

*Entered February 14, 1964
W.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. 2942
Order No. R-2645
NOMENCLATURE

APPLICATION OF SUNRAY DX OIL COMPANY
FOR THE CREATION OF A NEW OIL POOL
AND FOR SPECIAL TEMPORARY 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 November 20, 1963, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 31st day of January, 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, Sunray DX Oil Company, seeks an order creating a new Bough "C" oil pool in Lea County, New Mexico, and promulgating temporary special rules and regulations establishing 160-acre spacing and fixed well locations in said pool.

(3) That the applicant's New Mexico State "AO" Well No. 1, located in Unit M of Section 16, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico, has encountered a separate common source of supply which should be designated the Simanola-Pennsylvanian Pool.

(4) That the applicant's New Mexico State "AO" Well No. 1 was completed October 31, 1963; that the top of the perforations in the Pennsylvanian formation in said well is at 9933 feet.

(5) That although the evidence concerning reservoir characteristics and economics will not justify temporary 160-acre

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spacing, temporary special rules and regulations providing for 80-acre spacing should be promulgated for the subject pool 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.

(6) 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.

(7) That the temporary special rules and regulations promulgated herein 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.

(8) That this case should be reopened in February, 1965, at which time the operators in the Simanola-Pennsylvanian Pool should appear and show cause why said 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 Pennsylvanian production is hereby created and designated the Simanola-Pennsylvanian Pool with vertical limits comprising the Pennsylvanian formation and horizontal limits consisting of the following-described area:

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO
TOWNSHIP 10 SOUTH, RANGE 34 EAST
Section 16: SW/4
Section 17: SE/4
Section 20: NE/4
Section 21: NW/4

(2) That Special Rules and Regulations for the Simanola-Pennsylvanian Pool are hereby promulgated as follows, effective February 15, 1964.

SPECIAL RULES AND REGULATIONS
FOR THE
SIMANOLA-PENNSYLVANIAN POOL

RULE 1. Each well completed or recompleted in the Simanola-Pennsylvanian Pool or in the Pennsylvanian formation within one mile of the Simanola-Pennsylvanian Pool, and not nearer to or

within the limits of another designated Pennsylvanian pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Simanola-Pennsylvanian Pool shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a single 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 single 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 in the Simanola-Pennsylvanian Pool shall be located within 200 feet of the center of either the NE/4 or the SW/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 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) in the Simanola-Pennsylvanian Pool shall be assigned an 80-acre proportional factor of 4.77 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.

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The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable in the Simanola-Pennsylvanian Pool 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 Pennsylvanian formation within the Simanola-Pennsylvanian Pool or within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to said rule; that the operator of any such well shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before February 15, 1964.

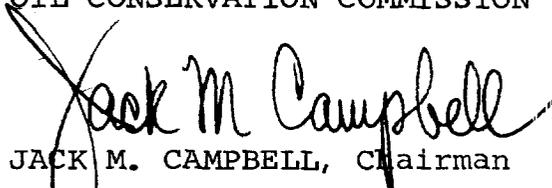
(2) That any operator desiring to dedicate 80 acres to a well presently drilling to or completed in the Simanola-Pennsylvanian Pool shall file a new Form C-128 with the Commission on or before February 15, 1964.

(3) That this case shall be reopened at an examiner hearing in February, 1965, at which time the operators in the subject pool may appear and show cause why the Simanola-Pennsylvanian 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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