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OIL CON. DIV.
DIST. 3

IVON-STANDARD OIL CO. DIVISION
OIL PRODUCTION

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. 9661
Order No. R-8935

APPLICATION OF HIXON DEVELOPMENT
COMPANY FOR AN UNORTHODOX OIL
WELL LOCATION AND SIMULTANEOUS
DEDICATION, RIO ARriba COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 26, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of May, 1989, 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, Hixon Development Company, seeks approval for an unorthodox oil well location for its Missy Well No. 3 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 35, Township 25 North, Range 3 West, NMPM. West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, the SW/4 of said Section 35, forming a standard 160-acre proration unit for said pool, to be simultaneously dedicated to the above-described well and to the existing Missy Well No. 2 located 1650 feet from the South and West lines (Unit K) of said Section 35.

(3) By Order No. R-4314-A, dated January 7, 1988, the Division promulgated Special Rules and Regulations for the

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West Lindrith Gallup-Dakota Oil Pool, which include, among other things, a rule creating a one-half mile buffer zone extending from the pool boundary to a line one-half mile inside the pool boundary and a provision which requires that all wells located in said buffer zone be located no closer than 790 feet to the pool boundary nor closer than 130 feet to the interior quarter-quarter section line.

(4) The subject well, which was drilled during March and April, 1989, is in fact located within the buffer zone as described above and is therefore subject to the well location requirements as stated.

(5) Mobil Producing Texas and New Mexico, Inc. (Mobil), the operator of Section 1, Township 24 North, Range 3 West, NMPM, being the affected offset acreage to the south which is currently undeveloped, appeared at the hearing in opposition to the application and in support of imposing a production penalty against the subject well.

(6) Examination of the chronology of events leading to the drilling of the subject well, presented as evidence in this case, reveals the following:

A. March 17, 1989: The applicant, unaware that the subject well's location is non-standard, submitted Forms C-101 (Application to Drill) and C-102 (Acreage Dedication Plat) to the Aztec district office of the Division, and received timely approval.

B. March 30, 1989: Applicant commenced drilling operations at approximately 1:00 P.M. At approximately 4:20 P.M., the supervisor of the Aztec district office of the Division informed the applicant that the well location is non-standard. Applicant chose to continue drilling.

(7) The evidence indicates that the subject well has been drilled to a total depth of approximately 8,030 feet and is currently being tested. The evidence further shows that, by all indications, the subject well should encounter production in the range of 200-300 barrels of oil per day.

(8) The geologic evidence presented further indicates that the reservoir likely extends onto Mobil's acreage in said Section 1.

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(9) Under different circumstances, the Division, which may have been partially responsible for the well being located at an unorthodox location, may have been able to provide some relief to the applicant; however, under its statutory obligation to protect correlative rights, the Division has no alternative than to approve the unorthodox location request subject to a production penalty.

(10) Top unit allowable for the West Lindrith Gallup-Dakota Oil Pool is 382 barrels of oil per day. The evidence indicates that the applicant's Missy Well No. 2, which is located at a standard location and which will share the allowable with the subject well, has an average daily producing rate from January-March, 1989, of approximately 305 barrels of oil per day.

(11) Mobil has proposed that the allowable for the subject well be established at 80 barrels per day, said allowable determined by multiplying $F1 \times F2$ where:

$F1$ = Top unit allowable divided by the number of wells or $382/2$

$F2$ = Subject well's distance from the South line divided by legal location distance or 330 feet/790 feet.

(12) The allowable for the subject well proposed by Mobil is fair and reasonable and should be adopted in this case.

(13) The subject proration unit should be assigned a top unit allowable of 382 barrels of oil per day and may be produced jointly by both Wells No. 2 and No. 3; however, at no time should the production from Well No. 3 exceed 80 barrels of oil per day.

(14) Approval of the proposed simultaneous dedication and unorthodox well location subject to the reduced allowable as described above will allow the applicant the opportunity to produce its just and equitable share of the production in the subject pool, will prevent the drilling of unnecessary wells, and will protect correlative rights.

(15) The applicant should be allowed to reopen this case and petition for an increased allowable for the subject well if it can be shown that continued development has proven

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said Section 1 to be non-productive or that Mobil's interests are not being adversely affected.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Hixon Development Company, is hereby given approval for an unorthodox oil well location for its Missy Well No. 3 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 35, Township 25 North, Range 3 West, NMPM, West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico; the SW/4 of said Section 35, a standard 160-acre proration unit for said pool, shall be simultaneously dedicated to the above-described well and to the existing Missy Well No. 2 located 1650 feet from the South and West lines (Unit K) of said Section 35.

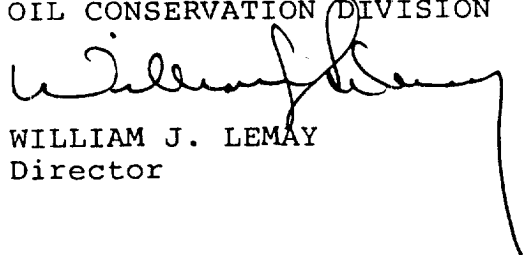
(2) The standard proration unit, the SW/4 of said Section 35, shall receive a top unit allowable of 382 barrels of oil per day; however, Well No. 3 shall at no time produce more than 80 barrels per day and any production in excess of that rate shall be made up by reduced production from Well No. 3.

(3) The applicant shall be allowed to reopen this case and petition for an increased allowable for the Missy Well No. 3 if it can be shown that continued development has proven Section 1, Township 24 North, Range 3 West, NMPM, to be non-productive or that Mobil's interests are not being adversely affected.

(4) 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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