

Entered June 1, 1967
A.S.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. 3573
Order No. R-3240

APPLICATION OF AZTEC OIL & GAS
COMPANY FOR SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 24, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 1st day of June, 1967, 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, Aztec Oil & Gas Company, seeks the promulgation of special rules and regulations for the South Corbin-Strawn Oil Pool, including a provision for 160-acre spacing units and the establishment of a 4000 to 1 gas-oil ratio limitation.

(3) 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 160-acre spacing units should be promulgated for the South Corbin-Strawn Oil Pool.

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(4) 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.

(5) That the temporary special rules and regulations should provide for a limiting gas-oil ratio of 4000 to 1 in order to allow each operator in the pool the opportunity to use his just and equitable share of the reservoir energy.

(6) That in order to prevent undue dissipation of the reservoir energy and waste of oil and gas, the temporary special rules and regulations should prohibit the flaring or venting of gas within a reasonable time after the issuance of this order.

(7) 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.

(8) That this case should be reopened at an examiner hearing in June, 1968, at which time the operators in the subject pool should be prepared to appear and show cause why the South Corbin-Strawn Oil Pool should not be developed on 40-acre or 80-acre spacing units and why the limiting gas-oil ratio should not revert to the Statewide limit of 2000 to one.

IT IS THEREFORE ORDERED:

That temporary Special Rules and Regulations for the South Corbin-Strawn Oil Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH CORBIN-STRAWN OIL POOL

RULE 1. Each well completed or recompleted in the South Corbin-Strawn Oil Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another designated Strawn oil 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 unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

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 consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. 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. Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit boundary and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the 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. All operators offsetting the proposed 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 operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre proportional factor of 7.75 for allowable purposes, and in the event there is more than one well on a 160-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 160 acres.

RULE 7. The limiting gas-oil ratio shall be 4000 cubic feet of gas for each barrel of oil produced.

RULE 8. No gas shall be flared or vented on or after the effective date of this order; provided however, that any well completed in the subject pool after the effective date of this

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order shall be given 30 days in which to make beneficial use of the produced casinghead gas.

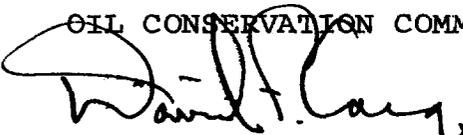
RULE 9. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 8 without notice and hearing when an application has been filed setting forth the facts and circumstances justifying the exception and he determines such action is necessary to prevent waste or protect correlative rights.

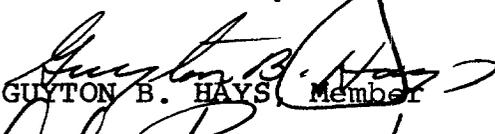
IT IS FURTHER ORDERED:

- (1) That the locations of all wells presently drilling to or completed in the South Corbin-Strawn Oil Pool or in the Strawn formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before June 15, 1967.
- (2) That each well presently drilling to or completed in the South Corbin-Strawn Oil Pool or in the Strawn formation within one mile thereof shall receive a 40-acre allowable until a Form C-102 dedicating 160 acres to the well has been filed with the Commission.
- (3) That this case shall be reopened at an examiner hearing in June, 1968, at which time the operators in the subject pool may appear and show cause why the South Corbin-Strawn Oil Pool should not be developed on 40-acre or 80-acre spacing units and why the limiting gas-oil ratio should not revert to the Statewide limit of 2000 to one.
- (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


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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

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