

Entered May 14, 1980
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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6609 DE NOVO
Order No. R-6129-A

APPLICATION OF NAPECO INC. FOR
POOL CREATION AND SPECIAL POOL
RULES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing De Novo at 9 a.m. on April 16, 1980, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14th day of May, 1980, the Commission, a quorum being present, having considered the testimony, the record, and the exhibits, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Napeco Inc., seeks the creation of a new pool for Strawn production in Eddy County, New Mexico, and the promulgation of special rules therefor, including a provision for 160-acre spacing and proration units.

(3) That this cause came on for hearing before Examiner Daniel S. Nutter on July 25, 1979, and the Division entered its Order No. R-6129 on October 10, 1979, denying the application on the grounds that the applicant had failed to establish that one well could effectively and efficiently drain 160 acres.

(4) That on November 4, 1979, Napeco Inc. filed timely application for Hearing De Novo of Case No. 6609, whereupon this matter was set for hearing on November 27, 1979.

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(5) That Case No. 6609 came on for Hearing De Novo on November 27, 1979, and was continued to several subsequent hearing dates, finally being heard on April 16, 1980.

(6) That subsequent to filing its application for Hearing De Novo, applicant modified its application, alleging that the subject reservoir is a volatile oil reservoir.

(7) That the evidence indicates that applicant's Benson Deep Unit Well No. 1, located in Unit O of Section 33, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, has discovered a separate common source of supply in the Strawn formation which should be designated the Benson-Strawn Pool; that the vertical limits of the pool should be the Strawn formation, and that the horizontal limits of said pool should be as follows:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 33: SE/4

(8) 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, special rules and regulations providing for 160-acre spacing units should be promulgated for the Benson-Strawn Pool.

(9) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(10) That the evidence presented demonstrated that said Benson-Strawn Pool should be assigned a special allowable of 70 barrels of oil per day pending further testing and establishment of a permanent optimum producing rate for wells in said pool.

(11) That during the first 90 days of actual production the applicant should conduct tests on its well in said Benson-Strawn Pool designed to establish the optimum producing rate for oil and gas from wells in said pool.

(12) That the results of such tests should be submitted to the Director of the Oil Conservation Division within 30 days following completion thereof.

(13) That the Director of the Division should be authorized to administratively establish a special depth bracket allowable and gas-oil ratio limitation for the Benson-Strawn Pool based upon the results of the tests set out above, or, at his option, set this matter for public hearing.

IT IS THEREFORE ORDERED:

(1) That effective June 1, 1980, a new pool in Eddy County, New Mexico, classified as an oil pool for Strawn production, is hereby created and designated the Benson-Strawn Pool, with vertical limits comprising the Strawn formation and horizontal limits comprising the following-described area:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 33: SE/4

(2) That Special Rules and Regulations for the Benson-Strawn Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE BENSON-STRAWN POOL

RULE 1. Each well completed or recompleted in the Benson-Strawn Pool or in the Strawn formation within one mile of the Benson-Strawn Pool, and not nearer to nor within the limits of another designated Strawn pool, shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Benson-Strawn Pool shall be located on a 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 Lands Survey.

RULE 3. Each well completed or recompleted in said pool shall not be drilled closer than 660 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line.

RULE 4. For good cause shown, the Division Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising less than 160 acres. 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 Division Director may

approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to an established allowable in the Benson-Strawn Pool as the acreage in such non-standard unit bears to 160 acres.

RULE 5. A standard proration unit (158 through 162 acres) in the Benson-Strawn Pool shall be assigned a depth bracket allowable of 70 barrels, subject to the market demand percentage factor, 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 in any proportion.

IT IS FURTHER ORDERED:

(1) That the special depth bracket allowable set forth in Rule 5 above shall remain in effect pending establishment of a permanent depth bracket allowable and gas-oil ratio limit for said pool.

(2) That during the first 90 days of production the applicant shall conduct tests on said Benson Deep Unit Well No. 1 to establish the optimum producing rate for oil and gas from wells in said Benson-Strawn Pool, provided however, that there shall be no gas-oil ratio limitation in effect in said pool until a permanent depth bracket allowable and gas-oil ratio limitation for said pool has been established.

(3) That the applicant shall submit the results of such tests to the Director of the Division within 30 days following the close of the 90-day test period.

(4) That based upon the results of such tests the Director of the Division may administratively revise the special depth bracket allowable set forth in Rule 5 above and may establish a special gas-oil ratio limit for the Benson-Strawn Pool, or, at his option, he may set the matter for public hearing.

(5) That the locations of all wells presently drilling to or completed in the Benson-Strawn 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 Artesia district office of the Division in writing of the name and location of the well on or before June 1, 1980.

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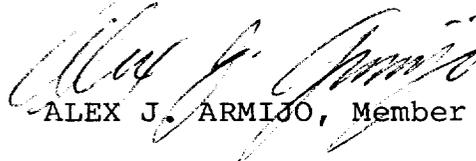
(6) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the Benson-Strawn Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

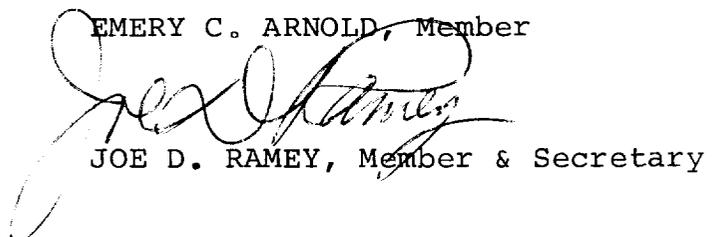
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Benson-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-quarter of a standard allowable for the pool.

(7) 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 herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


ALEX J. ARMILLO, Member

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

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