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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
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8696
Order No. R-8062

APPLICATION OF PENNZOIL COMPANY
FOR POOL CREATION, SPECIAL POOL
RULES, ASSIGNMENT OF DISCOVERY
ALLOWABLE, LEA COUNTY, NEW MEXICO

See Also Order No. R-8062-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on September 11, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 31st day of October, 1985, 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, Pennzoil Company, seeks the creation of a new oil pool for Strawn production in Lea County, New Mexico and the assignment of a discovery allowable to said pool.
- (3) The applicant further seeks the establishment of temporary pool rules, including a provision for 80-acre well spacing and proration units for the proposed pool.
- (4) The evidence presently available indicates that applicant's Viersen Well No. 1, located in Unit I, Section 4, Township 17 South, Range 37 East, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the Shipp-Strawn Pool.
- (5) The vertical limits of the proposed pool should be the Strawn formation as found on the porosity log of the

discovery well, the Vierson Well No. 1, from 11,138 feet to 11,255 feet.

(6) The horizontal limits for the proposed Shipp-Strawn Pool should be as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM

Section 33: SE/4 and E/2 SW/4
Section 34: S/2

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 3: All
Section 4: E/2 and E/2 W/2
Section 9: NE/4 and E/2 NW/4
Section 10: N/2

(7) The above described area is adequate to cover the potential expansion of the subject pool and is designed to avoid overlaps and conflicts with other Strawn Pools in the immediate vicinity.

(8) The rules for this pool should be limited to the area described in Finding (6) above and should not apply to wells drilled within a mile of the outer boundary of this pool.

(9) The evidence presented has established that the discovery well has permeability in the range of 43 millidarcies and calculations utilizing this data show the well has the possible capability to drain an area of 80 acres.

(10) The discovery well for the said pool, Vierson Well No. 1, located in Unit I of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico is entitled to and should receive a bonus discovery oil allowable in the amount of 55,690 barrels, based upon the top of the perforation in said well at 11,138 feet, to be assigned over a two-year period (77 barrels of oil per day).

(11) 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 pool rules and

regulations providing for 80-acre spacing units should be promulgated for the Shipp-Strawn Pool.

(12) The temporary special rules and regulations should provide for specified well locations in order to assure orderly development of the pool and protect correlative rights.

(13) 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 conclusively whether the area can be efficiently and economically drained and developed by one well on 80-acre spacing on a permanent basis.

(14) This case should be reopened by the Division at an examiner hearing in November, 1986, at which time the operators in the subject pool should be prepared to appear and show cause why the Shipp-Strawn Pool should not be developed on other than 40-acre spacing units.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico is hereby created and designated as the Shipp-Strawn Pool with vertical limits being the Strawn formation as found in the porosity log of the Vierson Well No. 1 from 11,138 feet to 11,255 feet and with horizontal limits described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM

Section 33: SE/4 and E/2 SW/4
Section 34: S/2

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 3: All
Section 4: E/2 and E/2 W/2
Section 9: NE/4 and E/2 NW/4
Section 10: N/2

(2) The Pennzoil Company Vierson Well No. 1 located in Unit I, Section 4, Township 17 South, Range 37 East, Lea County, New Mexico, is hereby authorized an oil discovery allowable of 55,690 barrels to be assigned to said well at the rate of 77 barrels per day in accordance with Rule 509 of the Division Rules and Regulations.

(3) Temporary Special Rules and Regulations for the Shipp-Strawn Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SHIPP-STRAWN POOL

RULE 1. Each well completed or recompleted in the Shipp-Strawn Pool or in the Strawn formation within said pool limits, 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 Division Director 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 and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard proration unit lies wholly within a single governmental quarter section.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section or in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 330 feet to the outer boundary of its spacing unit and not closer than 990 feet to any other well capable of producing from the Strawn formation.

RULE 5. The Division 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 certify that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location of if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. An 80-acre proration unit (79 through 81 acres) in the Shipp-Strawn Pool shall be assigned an 80-acre depth bracket allowable of 445 barrels per day 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 unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

RULE 7. The limiting gas-oil ratio for the pool shall be 2,000 cubic feet of gas for each barrel of oil produced.

IT IS FURTHER ORDERED THAT:

(4) The locations of all wells presently drilling to or completed in the Shipp-Strawn Pool are hereby approved.

(5) Pursuant to Paragraph A. Section 70-2-18, NMSA, 1978, contained in Chapter 271, Laws of 1969, existing wells in the Shipp-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; 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 Division and dedicated thereto.

(6) 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.

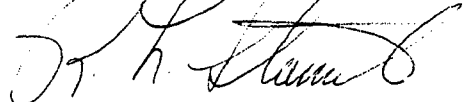
Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Shipp-Strawn Pool shall receive no more than one-half of a standard allowable for the pool.

(7) This case shall be reopened by the Division at an examiner hearing in November, 1986, at which time the operators in the subject pool may appear and show cause why the Shipp-Strawn Pool should not be developed on other than 40-acre spacing units.

(8) 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



R. L. STAMETS,
Director

S E A L

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. 8790
Order No. R-8062-A

APPLICATION OF THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO AMEND
DIVISION ORDER NO. R-8062 AND TO
CONTRACT THE HORIZONTAL LIMITS OF THE
EAST LOVINGTON-PENNSYLVANIAN POOL,
LEA COUNTY, NEW MEXICO.

See Also Order No. R-8062

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on December 18, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of January, 1986, 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) Division Order No. R-8062 issued on October 31, 1985, in Case No. 8696 classified, created and designated the Shipp-Strawn Pool, promulgated temporary special rules and regulations therefor, and assigned an oil discovery allowable to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line (Unit I) of Section 4, Township 17 South, Range 37 East, NMPM, all in Lea County, New Mexico.

(3) In the present case, the New Mexico Oil Conservation Division (Division) on its own motion seeks the following amendments to Division Order No. R-8062:

- (a) correction of the oil discovery allowable assigned to Pennzoil Company Viersen Well No. 1;

- (b) amendment of the horizontal limits of the pool;
- (c) revision of the well location provisions of the Special Pool Rules to require well locations to be no further than 150 feet from the center of a governmental quarter-quarter section or lot; and
- (d) deletion of the limitation imposed on the pool restricting the applicability of the Special Pool Rules to the area within the pool boundaries.

(4) The Division further seeks to contract the horizontal limits of the East Lovington-Pennsylvanian Pool by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) The evidence presented in this case indicated that:

- (a) The NW/4 NW/4 of said Section 4 is more properly classified as being in the Shipp-Strawn Pool than the East Lovington-Pennsylvanian Pool;
- (b) there is insufficient evidence at this time to include more than the N/2 and SE/4 of said Section 4 within the boundaries of said Shipp-Strawn Pool;
- (c) the special rules for the Shipp-Strawn Pool should not be limited to that area only within the boundaries of said pool but should apply also within one mile thereof; and,
- (d) rules requiring well locations within 150 feet of the center of the quarter-quarter section would better serve to protect the correlative rights of the owners within said pool.

(6) The evidence presented at this hearing also demonstrated that the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line of said Section 4, was improperly calculated and should be reduced to 55,595 barrels of oil total.

(7) An order entered amending said discovery allowable, revising said pool boundaries as described above, and incorporating the above described changes in special pool rules

will better protect correlative rights and will not result in waste.

(8) The effective date of this order should be January 21, 1986.

IT IS THEREFORE ORDERED THAT:

(1) The East Lovington-Pennsylvanian Pool as heretofore defined and described is hereby contracted by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The horizontal limits of the Shipp-Strawn Pool, as heretofore defined and described in Lea County, New Mexico, are hereby amended to include therein the following described area only:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 4: N/2 and SE/4

(3) The temporary Special Rules and Regulations for the Shipp-Strawn Pool are hereby amended to read in their entirety as follows:

"SPECIAL RULES AND REGULATIONS
FOR THE
SHIPP-STRAWN POOL

RULE 1. Each well completed or recompleted in the Shipp-Strawn Pool or in the Strawn formation within one mile of the Shipp-Strawn Pool, and not nearer to or 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 Shipp-Strawn Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2, or W/2 of a single governmental quarter section; provided, however, 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. For good cause shown, the 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 a single quarter-quarter section or lot. 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 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 a standard allowable in the Shipp-Strawn Pool as the acreage in such non-standard unit bears to 80 acres.

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

RULE 5. The Division 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 proration unit 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 proration unit or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 445 barrels per day, 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 THAT:

(4) The location of any well permitted, in drilling to, or completed in the Strawn formation within the boundaries of the Shipp-Strawn Pool prior to January 21, 1986, which location was orthodox under pool rules existing prior to that time and which location is now unorthodox, is hereby approved.

(5) The locations of any other wells presently permitted in, drilling to, or completed in the currently defined Shipp-Strawn Pool or in the Strawn formation within one mile

thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District office of the Division in writing of the name and location of the well on or before April 1, 1986.

(6) The amount of the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1 located 2130 feet from the South line and 660 feet from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, as set out in Division Order No. R-8062 is hereby amended to a total of 55,595 barrels of oil to be produced at a rate not to exceed 76 barrels per day in accordance with Division General Rule 509.

(7) The effective date of this order and of the pool and pool rule changes included herein shall be January 21, 1986.

(8) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), existing wells in the Shipp-Strawn Pool shall have 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 proration 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 Shipp-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

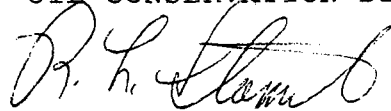
(9) This case shall be reopened at an examiner hearing in November, 1986, at which time the operators in the subject pool may appear and show cause why the Shipp-Strawn Pool should not be developed on 40-acre proration units.

(10) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-6-
Case No. 8790
Order No. R-8062-A

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "R. L. Stamets", is written over the printed name.

R. L. STAMETS
Director

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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
DIVISION FOR THE PURPOSE OF
CONSIDERING:

IN THE MATTER OF CASE NOS. 8696 AND 8790 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NOS. R-8062 AND
R-8062-A, RESPECTIVELY, WHICH PROMULGATED AND AMENDED
TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE SHIPP-
STRAWN POOL, LEA COUNTY, NEW MEXICO.

CASE NOS. 8696 and 8790
Order No. R-8062-B

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 19, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of December, 1986, 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) Division Case Nos. 8696 and 8790 were consolidated at the time of the hearing for the purpose of testimony.

(3) By Order No. R-8062 dated October 31, 1985, and issued in Case No. 8696, the Division created, defined, and promulgated temporary special rules and regulations for the Shipp-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.

(4) Subsequent to the issuance of said order, the Division, on its own motion, called Case No. 8790 and issued Order No. R-8062-A which amended certain portions of the special rules and regulations promulgated by Order No. R-8062, including well location requirements, horizontal limits, and the area to be governed by said rules.

Cases Nos. 8696 and 8790
Order No. R-8062-B

(5) Pursuant to the provisions of Order Nos. R-8062 and R-8062-A, both cases were reopened to allow the operators in the subject pool to appear and show cause why the Shipp-Strawn Pool should not be developed on 40-acre spacing and proration units.

(6) Inasmuch as the subject matter in both cases is the same, that being the consideration of adopting permanent special rules and regulations for the Shipp-Strawn Pool, one order should be issued for both cases.

(7) The evidence presented at the hearing establishes that one well in the Shipp-Strawn Pool can efficiently and economically drain and develop 80 acres.

(8) The special rules and regulations promulgated by Order No. R-8062 as amended by Order No. R-8062-A have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

(9) 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, the special rules and regulations promulgated by Order No. R-8062 as amended by Order No. R-8062-A should be continued in full force and effect until further order of the Division.

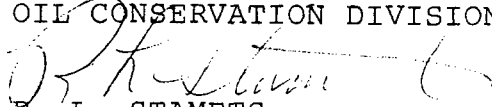
IT IS THEREFORE ORDERED THAT:

(1) The special rules and regulations governing the Shipp-Strawn Pool, Lea County, New Mexico, promulgated by Order No. R-8062 as amended by Order No. R-8062-A, are hereby continued in full force and effect until further order of the Division.

(2) 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


R. L. STAMETS
Director

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