

Entered February 1 1984
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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
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8003 DE NOVO
Order No. R-7445

APPLICATION OF EATON INDUSTRIES OF
HOUSTON, INC. FOR AN UNORTHODOX OIL WELL
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 2, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14th day of February, 1984, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Eaton Industries of Houston, Inc., seeks approval of an unorthodox oil well location 1650 feet from the South line and 2290 feet from the East line of Section 27, Township 12 South, Range 37 East, NMPM, Southwest Gladiola-Devonian Pool, Lea County, New Mexico.

(3) That the matter came on for hearing at 8 a.m. on November 22, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets and, pursuant to this hearing, Order No. R-7397 was issued on December 8, 1983, which approved said application.

(4) That on December 12, 1983, application for Hearing De Novo was made by Cities Service Company and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing de novo at 9:00 a.m. on February 2, 1984.

(6) That the N/2 SE/4 of said Section 27 is to be dedicated to the well.

(7) That an offset operator, Cities Service Company, appeared at the hearing and objected to approval of the aforesaid unorthodox location without penalty on the grounds that a well drilled at said location would drain oil from an offsetting lease, thereby violating correlative rights.

(8) That approval of the unorthodox location will improve applicant's geological prospect for encountering the Devonian formation near the top of the structure and above the water-oil contact and will better enable it to produce the oil underlying the N/2 SE/4 of said Section 27.

(9) That said unorthodox location will also place applicant in a more favorable position to drain oil from the Cities Service Company offsetting lease which drainage would not be compensated for by counter drainage.

(10) That such drainage without counter drainage would result in the impairment of the correlative rights of said offset operator.

(11) That approval of the proposed unorthodox location should be considered only if an adequate penalty is imposed on production from such location to minimize the aforesaid drainage and thus protect correlative rights.

(12) That the Special Pool Rules for the Southwest Gladiola-Devonian Pool require that wells drilled to or completed in said pool be located within 150 feet of the center of the quarter-quarter section in which they are situated.

(13) That the most southwesterly well-site in the NW/4 SE/4 of said Section 27 which would constitute a legal location would be 1874 feet from the South line and 2086 feet from the East line of the section; that a well at the subject unorthodox location, being 1650 feet from the South line and 2290 feet from the East line of the section, is 224 feet closer than permitted to the South line and 204 feet closer than is permitted to the West line, and is located only 59.6 percent of the required distance from the south line and 63.2 percent of the required distance from the west line.

(14) That assuming 80-acre radial drainage, a well at the subject unorthodox location would have an area of drainage of approximately 7.50 acres outside its proration

unit more than would a well located at the most southwesterly standard location on the spacing and proration unit.

(15) That having 7.50 acres more drainage outside its proration unit than permitted, a well would have at the subject unorthodox location 72.5 acres, or but 90.62 percent, of its drainage within the area permitted.

(16) That the penalty imposed upon a well at the subject unorthodox location should be based upon the footage variation of the location from a standard location as described in Finding No. (13) above and on the drainage encroachment described in Finding No. (15) above, and the allowable factor should be calculated as being equal to: 59.6 percent South footage factor plus 63.2 percent West footage factor plus 90.6 percent acreage factor, divided by 3 or 71 percent.

(17) That an allowable factor of 0.71 for a well at the subject unorthodox location (a penalty of 29 percent) will prevent waste and protect the correlative rights of the applicant as well as other operators in the pool, and should be approved.

(18) That the allowable factor should be applied to the producing capacity of the well to be drilled at the subject unorthodox location or to the top allowable of a well in the Southwest Gladiola-Devonian Pool, whichever is less.

IT IS THEREFORE ORDERED:

(1) That the applicant, Eaton Industries of Houston, Inc. is hereby authorized to drill an oil well to test the Devonian formation at a point 1650 feet from the South line and 2290 feet from the East line of Section 27, Township 12 South, Range 37 East, NMPM, Southwest Gladiola-Devonian Pool, Lea County, New Mexico.

(2) That a well drilled at the above unorthodox location shall have an allowable factor of 0.71 which shall be applied to the producing capacity of the well or to the top allowable for the Southwest Gladiola-Devonian Pool, whichever is less.

(3) That the producing capacity of the well shall be determined upon completion and yearly thereafter during the annual gas-oil ratio test period for the Southwest Gladiola Devonian Pool and shall be that volume of oil produced during the last 24 hours of a 72 hour test period.

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(4) That offset operators and the Hobbs district office shall be notified at least 48 hours prior to conducting producing capacity testing so that they may witness the test.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

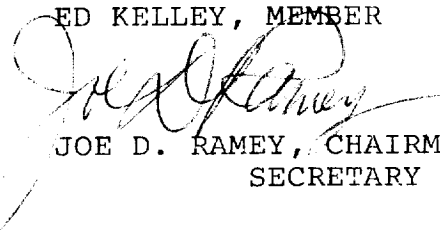
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, MEMBER



ED KELLEY, MEMBER



JOE D. RAMEY, CHAIRMAN AND
SECRETARY