

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. 9200
Order No. R-8518

APPLICATION OF MOBIL PRODUCING
TEXAS AND NEW MEXICO INC. FOR
POOL CREATION AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 26, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of September, 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, Mobil Producing Texas and New Mexico Inc. (Mobil), seeks the creation of a new pool for the production of oil from the Upper Pennsylvanian formation comprising the NW/4 of Section 6, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico, and further seeks the promulgation of special rules and regulations for said pool including a provision for 80-acre spacing and proration units and designated well locations.

(3) The applicant is the owner and operator of the Lovington Deep Amoco State Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 6, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico.

(4) The evidence presented in this case indicates that the Lovington Deep Amoco State Well No. 1 has discovered a separate common source of supply in the Upper Pennsylvanian formation in the perforated interval from 10,768 feet to 10,816 feet (depth measured from surface).

(5) A new oil pool should therefore be created and designated the South Shoe-Bar Upper Pennsylvanian Pool with the vertical limits to include the Upper Pennsylvanian formation and the horizontal limits to include the NW/4 of Section 6, Township 17 South, Range 36 East, NMPM, Lea County, New Mexico.

(6) The applicant presented volumetric and decline curve analysis data obtained from production history to date and known reservoir parameters which indicates that the subject well is capable of draining an area in excess of 40 acres.

(7) 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, temporary special rules and regulations which provide for 80-acre spacing and proration units should be established for the South Shoe Bar-Upper Pennsylvanian Pool.

(8) The temporary rules and regulations should also provide for well locations to be within 150 feet of the center of a governmental quarter-quarter section.

(9) The temporary special rules and regulations should be established for a period of 18 months in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(10) This case should be reopened at an examiner hearing in March 1989, at which time the operators in the subject pool should appear and show cause why the temporary special pool rules should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new oil pool for Upper Pennsylvanian production, designated as the South Shoe Bar-Upper Pennsylvanian Pool, is hereby created with vertical limits consisting of the Upper Pennsylvanian formation and with horizontal limits consisting of the following described acreage:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM
Section 6: NW/4

(2) Temporary Special Rules and Regulations for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE
SOUTH SHOE BAR-UPPER PENNSYLVANIAN POOL

RULE 1. Each well completed or recompleted in the South Shoe Bar-Upper Pennsylvanian Pool or in the Upper Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well 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 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. For good cause shown, the 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 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 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 a standard allowable in the South Shoe Bar-Upper Pennsylvanian Pool as the acreage in such non-standard unit bears to 80 acres.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division 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 proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished.

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The Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 400 barrels per day, 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.

IT IS FURTHER ORDERED THAT:

(3) The locations of all wells presently drilling to or completed in the South Shoe Bar-Upper Pennsylvanian Pool or in the Upper Pennsylvanian 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 November 1, 1987.

(4) Each well presently drilling to or completed in the South Shoe Bar-Upper Pennsylvanian Pool or in the Upper Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian pool, shall receive a 40-acre allowable until Form C-102 dedicating 80 acres to the well has been filed with the Division.

(5) This case shall be reopened at an examiner hearing in March, 1989 at which time the operators in the subject pool may appear and show cause why the temporary special pool rules for the South Shoe Bar-Upper Pennsylvanian Pool should not be rescinded.

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

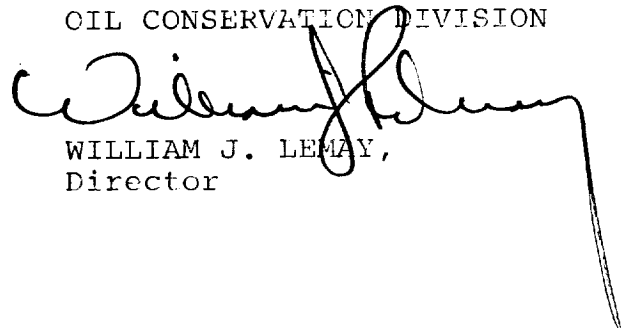
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DCNF at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', with a long, sweeping horizontal stroke extending to the right.

WILLIAM J. LEMAY,
Director

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