

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. 8834
Order No. R-8222

APPLICATION OF CITIES SERVICE OIL & GAS
COMPANY FOR POOL CREATION, SPECIAL POOL
RULES, DISCOVERY ALLOWABLE, AND AN
UNORTHODOX OIL WELL LOCATION, LEA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 19, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of May, 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) The applicant, Cities Service Oil & Gas Company, is the owner and operator of the Elkan "A" Well No. 1 located 1650 feet from the South line and 990 feet from the West line of Section 25, Township 13 South, Range 34 East, NMPM, Lea County, New Mexico.
- (3) The applicant seeks the creation of a new oil pool for production from the Bough "C" Member of the Cisco formation of the Upper Pennsylvanian System, with special pool rules including a provision for well location requirements and a provision for 80-acre spacing and proration units.
- (4) The applicant further seeks the assignment of oil discovery allowable pursuant to Division General Rule 509 to the above-described well which is located at an unorthodox oil well location under the proposed special pool rules.

-2-

Case No. 8834
Order No. R-8222

(5) The evidence presently available indicates that the aforementioned Elkan "A" Well No. 1 has discovered a separate common source of supply in the Bough "C" zone in the perforated interval from 10,470.5 feet to 10,500.5 feet (depth measurement from surface).

(6) The vertical limits of the proposed pool should be extended to include the entire Upper Pennsylvanian System so as to assure spacing continuity of any possible production throughout the system and to be consistent with past Division practices of designating the vertical interval of pools in this general area, based on similar completion and production data.

(7) A new oil pool should be created and designated the Alston Ranch-Upper Pennsylvanian Pool; the vertical limits of said pool should include all formations from the base of the Wolfcamp formation to the top of the Canyon formation; and the horizontal limits of said pool should be comprised of the W/2 SW/4 of Section 25, Township 13 South, Range 34 East, NMPM, Lea County, New Mexico.

(8) There is ample evidence in the record of this case to justify the establishment of 80-acre spacing and proration units on a temporary basis, and such temporary spacing should be adopted for a period of two years.

(9) Said temporary rules should provide for well locations to be within 150 feet of the center of a governmental quarter-quarter section.

(10) Such temporary rules will not cause waste nor impair correlative rights.

(11) During the two year period in which this order is in effect, applicant should gather all available information relative to drainage and recoverable reserves in the subject pool.

(12) This case should be reopened at an examiner hearing in May 1988, at which time operators in the subject pool should appear and show cause why the pool should not be developed on 40-acre spacing and proration units.

(13) Said Elkan "A" Well No. 1 was located at a standard oil well location within a standard 40-acre oil spacing unit at the time it was drilled; however, under the proposed Special Pool Rules the location is unorthodox and should therefore be approved.

-3-

Case No. 8834
Order No. R-8222

(14) Under the provisions of Division General Rule 509, said Elkan "A" Well No. 1 is also entitled to and should be assigned a discovery allowable equal to 5 barrels for each foot of depth to the uppermost perforation below ground level, or 52,353 barrels.

IT IS THEREFORE ORDERED THAT:

(1) A new oil pool in Lea County, New Mexico, is hereby created and designated the Alston Ranch-Upper Pennsylvanian Pool, with vertical limits comprising all formations from the base of the Wolfcamp formation to the top of the Canyon formation, and the horizontal limits comprising the following described area:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM
Section 25: W/2 SW/4

(2) The discovery well for said pool, the applicant's Elkan "A" Well No. 1 located at an unorthodox oil well location 1650 feet from the South line and 990 feet from the West line of said Section 25, is hereby approved and assigned a discovery allowable in the amount of 52,353 barrels, said allowable to be produced in accordance with Division Rule 509.

(3) Temporary Special Rules for said pool are hereby promulgated as follows:

SPECIAL RULES FOR THE
ALSTON RANCH-UPPER PENNSYLVANIAN POOL

- Rule 1. Each well completed or recompleted in the Alston Ranch-Upper Pennsylvanian Pool or in any formation from the base of the Wolfcamp to the top of the Canyon formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian Pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules hereinafter set forth.
- Rule 2. Each well completed or recompleted in the Alston Ranch-Upper Pennsylvanian Pool shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a single governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

- Rule 3. The Director of the Division may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit comprising a single quarter-quarter section or lot. 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 Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.
- Rule 4. Each well drilled in the Alston Ranch-Upper Pennsylvanian Pool shall be located within 150 feet of the center of a governmental quarter-quarter section.
- Rule 5. The Director may grant an exception to the requirements of Rule 4 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 Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.
- Rule 6. A standard proration unit (79 through 81 acres) in the Alston Ranch-Upper Pennsylvanian Pool shall be assigned an 80-acre depth bracket allowable of 400 barrels for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable in the Alston Ranch-Upper Pennsylvanian Pool as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(4) The locations of all wells, with the exception of said Elkan "A" Well No. 1, presently drilling to or completed in the Alston Ranch-Upper Pennsylvanian Pool or in any formation from the base of the Wolfcamp formation to the top of the Canyon formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian Pool, are hereby approved; 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 July 1, 1986.

(5) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the Alston Ranch-Upper Pennsylvanian Pool shall have dedicated thereto 80 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 80 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 Alston Ranch-Upper Pennsylvanian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1), above, or within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(6) This case shall be reopened at an examiner hearing in May 1988, at which time the operators in the subject pool may appear and show cause why the Alston Ranch-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-6-

Case No. 8834
Order No. R-8222

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

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