

**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. 12322
Order No. R-11326**

**APPLICATION OF HOME-STAKE OIL & GAS COMPANY FOR SPECIAL
POOL RULES, AND THE ASSIGNMENT OF A SPECIAL DEPTH BRACKET
ALLOWABLE, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 20, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 10th day of February, 2000, 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, Home-Stake Oil & Gas Company ("Home-Stake"), seeks the adoption of special pool rules for the assignment of a special depth bracket allowable of 230 barrels of oil per day for the South McCormack-Silurian Pool.

(3) By Order No. R-3295, issued in Case No. 3638, dated August 21, 1967, and made effective September 1, 1967, the Division created and defined the South McCormack-Silurian Pool for the production of oil from the Silurian formation. The horizontal limits for that pool, as currently designated, include the following described acreage in Lea County, New Mexico:

Township 22 South, Range 37 East, NMPM

Section 16: NW/4, NE/4 SW/4, and SE/4

Section 21: NE/4

Section 22: NW/4 and S/2.

(4) Home-Stake testified that currently the Home-Stake Sarah Johnston Well No.1 and the Home-Stake HSOG Well No.1, both located in the SE/4 of Section 22, are the only producing wells within the South McCormack-Silurian Pool. The South

McCormack-Silurian Pool was essentially abandoned from April, 1982 until Home-Stake completed the Sarah Johnston Well No.1 in 1998.

(5) In support of its special depth bracket allowable of 230 barrels of oil per day for the South McCormack-Silurian Pool, the applicant presented engineering evidence and testimony indicating that:

(a) the HSOG Well No. 2 was completed in the Silurian formation in November, 1999. It initially flowed at a rate of 400 BOPD, 400 MCGPD and 0 BWPD. It is currently producing at the depth bracket allowable of 187 BOPD, with a limiting GOR of 2000:1, but is capable of flowing in excess 187 BOPD;

(b) the Sarah Johnston Well No.1 was completed in the Silurian formation in October, 1998. It initially flowed at a rate of 160 BOPD, 200 MCGPD and 0 BWPD. It currently produces 85 BOPD, 110 MCGPD and 60 BWPD on pump;

(c) the production rates in the Sarah Johnston Well No. 1 appear to be limited by production equipment, not reservoir conditions;

(d) the South McCormack-Silurian Pool appears to be a water drive reservoir;

(e) preliminary production and drainage data demonstrate that the drainage area in the South McCormack-Silurian Pool is approximately 40 acres; and

(f) production testing demonstrates that producing at a rate of 230 barrels of oil per day will not damage the reservoir nor reduce the ultimate recovery of oil and gas from the pool.

(6) No offset operator or interest owner appeared at the hearing.

(7) Approval of this application will provide the applicant the opportunity to efficiently develop the South McCormack-Silurian Pool, thereby preventing waste, will prevent the drilling of unnecessary wells, and will otherwise protect correlative rights.

(8) This case should be reopened at an examiner hearing in February, 2001, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules for the South McCormack-Silurian Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) The application of Home-Stake Oil & Gas Company for special pool rules providing for a depth bracket allowable of 230 BOPD with a limiting GOR of 2000:1 for the South McCormack-Silurian Pool, Lea County, New Mexico, is hereby approved.

(2) Temporary special pool rules for the South McCormack-Silurian Pool are hereby adopted as follows:

**TEMPORARY SPECIAL POOL RULES FOR THE
SOUTH MCCORMACK-SILURIAN POOL**

Rule 1. Each well completed in or recompleted in the South McCormack-Silurian Pool, or in the Silurian formation within one mile thereof and not nearer to or within the limits of another designated Silurian pool, shall be produced in accordance with these rules.

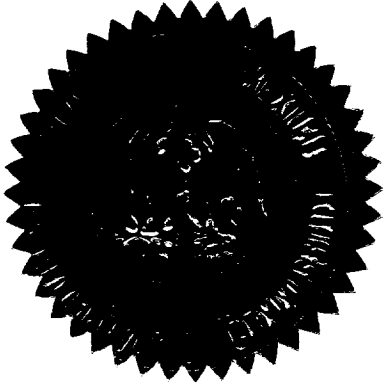
Rule 2. The allowable for a standard 40-acre oil proration unit shall be based on a special depth bracket allowable of 230 BOPD with a limiting GOR of 2000:1, or 460 MCGPD. In the event there is more than one well on a 40-acre proration unit, the operator may produce the allowable assigned to the unit 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 40 acres.

IT IS FURTHER ORDERED THAT:

(1) This case shall be reopened at an examiner hearing in February, 2001, at which time the operators in the South McCormack-Silurian Pool shall appear and show cause why the temporary special rules for the pool set forth herein should not be rescinded.

(2) 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

Lori Wrotenbery
LORI WROTENBERY
Director

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