

**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. 12680
CONSOLIDATED ORDER NO. R-9722-F/R-10448-D**

**APPLICATION OF ENERGEN RESOURCES CORPORATION TO FURTHER
AMEND DIVISION ORDERS NO. R-9722, AS AMENDED, AND R-10448, AS
AMENDED, TO REINSTATE THE PROJECT ALLOWABLE FOR THE WEST
LOVINGTON STRAWN UNIT PRESSURE MAINTENANCE PROJECT UNDER
THE SPECIAL RULES AND REGULATIONS FOR THE WEST LOVINGTON-
STRAWN POOL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 28, 2001 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of August, 2001, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Energen Resources Corporation ("Energen"), seeks an order amending consolidated Orders No. R-9722-C and R-10448-A to reinstate the project allowable established under Order No. R-10488 equal to the top unit allowable for the West Lovington Strawn Pool, now at 250 barrels of oil per day, times the number of developed (production or injection) proration units within the project area, and also provide for the transfer of allowables among wells within the project area.

(3) By Division Order No. R-9722, issued in Case No. 10530 and dated September 23, 1992, as amended by Orders No. R-9722-A and R-9722-B, the West Lovington-Strawn Pool (originally designated the East Big Dog-Strawn Pool) was created and designated as an oil pool for the production of oil from the Strawn formation in Lea County, New Mexico. These orders also promulgated special rules and regulations for this

pool including provisions for standard 80-acre spacing and proration units subject to a depth bracket allowable of 445 barrels of oil per day (see special Rule 6) and designated well location requirements (see special Rule 4).

(4) The West Lovington-Strawn Pool currently comprises the following described acreage in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPPM

Section 28: SE/4
Section 32: E/2 SE/4
Section 33: All
Section 34: S/2
Section 35: SW/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPPM

Section 1: Lots 1 through 8
Section 2: Lot 1

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPPM

Section 5: Lots 3 and 4
Section 6: Lots 1 through 8.

(5) By Division Order No. R-10449, issued in Case 11195 and dated August 29, 1995, as amended by Orders No. R-10864 (issued in Case No. 11724 and dated August 27, 1997) and R-10864-B (issued in Case No. 12289 and dated March 20, 2000), the West Lovington Strawn Unit Area ("WLSU") was established. The WLSU currently comprises the following-described area in Lea County, New Mexico in the designated and Undesignated West Lovington-Strawn Pool:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPPM

Section 28: S/2 S/2
Section 32: E/2 E/2
Section 33: All
Section 34: S/2 NE/4, W/2, and SE/4
Section 35: W/2 SW/4

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPPM

Section 1: Lots 1 through 11 and the N/2 and SE/4 equivalents of Lot 12

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 5: Lots 3, 4, and 5
Section 6: Lots 1, 2, 6, 7, and 8.

The applicant is the designated operator in the WLSU.

(6) By Order No. R-10448, issued in Case No. 11194 on August 29, 1995, the Division approved gas injection operations within the WLSU, designated the project the "West Lovington Strawn Unit Pressure Maintenance Project," and established a project allowable for the pressure maintenance project area as follows:

(a) Pursuant to Ordering Paragraph No. (14) on page 7 of Order No. R-10448: *"The project allowable shall be equal to the top unit allowable for the West Lovington-Strawn Pool (445 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable shall be established at 4,895 barrels of oil per day."*

(b) Pursuant to Ordering Paragraph No. (15) on page 7 of Order No. R-10448: *"The transfer of allowable between wells within the project area shall be permitted."*

(7) In consolidated Division Order No. R-9722-C/ R-10448-A, issued in Case No. 11599 on February 26, 1997, the Division noted that the actual reservoir comprising the WLSU extended beyond the horizontal limits of the unit area as it was then configured under Order No. R-10449. The Division further noted that the WLSU reservoir was in pressure communication with two wells that were then located outside the unit area boundaries. As a consequence, the Division abolished the special project allowable for the WLSU and instead made a single depth bracket oil allowable of 250 barrels of oil per day applicable to the entire reservoir, including those areas of the West Lovington-Strawn Pool located outside the boundaries of the WLSU. Therefore, consolidated Division Order No. R-9722-C/R-10488-A amended Rule 6 of the *"Special Rules and Regulations for the West Lovington-Strawn Pool"* to read as follows:

"RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 250 barrels of oil per day. 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."

(8) Consolidated Division Order No. R-9722-C/R-10488-A also amended Ordering Paragraph No. (14) of Division Order No. R-10448 to read as follows:

"(14) The West Lovington Strawn Pressure Maintenance Project Area shall not be assigned a project allowable. Only producing standard proration units (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable as prescribed by the applicable special rules and regulations for the West Lovington-Strawn Pool."

(9) The applicant testified that there are currently 18 wells dedicated to the pressure maintenance project.

(10) The engineering evidence presented established that it is reasonable and appropriate to reinstate the project allowable as originally established under Division Order No. R-10448 with the top unit allowable at 250 barrels of oil per day.

(11) The engineering evidence presented also established that it is reasonable and appropriate to establish the project allowable equal to the top unit allowable for the pool times the number of developed production or injection proration units within the project area. The engineering evidence further established that it would be reasonable and appropriate to allow for the transfer of allowables among wells within the project area and that the risk that the reservoir might reach gas saturation prematurely can be avoided.

(12) The applicant's request to amend the provisions adopted by consolidated Division Order No. R-9722-C/R-10448-A and reinstate the project allowable established under Division Order No. R-10448 equal to the top unit allowable for the West Lovington-Strawn Pool at 250 barrels of oil per day times the number of developed (production or injection) proration units within the project area along with the transfer of allowables among wells within the project area is reasonable and should be granted.

(13) The applicant provided notice in this case to all working interest owners and royalty interest owners within the WLSU and to all operators, working interest owners, and unleased mineral interest owners within one mile of the boundaries of the West Lovington-Strawn Pool.

(14) Hanley OAD III appeared at the hearing through legal counsel in support of the application. Devon Energy Production Company, L.P. also appeared at the hearing through legal counsel. No offset operator or other interest owner appeared at the hearing in opposition to the application.

(15) The reinstatement of the special project allowable for the West Lovington

Strawn Pool will enable the pool operator to more efficiently and economically produce the hydrocarbons within this reservoir, will not result in the excessive waste of reservoir energy, should increase the ultimate recovery of oil from this reservoir and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Energen Resources Corporation, Ordering Paragraph (14) of Division Order No. R-10448, issued in Case 11194 and dated August 29, 1995, as amended by consolidated Division Order No. R-9722-C/R10448-A, is amended at this time to read in its entirety as follows:

"(14) The project allowable shall be equal to the top unit allowable for the West Lovington Strawn Pool (250 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable is established at 4,629 barrels of oil per day."

(2) All other provisions in Division Orders No. R-9722, as amended, and R-10448, as amended, not in conflict with the provisions of this amendment shall remain in full force and effect until further notice.

(3) 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

Lori Wrotenbery
LORI WROTENBERY
Director