

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. 9270
ORDER NO. R-8586

NOMENCLATURE

APPLICATION OF H.L. BROWN, JR.
FOR POOL CREATION, SPECIAL POOL
RULES AND AN UNORTHODOX OIL WELL
LOCATION, ROOSEVELT COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION

This cause came on for hearing at 8:15 a.m. on December 2, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of January, 1988, 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, H.L. Brown, Jr., is the owner and operator of the Federal "27" Com Well No. 1 located 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico.

(3) The applicant seeks the creation of a new oil pool for Siluro-Devonian production comprising the NW/4 of Section 27 and the NE/4 of Section 28, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico, and the promulgation of temporary special pool rules and regulations therefor including a provision for 80-acre spacing and proration units and designated well location requirements.

(4) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Siluro-Devonian formation from 8,845 feet to 8,892 feet.

(5) The evidence presently available indicates that the Siluro-Devonian formation encountered in the above-described well is of high permeability, and that the drainage area 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 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 one-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 Siluro-Devonian production should be created and designated the North Bluit Siluro-Devonian Pool, with vertical limits to include the Siluro-Devonian formation.

(10) There is insufficient geological data at this time that properly shows the horizontal extent of the productive interval of the Siluro-Devonian formation in this area.

(11) The horizontal extent of the proposed pool boundaries should therefore be limited to the 80-acre spacing and proration unit to be dedicated to said Federal "27" Com Well No. 1.

(12) Said well was originally drilled at a standard location for a statewide 40-acre oil spacing and proration unit; however, under the proposed Special Rules for the pool this location is unorthodox and an exception should therefore be approved.

(13) At the time of the hearing the applicant requested that the S/2 NW/4 of said Section 27 be dedicated to said well.

(14) This case should be reopened at an examiner hearing in January, 1989, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary pool rules for the North Bluit Siluro-Devonian Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Roosevelt County, New Mexico, classified as an oil pool for Siluro-Devonian production, is hereby created and designated the North Bluit Siluro-Devonian Pool, with vertical limits comprising the Siluro-Devonian formation, and the horizontal limits comprising the following described area:

TOWNSHIP 7 SOUTH, RANGE 37 EAST, NMPM
Section 27: S/2 NW/4

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

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH BLUITT SILURO-DEVONIAN POOL

RULE 1. Each well completed or recompleted in the North Bluit Siluro-Devonian Pool or in the Siluro-Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Siluro-Devonian 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 Oil Conservation Division, hereinafter referred to as 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 one or more governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. 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 Division 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 H.L. Brown, Jr. Federal "27" Com Well No. 1 located at an unorthodox oil well location for the subject pool, 1650 feet from the North line and 660 feet from the West Line (Unit E) of Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico, the S/2 NW/4 of said Section 27 to be dedicated to said well, is hereby approved

(4) The locations of all wells presently drilling to or completed in the North Bluit Siluro-Devonian Pool or in the Siluro-Devonian formation within one mile thereof 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 within 30 days from the date of this order.

(5) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the North Bluit Siluro-Devonian 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 North Bluit Siluro-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, within one mile thereof, shall receive no more than one-half of a standard allowable for said pool.

(6) This case shall be reopened at an examiner hearing in January, 1989 at which time the operators in the subject pool may appear and show

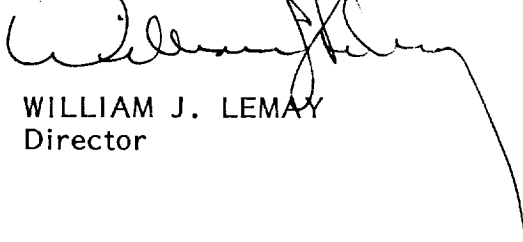
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cause why the temporary rules for the North Bluit Siluro-Devonian Pool promulgated hereby should not be rescinded.

(7) 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 black ink, appearing to read 'William J. Lemay', is written over the typed name. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director

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