STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 9393
ORDER NO. R-8697

APPLICATION OF TENNECO OIL COMPANY FOR EXCEPTIONS TO RULE 2(b) OF THE SPECIAL RULES GOVERNING THE BLANCO-MESAVERDE POOL, INFILL WELL FINDINGS AND FIVE UNORTHODOX GAS WELL LOCATIONS, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 25, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of July, 1988, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Tenneco Oil Company, seeks an exception to Rule 2(b) of the special rules and regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, allowing a third well to be drilled and produced within 16 proration units, as further described in Exhibit "A" attached hereto and made a part hereof, each well to be drilled within the quarter section that contains the original well in the unit, five of which are unorthodox, and for an effective and efficient infill well finding on each well, pursuant to FERC Rule 271.305.

(3) Amoco Production Company and Kimbark Oil & Gas Company have entered their appearances and have participated in the hearing as interested parties.

(4) The original Blanco-Mesaverde well in each of the subject spacing and proration units was drilled between 1951 and 1955 by El

Paso Natural Gas Company and was completed open hole using either nitroglycerin or a sand-oil frac on the formation.

(5) Between 1985 and 1986, Tenneco sidetracked some 14 open hole Mesaverde wells and improved the well completions thereby recovering reserves that otherwise would not have been recovered.

(6) It is more efficient to drill a third well in each of these sixteen units and thus eliminate the mechanical risk of sidetracking.

(7) Because of the proven success of the sidetracking procedures to recover additional reserves it is not necessary to have the subject 16 wells actually drilled and completed prior to finding that such well will effectively and efficiently drain the spacing units.

(8) Both Amoco Production Company and Kimbark Oil and Gas Company submit that only two wells should be produced in any 320-acre Blanco-Mesaverde spacing and proration unit at any one time. More specifically, they urge that no two wells should be produced in the same quarter section at any one time without the prior approval of the Division entered after notice and hearing.

(9) An expert petroleum engineer for Tenneco testified that operationally such a staggered production between the original well and the third well should be feasible and should not result in waste to either the original well or the third well.

(10) In order to prevent waste Tenneco Oil Company should not be required to plug and abandon the original well before drilling the third well.

(11) While the Division assigns allowables to spacing units and not wells and while Tenneco, as operator, should have the flexibility to determine what volumes of gas it should produce from any given well within the restrictions of the Oil Conservation Division rules and regulations in order to preclude any possibility of creating a pressure sink and a corresponding advantage over offset operators by producing three wells concurrently, Tenneco should not be permitted to produce either the original well or the third well on that same 160 acres concurrently in the same month without further order of the Division.

(12) In each of the subject sixteen units the original well is not effectively and efficiently draining a portion of the reservoir covered by the proration and spacing unit.

(13) Unless a new well is drilled on the same 160 acres as the original well in each of these sixteen units, significant reserves will be left behind in the reservoir due to the inefficiency of the open hole completions.

(14) In each instance the third well in each of the sixteen spacing units is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Tenneco Oil Company, is hereby authorized to drill each of the sixteen subject wells shown on Exhibit "A" attached hereto and incorporated by reference herein as infill wells on existing 320-acre spacing and proration units in the Blanco-Mesaverde Pool, San Juan County, New Mexico.

(2) The authorization for infill drilling granted by this order is an exception to applicable well spacing requirements for this pool and is necessary to permit the drainage of a portion of the reservoir covered by the existing original well on the proration unit which cannot efficiently and economically be drained by any existing well thereon.

(3) Without the further approval of the Division, to be granted only after additional notice and hearing, Tenneco Oil Company shall not produce the third well and the original well on any of the spacing units concurrently within the same month.

(4) For determining the allowable for each of the subject spacing and proration units, the Aztec Office of the Division is directed to take the higher of the deliverability from either the original well or the third well and factor that deliverability along with the deliverability of the infill well in the opposite 160 acres of the same proration and spacing unit in calculating the allowable to be assigned to that 320-acre spacing and proration unit.

(5) For allocation of the allowable determined by Ordering Paragraph No. (4) above, the Aztec Office of the Division, in accordance with 18 CFR 271.305(b)(2)(ii) and for each proration period shall determine the ratio between the latest deliverabilities of the two wells in the same 160-acre portion of the spacing and proration unit and then allocate the unit allowable so that neither of those two wells produces within a proration period a total volume of gas in excess of that ratio.

(6) 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

WILLIAM J. LEMAY
Director

S E A L

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EXHIBIT "A"

WELL NAME AND NUMBER	FOOTAGE LOCATION	NON-STANDARD GAS WELL LOCATION	SPACING UNIT
Fields "LS" 7B	965' FNL & 2060' FEL		N/2-34-32N-11W
Neil "LS" 8B	2055' FNL & 885' FEL		E/2- 4-31N-11W
Gartner "LS" 1B	1720' FSL & 1610' FWL	X	W/2-28-30N- 8W
Gartner "LS" 5B	1620' FSL & 1005' FWL	X	W/2-27-30N- 8W
Gartner "LS" 6B	300' FNL & 1230' FEL	X	E/2-27-30N- 8W
Mudge "LS" 9B	2160' FNL & 395' FEL	X	E/2- 3-31N-11W
Mudge "LS" 8B	845' FNL & 1740' FEL		E/2-12-31N-11W
Day A "LS" 3B	790' FNL & 1800' FEL		E/2- 8-29N- 8W
Hughes A "LS" 2B	1125' FNL & 1828' FEL	X	E/2-27-29N- 8W
Scott "LS" 3B	790' FSL & 1850' FWL		S/2-29-32N-10W
Riddle F "LS" 1B	1850' FSL & 1500' FWL		W/2-17-28N- 8W
Mudge "LS" 5B	900' FSL & 1190' FWL		W/2- 3-31N-11W
Jacques "LS" 1B	790' FN & EL		E/2-29-31N- 9W
Jones A "LS" 2B	1650' FSL & 990' FWL		S/2-11-28N- 8W
Fields "LS" 4B	1850' FNL & 1450' FEL		E/2-28-32N-11W
Barrett "LS" 2B	790' FN & EL		E/2-19-31N- 9W