

Entered October 12, 1979
JWR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6668
Order No. R-6139

APPLICATION OF DELTA DRILLING
COMPANY FOR POOL CREATION AND
SPECIAL POOL RULES, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 19, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of October, 1979, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Delta Drilling Company, seeks the creation of a new oil pool for Bone Spring production for its South Culebra Bluff Unit Well No. 3, located in Unit G of Section 23, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, and the promulgation of special rules and regulations therefor, including a provision for 80-acre spacing and proration units.
- (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 80-acre spacing units should be promulgated for the South Culebra Bluff-Bone Spring Pool.

-2-

Case No. 6668
Order No. R-6139

(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 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.

(6) That this case should be reopened at an examiner hearing in October, 1980, at which time the operators in the subject pool should be prepared to appear and show cause why the South Culebra Bluff-Bone Spring Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new oil pool for Bone Spring production is hereby created and designated as the South Culebra Bluff-Bone Spring Pool, with vertical limits comprising the Bone Spring formation and horizontal limits comprising the following-described area in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 23: NE/4

(2) That temporary Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH CULEBRA BLUFF-BONE SPRING POOL

RULE 1. Each well completed or recompleted in the South Culebra Bluff-Bone Spring Pool or in the Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Bone Spring 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.

RULE 3. The Director of the Division 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 that such notice has been furnished. The Division 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 Director has received the application.

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

RULE 5. The Division 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. 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 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 Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 222 barrels of oil per day. 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 South Culebra Bluff-Bone Spring Pool or in the Bone Spring 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 November 1, 1979.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the South Culebra Bluff-Bone Spring Pool shall have

-4-

Case No. 6668
Order No. R-6139

dedicated thereto 80 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 pro-ration units established by the Division and dedicated thereto.

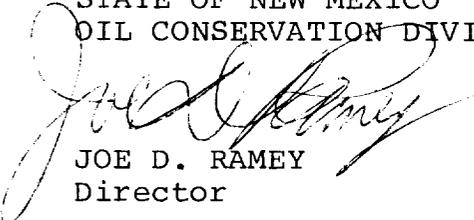
Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the South Culebra Bluff-Bone Spring Pool or in the Bone Spring 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, 1980, at which time the operators in the subject pool may appear and show cause why the South Culebra Bluff-Bone Spring 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 Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

S E A L

fd/