

*Entered August 5, 1964
A.C.P.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3092
Order No. R-2756
NOMENCLATURE

APPLICATION OF THE BRITISH-AMERICAN
OIL PRODUCING COMPANY FOR THE CRE-
ATION OF A NEW OIL POOL AND SPECIAL
POOL RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 22, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 3rd day of August, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, The British-American Oil Producing Company, seeks the creation of a new oil pool for Upper Bone Spring production and the promulgation of temporary special rules and regulations governing said pool, including a provision for 80-acre spacing.
- (3) That the North Wilson Deep Unit Well No. 1, located in Unit 0 of Section 31, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the Osudo-Upper Bone Spring Pool; that the vertical limits of said pool should be the zone encountered in said well between 7750 and 8000 feet; and that the

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horizontal limits of said pool should be the SE/4 of Section 31, Township 20 South, Range 36 East and Lots 2, 3, 6, and 7 of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the Osudo-Upper Bone Spring Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(7) That this case should be reopened at an examiner hearing in August, 1965, at which time the operators in the subject pool should be prepared to appear and show cause why the Osudo-Upper Bone Spring Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Upper Bone Spring production is hereby created and designated the Osudo-Upper Bone Spring Pool, with vertical limits comprising the zone encountered between 7750 and 8000 feet in the North Wilson Deep Unit Well No. 1, located in Unit 0 of Section 31, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, and horizontal limits comprising the SE/4 of Section 31, Township 20 South, Range 36 East and Lots 2, 3, 6, and 7 of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) That temporary Special Rules and Regulations for the Osudo-Upper Bone Spring Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
OSUDO-UPPER BONE SPRING POOL

RULE 1. Each well completed or recompleted in the Osudo-Upper Bone Spring Pool or in the Upper Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Upper Bone Spring pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard 80-acre unit comprising the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that 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 Secretary-Director of the Commission 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 a governmental quarter-quarter section or lot. 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 Secretary-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 Secretary-Director has received the application.

RULE 4. The first well drilled on every standard or non-standard unit shall be located in the NW/4 or SE/4 of a governmental quarter section. All wells shall be located within 200 feet of the center of a governmental quarter-quarter section.

RULE 5. The Secretary-Director may grant an exception to the footage requirements of Rule 4 without notice and 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, provided the well will be located no nearer than 330 feet to the outer boundary of the unit. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the

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application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 3.33 for allowable purposes, 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:

(1) That any well presently drilling to or completed in the Upper Bone Spring formation within the Osudo-Upper Bone Spring Pool or within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before August 15, 1964.

(2) That any operator desiring to dedicate 80 acres to a well presently drilling to or completed in the Osudo-Upper Bone Spring Pool shall file a new Form C-128 with the Commission on or before August 15, 1964.

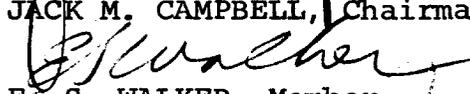
(3) That this case shall be reopened at an examiner hearing in August 1965, at which time the operators in the subject pool may appear and show cause why the Osudo-Upper Bone Spring Pool should not be developed on 40-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


E. S. WALKER, Member


A. L. PORTER, Jr., Member & Secretary

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