

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:

NOMENCLATURE
CASE NO. 10251
Order No. R-9476

APPLICATION OF KAISER-FRANCIS
OIL COMPANY FOR POOL CREATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 21, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 26th day of March, 1991, 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, Kaiser-Francis Oil Company, seeks the creation of a new pool for the production of gas from the Brushy Canyon member of the Delaware formation comprising the SE/4 of Section 8, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico.

(3) The applicant has recently drilled its AM Federal Well No. 1 located 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 8, and has completed said well in the Brushy Canyon member of the Delaware formation through perforations from approximately 4046 feet to 4062 feet.

(4) According to applicant's evidence, said AM Federal Well No. 1 was tested December 4, 1990 at a producing rate of approximately 973 MCFG and 3 barrels of oil per day (producing GOR of 319,667).

(5) The applicant contends that the AM Federal Well No. 1 has discovered a separate gas reservoir in the Brushy Canyon, and that said reservoir is very limited in extent.

(6) The subject well is located within one mile of the outer boundary of the East Catclaw Draw-Delaware Oil Pool which was created by the Division on February 1, 1991, by Order No. R-9418, and which currently comprises the W/2 of Section 9, Township 21 South, Range 26 East, NMPM.

(7) Chi Operating Inc. (Chi), an offset operator who currently operates several wells in Section 9 within the East Catclaw Draw-Delaware Oil Pool appeared at the hearing in opposition to the application.

(8) Chi presented geologic evidence and testimony to support its contentions that:

- a) the producing interval in the AM Federal Well No. 1 is present in its Oxy State Well No. 1 and its Wiser State Well No. 1 located, respectively, in Units K and F of Section 9;
- b) the producing interval is oil bearing underlying its acreage in Section 9;
- c) the AM Federal Well No. 1 may be producing from a gas cap within the oil reservoir;
- d) allowing the AM Federal Well No. 1 to produce unrestricted as a gas well may be detrimental to the reservoir and decrease ultimate oil recovery.

(9) The geologic evidence presented in this case does indicate that the producing zone in the AM Federal Well No. 1 is present in at least two wells operated by Chi in the W/2 of Section 9, being the Oxy State Well No. 1 and Wiser State Well No. 1.

(10) The evidence further indicates that the producing zone is likely to be productive in said Oxy State Well No. 1 and Wiser State Well No. 1.

(11) The evidence, however, is insufficient at this time to determine whether the producing interval is an oil reservoir with a gas cap or is a limited gas reservoir.

(12) The Oxy State Well No. 1 and the Wiser State Well No. 1 are currently completed and are producing from perforated intervals located, respectively, at 3074 feet to 3098 feet and 2724 feet to 2738 feet, and therefore, Chi is reluctant at this time to abandon said producing intervals in order to test the zone in question.

(13) Further evidence presented at the hearing indicates that Chi plans to drill several additional Delaware wells within Section 9 in the near future.

(14) In order to prevent possible reduced oil recovery and the waste of reservoir energy which may occur if the AM Federal Well No. 1 is allowed to produce unrestricted as a gas well, the subject application should be temporarily denied until such time as further evidence is available as to the nature of the subject reservoir.

(15) Chi has the opportunity and should be required to test the subject reservoir in its existing or proposed wells in order to obtain additional data to substantiate its claims as to the nature of the subject reservoir.

(16) Within six months from the date of this order, Chi should be required to submit to the applicant and to the Division, the additional data described in Finding No. (15) above, and at such time, the applicant, or the Division upon its own motion, may reopen this case to reexamine and determine the most prudent method of producing the reserves in the subject reservoir.

(17) The AM Federal Well No. 1 should be placed within the East Catclaw Draw-Delaware Oil Pool and should be allowed to produce no more than 80 barrels of oil and 160 MCFG per day in accordance with Division Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) The application of Kaiser-Francis Oil Company for the creation of a new pool for the production of gas from the Brushy Canyon member of the Delaware formation comprising the SE/4 of Section 8, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, is hereby temporarily denied.

(2) Within six months from the date of this order, Chi Operating Inc. shall be required to submit to the applicant and to the Division, the additional data described in Finding No. (15) above, and at such time, the applicant, or the Division upon its own motion, may reopen this case to reexamine and determine the most prudent method of producing the reserves in the subject reservoir.

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(3) The Kaiser Francis Oil Company AM Federal Well No. 1, located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 8, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, shall be placed within the East Catclaw Draw-Delaware Oil Pool and shall be allowed to produce no more than 80 barrels of oil and 160 MCFG per day in accordance with Division Rules and Regulations.

(4) Jurisdiction is hereby 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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