

**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. 10556
Order No. R-9759**

**APPLICATION OF CHI ENERGY INC.
FOR 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 September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of November, 1992, 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) By Order No. R-9545 issued in Case No. 10343 on July 1, 1991, the Division created and defined the Old Millman Ranch-Bone Spring Pool. The discovery well for the pool was the Strata Production Company Aguila Federal Well No. 1 located in Unit L of Section 4, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) The Old Millman Ranch-Bone Spring Pool currently comprises the SW/4 of Section 4, the SE/4 of Section 5, and the NE/4 of Section 8, all in Township 20 South, Range 28 East, NMPM.

(4) The applicant, Chi Energy, Inc., seeks an order promulgating special rules for the Old Millman Ranch-Bone Spring Pool, including a provision for a limiting gas-oil ratio of 20,000 cubic feet of gas per barrel of oil.

(5) The applicant further seeks the assignment of the proposed gas-oil ratio retroactively to the date of first production from its Winchester Federal Well No. 1 located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 4, which date, according to Division records, was July 8, 1992.

(6) In addition to the Aquila Federal Well No. 1 and the Winchester Federal Well No. 1 there is one additional well completed in the subject pool, this being the Mewbourne Oil Company Federal "V" Well No. 2 located in Unit B of Section 8.

(7) Applicant's geologic evidence indicates that all three of the wells in the subject pool are completed in and producing from the first Bone Spring Sand. The producing interval in the Winchester Federal Well No. 1, the Aquila Federal Well No. 1 and the Federal "V" Well No. 2 occurs at depths, respectively, of 6146'-6300', 6140'-6250', and 6038'-6131'.

(8) According to further geologic evidence, the Winchester Federal Well No. 1 and the Federal "V" Well No. 2 are completed in areas of the reservoir that are thicker and contain better porosity development.

(9) Since its completion in July, 1992, the Winchester Federal Well No. 1 has exhibited a producing gas-oil ratio ranging from approximately 23,000:1 to 84,000:1.

(10) During portions of 1991 and 1992, the Federal "V" Well No. 2 has also exhibited producing gas-oil ratios ranging from approximately 9,000:1 to 126,000:1. During the same time period, the Aquila Federal Well No. 1 has exhibited producing gas-oil ratios ranging from approximately 9,000:1 to 39,000:1.

(11) Division records indicate that the Aquila Federal Well No. 1 is currently temporarily abandoned.

(12) The applicant presented engineering evidence and testimony, specifically, results of a PVT analysis conducted on the production stream from the Winchester Federal Well No. 1. The results of the PVT analysis indicate that the subject Bone Spring reservoir is likely a gas-condensate reservoir.

(13) The evidence presented further indicates that the assignment of a retroactive gas-oil ratio of 20,000 cubic feet of gas per barrel of oil should have no adverse affect on the reservoir and should not reduce the ultimate recovery of oil or gas from the reservoir.

(14) Mewbourne Oil Company appeared through counsel at the hearing but did not object to the application or present any evidence or testimony.

(15) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(16) Approval of the subject application will allow the operators the opportunity to economically recover their share of the oil and gas in the subject pool, will not reduce ultimate recovery from the subject pool, and will not violate correlative rights.

(17) The gas-oil ratio established herein should remain in effect for a temporary period until such time as the Division has the opportunity to hear evidence and testimony with regards to the proper classification of the subject pool.

(18) This case should be reopened at an examiner hearing in February, 1993, at which time the operators in the Old Millman Ranch-Bone Spring Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to the proper classification of the pool as either oil or gas.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Chi Energy Inc, the limiting gas-oil ratio for the Old Millman Ranch-Bone Spring Pool, Eddy County, New Mexico, is hereby established at 20,000 cubic feet of gas per barrel of oil.

(2) The effective date of establishment of such gas-oil ratio shall be retroactive to July 8, 1992.

(3) The gas-oil ratio established herein shall remain in effect for a temporary period until such time as the Division has the opportunity to hear evidence and testimony with regards to the proper classification of the subject pool.

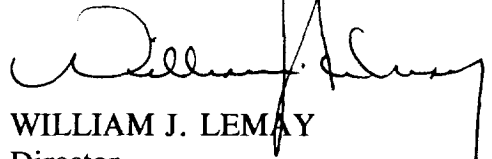
(4) This case shall be reopened at an Examiner hearing in February, 1993, at which time the operators in the Old Millman Ranch-Bone Spring Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to the proper classification of the pool as either oil or gas.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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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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