

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. 9883
Order No. R-9147

APPLICATION OF BTA OIL PRODUCERS
FOR AN UNORTHODOX OIL WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of April, 1990, 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, BTA Oil Producers, seeks approval to drill its Pardue "C" 8808 JV-P Well No. 1 at an unorthodox oil well location 176 feet from the South line and 1550 feet from the West line (Unit N) of Section 11, Township 23 South, Range 28 East, NMPM, Undesignated East Loving-Delaware Oil Pool, Eddy County, New Mexico.

(3) The applicant proposes to dedicate the SE/4 SW/4 of said Section 11 to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.

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(4) Bird Creek Resources (Bird Creek), the affected offset operator to the south of the proposed location who currently operates the Teledyne Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 14, Township 23 South, Range 28 East, NMPM, which is currently completed in and producing from the East Loving-Delaware Pool, appeared at the hearing in opposition to the application.

(5) The applicant presented evidence and testimony which adequately demonstrates that the proposed unorthodox location is necessitated by numerous topographic and surface obstructions within the SE/4 SW/4 of said Section 11, and that geologic considerations were not a factor in selecting the proposed location.

(6) The applicant proposed that no production penalty be assessed against the subject well based upon its contention that the wells in the subject pool will not drain a 40-acre area.

(7) There is no evidence currently available which would indicate that the subject well or wells within the East Loving-Delaware Pool will not drain 40 acres.

(8) The evidence indicates that in order to protect the correlative rights of Bird Creek, the subject well should be assessed a production penalty.

(9) Both parties are in agreement that 150,000 barrels of oil is a good approximation of recoverable reserves underlying the 40-acre drainage area for the subject well.

(10) Bird Creek proposed that a production penalty in the amount of approximately 32,800 barrels of oil (22% of estimated recoverable reserves) be assessed against the subject well, said penalty based upon the following equation:

$$\text{PENALTY} = (A - B) / 40 \text{ acres} \times 150,000 \text{ barrels of oil}$$

where A= The number of acres within the subject well's 40-acre radius drainage circle that lie on Bird Creek's lease in said Section 14; and

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B= The number of acres located on its lease that are not being affected due to the theoretical no flow boundary between the subject well and its Teledyne Well No. 1.

(11) The production penalty proposed by Bird Creek is excessive in that a well located at a standard location 330 feet from the South line of said Section 11 would be allowed to drain approximately 20,000 of the 32,800 barrels of oil from Bird Creek's lease, using Bird Creek methodology.

(12) A production penalty in the amount of 12,225 barrels of oil (8.15% of estimated recoverable reserves) should be assessed against the subject well, said penalty derived by the following equation:

$$\text{PENALTY} = (A - B) - (C - D) \times (150,000 \text{ barrels of oil} / 40 \text{ acres})$$

where A= The number of acres within the subject well's 40-acre radius drainage circle that lie on Bird Creek's lease in said Section 14 (approximately 14.0 acres);

B= The number of acres located on Bird Creek's lease that are not being affected due to the theoretical no flow boundary between the subject well and the Teledyne Well No. 1 (approximately 5.1 acres);

C= The number of acres within a standard well location's 40-acre radius drainage circle that lie on Bird Creek's lease in said Section 14 (approximately 9.1 acres);

D= The number of acres located on Bird Creek's lease that are not being affected due to the theoretical no flow boundary between a well located at a standard location and the Teledyne Well No. 1 (approximately 3.46 acres).

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(13) The subject well should be assigned a production limitation factor of 53%, said factor being the ratio that the proposed location bears to a standard location in the north/south direction or 176 feet/330 feet.

(14) The production limitation factor should be assigned to the subject well until such time as 12,225 barrels of oil have been accrued as underproduction, and should be enforced in the following manner:

- (a) During the period of time the subject well is capable of production in excess of top unit allowable (142 barrels of oil per day) for the East Loving-Delaware Pool, the subject well should be allowed to produce 53% of 142 barrels of oil per day, or 75 barrels of oil per day.
- (b) In the event the subject well is initially incapable of production in excess of top unit allowable, or during the period of time the subject well is subsequently incapable of production in excess of top unit allowable, the subject well should be allowed to produce 53% of that amount which it is capable of producing. The amount the subject well is capable of producing should be determined by quarterly well tests witnessed by a representative of the Division's Artesia district office.

(15) Approval of the proposed unorthodox well location subject to the production limitation factor and penalty as described above will afford the applicant the opportunity to produce its just and equitable share of the oil 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.

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IT IS THEREFORE ORDERED THAT:

(1) The applicant, BTA Oil Producers, is hereby authorized to drill its Pardue "C" 8808 JV-P Well No. 1 at an unorthodox oil well location 176 feet from the South line and 1550 feet from the West line (Unit N) of Section 11, Township 23 South, Range 28 East, NMPM, Undesignated East Loving-Delaware Oil Pool, Eddy County, New Mexico.

(2) The SE/4 SW/4 of said Section 11 shall be dedicated to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.

(3) A production penalty in the amount of 12,225 barrels of oil (8.15% of estimated recoverable reserves) is hereby assessed against the above-described well.

(4) A production limitation factor of 53% is hereby assigned to the subject well until such time as 12,225 barrels of oil have been accrued as underproduction, and shall be enforced in the following manner:

- (a) During the period of time the subject well is capable of production in excess of top unit allowable (142 barrels of oil per day) for the East Loving-Delaware Pool, the subject well shall be allowed to produce 53% of 142 barrels of oil per day, or 75 barrels of oil per day.
- (b) In the event the subject well is initially incapable of production in excess of top unit allowable, or during the period of time the subject well is subsequently incapable of production in excess of top unit allowable, the subject well shall be allowed to produce 53% of that amount which it is capable of producing. The amount the subject well is capable of producing shall be determined by quarterly well tests witnessed by a representative of the Division's Artesia district office.

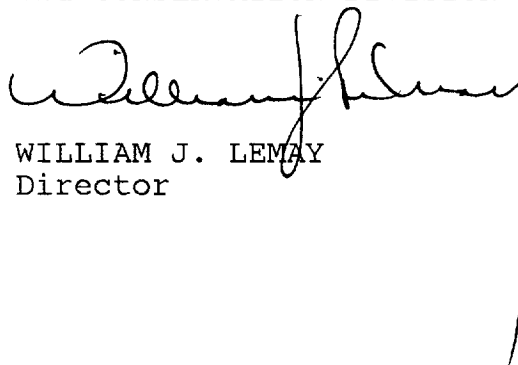
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(5) The applicant shall give advance notification to the supervisor of the Artesia district office of the Division of the date and time of the conductance of each quarterly well test in order that the same may be witnessed.

(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



WILLIAM J. LEMAY
Director

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