

Entered July 1, 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. 7225
Order No. R-6722

APPLICATION OF KNOX INDUSTRIES, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 20, 1981,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of July, 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, Knox Industries, Inc., seeks
approval of an unorthodox gas well location for its Maddox Well
No. 1 to be drilled 1980 feet from the South line and 660 feet
from the West line of Section 12, Township 23 South, Range 34
East, NMPM, to test the Morrow formation, Northeast Antelope
Ridge Field, Lea County, New Mexico.

(3) That the S/2 of said Section 12 is to be dedicated to
the well.

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the proration
unit.

(5) That the offset operator to the west, Amoco Production
Company, objected to the proposed unorthodox location.

(6) That from the evidence presented at the hearing by both the applicant and the opposition it appears that there is little likelihood of commercial gas reserves being found in the SE/4 of the subject Section 12.

(7) That any productive sands which might be encountered by a well drilled at the proposed unorthodox location would most likely extend from the SW/4 of Section 12 westward into the SE/4 of Section 11, which lands are owned by Amoco.

(8) That although applicant foresees the possibility of also obtaining production in the Upper and Lower Atoka zones of the Pennsylvanian, and presented evidence concerning said zones, the application was filed for the Morrow zone only, and the legal notice for this case is for the Morrow only.

(9) That should applicant encounter production in the Upper or Lower Atoka, the case should be reopened and the evidence pertaining to said Atoka zones considered at that time.

(10) That to produce a well at full allowable at the proposed location would give the owner of such well an unfair advantage over the owner to the west, unless such owner drilled a well at an unorthodox location equidistant from its lease line as applicant's proposed location is from its lease line.

(11) That to offset the aforesaid advantage and eliminate the need for an offsetting unorthodox location, some method of restricting production from the proposed well at the proposed unorthodox location should be imposed.

(12) That the proposed unorthodox well location would be a standard location for a well in a 160-acre spaced gas reservoir.

(13) That the well should be assigned an allowance limitation factor based upon a 160-acre spaced location, or 50 percent (160 acres divided by 320 acres x 100), in the Morrow zone of the Pennsylvanian formation.

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

(15) That the minimum calculated allowable for the subject well should be reasonable, and 1,000,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(16) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject reservoir or other productive zones found, 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 well location for the Morrow formation is hereby approved for the Knox Industries, Inc., Maddox Well No. 1, to be located at a point 1980 feet from the North line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, NMPM, Northeast Antelope Ridge Field, Lea County, New Mexico.

(2) That the S/2 of said Section 12 shall be dedicated to the above-described well.

(3) That said well is hereby assigned a Production Limitation Factor of 0.50 in the Morrow formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said Morrow formation, 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:

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

APPLICATION OF RULES

RULE 1. These rules shall apply to the Knox Industries, Inc. Maddox Well No. 1, to be located 1980 feet from the North line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, which well's Production Limitation Factor of 0.50 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

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ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well 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 well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its 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 has 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.

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 well's allowable shall commence upon the date of connection to a pipeline 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 well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well'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 well shall not have been producing 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 well receive an allowable of less than one million 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 well 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 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 well 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 well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

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RULE 18. If, during any month, it is discovered that the well 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 well, 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 well 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.

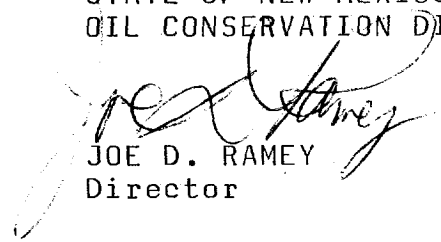
GENERAL

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 well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

(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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