

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

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 9253
ORDER NO. R-8546

APPLICATION OF MANZANO OIL CORPORATION
FOR POOL CREATION AND SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 4, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of November, 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, Manzano Oil Corporation, is the owner and operator of the Elliott Federal Well No. 1 located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 30, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, which was spudded November 21, 1977, drilled to a total depth of 11,800 feet, and plugged and abandoned in January 1978. On July 18, 1987 this well was re-entered and in August 1987 was recompleted to and successfully tested the Bone Spring formation.

(3) Applicant now seeks the creation of a new pool for the production of oil from the Bone Spring formation and the promulgation of temporary special pool rules including a provision for well location requirements and a provision for 80-acre spacing and proration units.

(4) The evidence presently available indicates that the aforementioned Elliott Federal Well No. 1 has discovered a separate common source of supply in the Bone Spring formation from 7,153 feet to 8,230 feet.

(5) There is ample evidence in the record on this case which indicates that the Bone Spring formation encountered in the above-described well is of high permeability and that the drainage radius of the well will be in excess of 40 acres.

(6) In order to 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, 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 providing for 80-acre spacing units should be promulgated for the proposed pool.

(7) The temporary special rules and regulations should also provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(8) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a three-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 80-acre unit in the area can be efficiently and economically drained and developed by one well.

(9) A new pool classified as an oil pool for Bone Spring production should be created and designated the Santo Nino-Bone Spring Pool, with vertical limits to include the Bone Spring formation and the horizontal limits comprising the E/2 NE/4 of Section 30, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(10) This case should be reopened at an examiner hearing in November, 1990, at which time the operators in the subject pool should be prepared to appear and show cause why the Santo Nino-Bone Spring Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production, is hereby created and designated the Santo Nino-Bone Spring Pool, with vertical limits comprising the Bone Spring formation and the horizontal limits comprising the following described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 30: E/2 NE/4

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

SPECIAL RULES FOR THE
SANTO NINO-BONE SPRING POOL

RULE 1. Each well completed or recompleted in the Santo Nino-Bone Spring Pool or in the Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Bone Spring oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules 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 being a legal subdivision of the United States Public Lands Survey, provided, however, 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 notice and hearing when an application has been filed for a non-standard unit comprising a single governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Survey. 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 shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Director may grant an exception to the requirements of Rule 4 without 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 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 operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 310 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. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(3) The locations of any other wells drilling to or completed on or before the date of this order in the Santo Nino-Bone Spring Pool or within one mile thereof, and not nearer to or within the limits of another designated Bone Spring 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 January 1, 1988.

(4) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Santo Nino-Bone Spring 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 a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Santo Nino-Bone Spring 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 said pool.

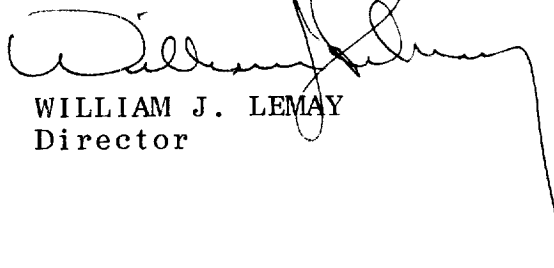
Page 5
Case No. 9253
Order No. R-8546

(5) This case shall be reopened at an examiner hearing in November 1990 at which time the operators in the subject pool may appear and show cause why the Santo Nino-Bone Spring Pool should not be developed on 40-acre spacing units.

(6) 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

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the typed name. A long, thin vertical line extends from the bottom of the signature down towards the bottom of the page.

WILLIAM J. LEMAY
Director

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