

Entered October 21, 1971
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. 4608
Order No. R-4213

NOMENCLATURE

APPLICATION OF JACK L. McCLELLAN
FOR THE CREATION OF A NEW POOL
AND SPECIAL POOL RULES, CHAVES
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 13, 1971, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 21st day of October, 1971, 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, Jack L. McClellan, seeks the creation of a new pool for the production of oil from the Siluro-Devonian formation for his Bar-J Federal Well No. 1 located in Unit E of Section 15, Township 6 South, Range 27 East, NMPM, Chaves County, New Mexico, and the assignment of approximately 32,300 barrels of discovery allowable to said well.

(3) That the applicant further seeks the promulgation of special rules and regulations governing said pool, including a provision for 80-acre spacing and proration units, with wells to be drilled in either quarter-quarter section.

-2-

CASE NO. 4608

Order No. R-4213

(4) That the evidence presently available indicates that the Jack L. McClellan Bar-J Federal Well No. 1, located in Unit E of Section 15, Township 6 South, Range 27 East, NMPM, Chaves County, New Mexico, having its top perforations at 6460 feet, has discovered a separate common source of supply which should be designated the Haystack Siluro-Devonian Pool; that the vertical limits of said pool should be the Siluro-Devonian formation, and that the horizontal limits of said pool should comprise the NW/4 of said Section 15.

(5) That the discovery well for said pool, the aforesaid Jack L. McClellan Bar-J Federal Well No. 1, is entitled to and should receive a bonus discovery oil allowable in the amount of 32,300 barrels, based upon the top perforations in said well at 6460 feet, to be assigned over a two-year period.

(6) 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 Haystack-Siluro-Devonian Pool.

(7) 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.

(8) 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.

(9) That this case should be reopened at an examiner hearing in October, 1972, at which time the operators in the subject pool should be prepared to appear and show cause why the Haystack Siluro-Devonian Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Chaves County, New Mexico, classified as an oil pool for the production of oil from the Siluro-

-3-

CASE NO. 4608

Order No. R-4213

Devonian formation, is hereby created and designated the Haystack Siluro-Devonian Pool, with vertical limits comprising the Siluro-Devonian formation and horizontal limits comprising the NW/4 of said Section 15.

(2) That the discovery well, the aforesaid Bar-J Federal Well No. 1, is hereby authorized an oil discovery allowable of 32,300 barrels to be assigned to said well at the rate of 45 barrels per day in accordance with Rule 509 of the Commission Rules and Regulations.

(3) That Special Rules and Regulations for the Haystack Siluro-Devonian Pool, Chaves County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
HAYSTACK SILURO-DEVONIAN POOL

RULE 1. Each well completed or recompleted in the Haystack Siluro-Devonian Pool or in the Siluro-Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Siluro-Devonian 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 80 acres, more or less, consisting of 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, 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 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

-4-

CASE NO. 4608

Order No. R-4213

formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

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 (79 through 81 acres) shall be assigned an 80-acre proportional factor of 2.77 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.

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 the locations of all wells presently drilling to or completed in the Haystack Siluro-Devonian pool or in the Siluro-Devonian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before November 1, 1971.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA, 1953, contained in Chapter 271, Laws of 1969, existing wells in the Haystack Siluro-Devonian pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules;

-5-

CASE NO. 4608

Order No. R-4213

or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

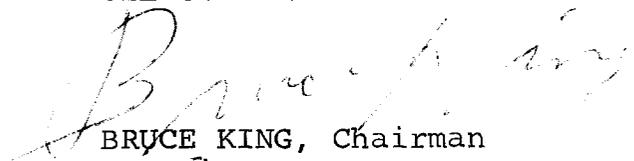
Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the effective date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Haystack Siluro-Devonian Pool or in the Siluro-Devonian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

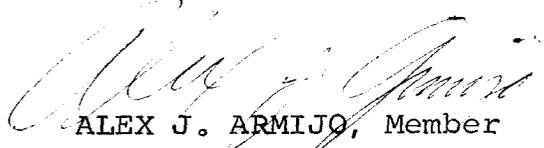
(3) That this case shall be reopened at an examiner hearing in October, 1972, at which time the operators in the subject pool may appear and show cause why the Haystack Siluro-Devonian pool should not be developed on 40-acre spacing units.

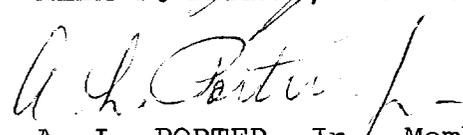
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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

S E A L

dr/