

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. 8773  
Order No. R-8384

APPLICATION OF BLISS PETROLEUM,  
INC. FOR AN UNORTHODOX 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 April 2, 1986, and on April 30, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of January, 1987, 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, Bliss Petroleum, Inc., seeks approval of an unorthodox well location for its J. W. Grizzell "A" Well No. 1 located 1034 feet from the South line and 2635 feet from the West line of Section 5, Township 22 South, Range 37 East, NMPM, to test all formations through the San Andres formation, Lea County, New Mexico.
- (3) The SW/4 of said Section 5 is to be dedicated to the well if it is completed as a gas well and the SE/4 SW/4 of said Section 5 is to be dedicated to the well if it is completed as an oil well.
- (4) The re-entry of said well and attempted completion at said unorthodox location will make it economically possible for the applicant to produce the oil and/or gas underlying the proration unit to be dedicated to the well.

(5) Marathon Oil Company, an offset operator, has objected to the proposed location.

(6) A well at the proposed location is only 5 feet from the West line of the proration unit or 99 percent closer to the West line of a gas proration unit, and 98 percent closer to the West line of an oil proration unit than permitted by Division Rules and Regulations.

(7) A gas well at the proposed location will have an area of drainage in the San Andres formation which extends an additional 44.5 net acres outside Section 5, an amount of acreage equivalent to 28 percent of a standard 160-acre proration unit in said formation.

(8) To offset the advantage gained over the protesting offset operator, production from the well at the proposed unorthodox location should be limited from the San Andres formation.

(9) Such limitation should be based upon the 99 percent variation of the location from a standard location and the 44.5 net-acre encroachment described in Finding No. (7) above, and may best be accomplished by assigning the well an allowable limitation factor of 36.5 (one percent East/West factor plus 72 percent net-acre factor divided by 2).

(10) In the absence of any special rules and regulations for the proration of production from said Undesignated San Andres Pool, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(11) Should the well be completed as an oil well, production from the well should be limited to offset the advantage gained over the protesting offset operator by use of the same formula set out in Finding No. (9) above and the resulting production limitation should be applied against said well's depth bracket allowable.

(12) Prior to producing said J. W. Grizzell "A" Well No. 1, Bliss Petroleum, Inc. at its own expense should survey said well to establish that the well's location in any formation is no more than 2635 feet from the West line of said Section 5.

(13) Approval of the application subject to the above requirements, provisions, and limitations will afford the applicant the opportunity to produce its just and equitable

-3-

Case No. 8773  
Order No. R-8384

share of the gas in the subject pool, 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 THAT:

(1) An unorthodox well location for all formations from the surface to the base of the San Andres formation is hereby approved for the Bliss Petroleum, Inc. J. W. Grizzell "A" Well No. 1 located at a point 1034 feet from the South line and 2635 feet from the West line of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The SW/4 of said Section 5 shall be dedicated to the above-described well if it is completed as a gas well and the SE/4 SW/4 of said Section 5 shall be dedicated to the well if it is completed as an oil well.

(3) Said well is hereby assigned a Production Limitation Factor of 0.365 in the San Andres formation.

(4) In the absence of any Special Rules and Regulations prorating gas production in said Undesignated San Andres Gas Pool, the special rules hereinafter promulgated shall apply.

(5) 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 Bliss Petroleum, Inc. J. W. Grizzell "A" Well No. 1, located 1034 feet from the South line and 2635 feet from the West line of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, which well's Production Limitation Factor of 0.365 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

-4-

Case No. 8773  
Order No. R-8384

#### 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 Hobbs District Office of the Division no 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.

-5-

Case No. 8773

Order No. R-8384

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.

#### BALANCING OF PRODUCTION

RULE 13. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 14. 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 underproduced at the end of the period shall be cancelled.

RULE 15. 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 16. 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.

RULE 17. 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.

-6-

Case No. 8773

Order No. R-8384

RULE 18. 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 19. 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 20. 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) Should the well be completed as an oil well, production from the well should be limited to offset the advantage gained over the protesting offset operator by use of the same formulas set out in Finding No. (9) above, and the resulting production limitation should be applied against said well's depth bracket allowable.

(7) PROVIDED HOWEVER THAT, prior to producing said J. W. Grizzell "A" Well No. 1, Bliss Petroleum, Inc. shall survey said well at its own expense to establish that the well is located in the San Andres formation at a point not more than 2635 feet from the West line of said Section 5. Said survey shall be witnessed by the Division and by any offsetting operator who so desires.

(8) PROVIDED FURTHER THAT, if said J. W. Grizzell "A" Well No. 1 is located in the San Andres formation at a point more than 2635 feet from the West line of said Section 5, Order Paragraph (1) of this order shall be rescinded.

-7-

Case No. 8773

Order No. R-8384

(9) 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

  
CHARLES E. ROYBAL  
Acting Director

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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 8773  
ORDER NO. R-8384-A

APPLICATION OF BLISS PETROLEUM INC.  
FOR AN UNORTHODOX WELL LOCATION,  
LEA COUNTY, NEW MEXICO

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-8384 dated January 9, 1987 does not correctly state the intended order of the Division:

IT IS THEREFORE ORDERED THAT:

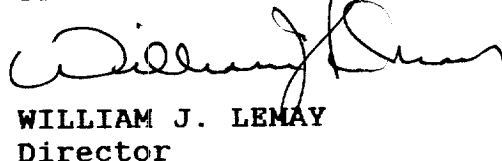
(1) Finding Paragraph No. (6) on page 2 of said Order No. R-8384, be and the same is hereby amended to read as follows:

"(6) A well at the proposed location is only 5 feet from the East line of the proration unit or 99 percent closer to the East line of a gas proration unit, and 98 percent closer to the East line of an oil proration unit than permitted by Division Rules and Regulations."

(2) The corrections set forth in this order be entered nunc pro tunc as of January 9, 1987.

DONE at Santa Fe, New Mexico, on this 8th day of May, 1989.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

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