acreage in the proration unit bears to 640.

(b) Any well on a proration unit which is located closer than 2310 feet from the eastern boundary of the Gavilan-Mancos Oil Pool shall not be allowed to produce that share of its proration unit's top allowable that is in excess of the top allowable for a well on a 320-acre proration unit in the Gavilan-Mancos Oil Pool.

(c) Any well in the pool which is the only well on a 640-acre proration unit and which is located 2310 feet or more from the eastern boundary of the Gavilan-Mancos Oil Pool shall be allowed to produce a full proration unit's top allowable.

(3) The Special Rules for the West Puerto Chiquito-Mancos Oil Pool as described above shall be made effective as of February 1, 1986.

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(4) All other provisions as set forth by Division Order No. R-2565-B, as amended by Orders Nos. R-2565-C, R-6469, and R-6469-A, are hereby continued in full force and effect until further order of the Division.

(5) 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

R. L. Stamets

R. L. STAMETS,
Director

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