

Entered February 10, 1981  
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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. 7128  
Order No. R-6586

APPLICATION OF HNG OIL COMPANY  
FOR POOL CREATION, SPECIAL POOL  
RULES, ASSIGNMENT OF A DISCOVERY  
ALLOWABLE, AND DUAL COMPLETION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 14, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of February, 1981, 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 creation of a new Wolfcamp oil pool for its San Simon 6 State Comm. Well No. 1 located 1980 feet from the North line and 660 feet from the East line of Section 6, Township 22 South, Range 35 East, with special rules therefor, including provisions for 160-acre spacing.

(3) That the applicant further seeks a discovery allowable for said well and approval for its dual completion to produce oil from the Wolfcamp and gas from an undesignated Morrow pool through parallel strings of tubing.

(4) That the applicant, HNG Oil Company, is the owner of said San Simon 6 State Comm. Well No. 1.

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(5) That said well was dually completed as an oil well and as a gas well capable of producing from the Wolfcamp and Morrow formations on October 31, 1980, through perforations from 11,132 feet to 11,154 feet and 13,110 feet to 13,117 feet, respectively.

(6) That the applicant seeks the creation of a new pool for Wolfcamp production for said well, and the assignment of an oil discovery allowable in the amount of 55,660 barrels of oil to said well.

(7) That said well has in fact made discovery of a new Wolfcamp oil pool, and is entitled to the assignment of such discovery allowable.

(8) That a new pool in Lea County, New Mexico, should be created and defined, classified as an oil pool for Wolfcamp production, and designated as the San Simon-Wolfcamp Oil Pool, comprising the following-described lands:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 6: NE/4

(9) That the discovery well for said pool, the HNG Oil Company San Simon 6 State Comm. Well No. 1, located in Unit H of said Section 6 should be assigned an oil discovery allowable in the amount of 55,660 barrels to be produced in addition to the well's regularly assigned allowable during the next 730 days.

(10) 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, special rules and regulations providing for 160-acre spacing units should be promulgated for the San Simon-Wolfcamp Pool.

(11) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(12) That the mechanics of the proposed dual completion are feasible and in accord with good conservation practices.

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

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IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production, is hereby created and designated as the San Simon-Wolfcamp Oil Pool, consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 6: NE/4

(2) That the discovery well for said pool, the HNG Oil Company San Simon 6 State Comm. Well No. 1, located in Unit H of said Section 6, is hereby assigned an oil discovery allowable in the amount of 55,660 barrels, to be produced in addition to said well's regularly assigned allowable, at the rate of approximately 77 barrels per day during the next 730 days.

(3) That Special Rules and Regulations for the San Simon-Wolfcamp Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE SAN SIMON-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the San Simon-Wolfcamp Pool or in the Wolfcamp formation within one mile of the San Simon-Wolfcamp Pool, and not nearer to nor within the limits of another designated Wolfcamp pool, shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the San Simon-Wolfcamp Pool shall be located on a unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. Each well completed or recompleted in said pool shall not be drilled closer than 660 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line.

RULE 4. For good cause shown, the Division Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising less than 160 acres. All operators offsetting the proposed non-standard unit 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

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approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to an established allowable in the San Simon-Wolfcamp Pool as the acreage in such non-standard unit bears to 160 acres.

RULE 5. A standard proration unit (158 through 162 acres) in the San Simon-Wolfcamp Pool shall be assigned a depth bracket allowable of 605 barrels, subject to the market demand percentage factor, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit in any proportion.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the San Simon-Wolfcamp Pool or in the Wolfcamp 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 May 1, 1981.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the San Simon-Wolfcamp Pool shall have dedicated there-to 160 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 160 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 San Simon-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

IT IS FURTHER ORDERED:

(1) That the applicant, HNG Oil Company, is hereby authorized to complete its San Simon 6 State Comm. Well No. 1, located

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in Unit H of Section 6, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, as a dual completion (conventional) to produce oil from the Wolfcamp formation and gas from the Morrow formation through parallel strings of tubing with separation of the zones to be accomplished by means of polished bore receptacles located at approximately 10,782 feet and 11,356 feet.

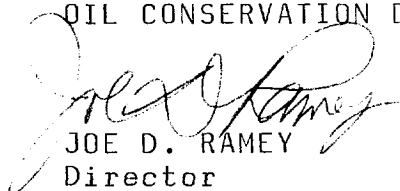
PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Division Rules and Regulations insofar as said rule is not inconsistent with this order;

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 Southeastern New Mexico.

(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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