

**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. 11040 (Reopened)  
Order No. R-5353-O-2**

**IN THE MATTER OF CASE NO. 11040 BEING REOPENED PURSUANT TO THE PROVISIONS OF DIVISION ORDER NO. R-5353-O, WHICH ORDER CREATED THE BURTON FLAT-BONE SPRING ASSOCIATED POOL AND PROMULGATED TEMPORARY SPECIAL POOL RULES THEREFOR, AND ORDER NO. R-5353-O-1 WHICH ORDER EXTENDED THE PERIOD IN WHICH THE TEMPORARY RULES WERE TO REMAIN IN EFFECT, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on March 20, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of April, 1997, 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) By Order No. R-5353-O entered in Case No. 11040 on August 23, 1994, the Division, upon application of Maralo Inc., created the Burton Flat-Bone Spring Associated Pool and promulgated temporary special rules and regulations for said pool including 80-acre oil and 160-acre gas spacing, designated well location requirements, and a limiting gas-oil ratio of 5,000 cubic feet of gas per barrel of oil.

(3) Pursuant to the requirements of Order No. R-5353-O, Case No. 11040 was reopened and heard by the Division on September 21, 1995.

(4) By Order No. R-5353-O-1 entered in Case No. 11040 (Reopened) on September 27, 1995, the Division extended the Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Associated Pool for an additional eighteen month period.

(5) Pursuant to the provisions of Division Order No. R-5353-O-1, this case is being reopened to allow the operators in the subject pool to appear and present evidence and testimony as to whether the Burton Flat-Bone Spring Associated Pool should remain classified as an associated oil and gas pool and whether the temporary special rules and regulations should remain in effect.

(6) Maralo Inc. (Maralo), one of two current operators in the pool, appeared and presented evidence and testimony to support its request that:

- a) the Burton Flat-Bone Spring Associated Pool remain classified as an associated oil and gas pool subject to the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico as promulgated by Division Order No. R-5353, as amended;
- b) the Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Associated Pool, including provisions for 160-acre gas spacing and a limiting gas-oil ratio of 5,000 cubic feet of gas per barrel of oil be made permanent; and,
- c) Rule No. (2) of the Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Associated Pool be amended to provide for 40-acre oil spacing instead of 80 acres.

(7) The geologic and engineering evidence and testimony presented by the applicant indicate that:

- a) the Burton Flat-Bone Spring Associated Pool is properly classified as an associated oil and gas pool;
- b) oil wells within the Burton Flat-Bone Spring Associated Pool are not capable of draining an area in excess of 40 acres;
- c) gas wells within the Burton Flat-Bone Spring Associated Pool should remain spaced on 160 acres; and,

- d) a limiting gas-oil ratio of 5,000 cubic feet of gas per barrel of oil should not result in excessive waste of reservoir energy thereby reducing ultimate oil recovery from the pool.

(8) Merit Energy Company, the only other operator in the Burton Flat-Bone Spring Associated Pool, did not appear at the hearing and present evidence and testimony or otherwise object to Maralo's proposed rule changes.

(9) Further testimony by Maralo indicates that reducing the oil spacing from 80 acres to 40 acres within the subject pool should not have an adverse affect on any interest owner.

(10) Rule No. (2) of the Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Associated Pool should be amended to provide for 40-acre oil spacing.

(11) The Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Associated Pool should be made permanent.

**IT IS THEREFORE ORDERED THAT:**

(1) Rule No. (2) of the Temporary Special Rules and Regulations for the Burton Flat-Bone Spring Associated Pool, as promulgated by Division Order No. R-5353-O, as amended, is hereby amended to provide for 40-acre oil spacing.

(2) The Burton Flat-Bone Spring Associated Pool shall be governed by the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, as promulgated by Division Order No. R-5353, as amended, insofar as said General Rules and Regulations are not inconsistent with the permanent Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules and Regulations shall apply:

SPECIAL RULES AND REGULATIONS  
FOR THE  
BURTON FLAT-BONE SPRING ASSOCIATED POOL

RULE 2. A standard oil proration unit shall consist of 40 acres. A standard gas proration unit shall consist of 160 acres. Top allowable for a 40-acre oil proration unit shall be 142 barrels per day.

RULE 6. The limiting gas-oil ratio shall be 5,000 cubic feet of gas per barrel of oil.

**IT IS FURTHER ORDERED THAT:**

(3) The location of all wells presently drilling to or completed in the Burton Flat-Bone Spring Associated Pool or in the Bone Spring formation within one mile thereof are hereby approved; 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 within 30 days from the date of this order.

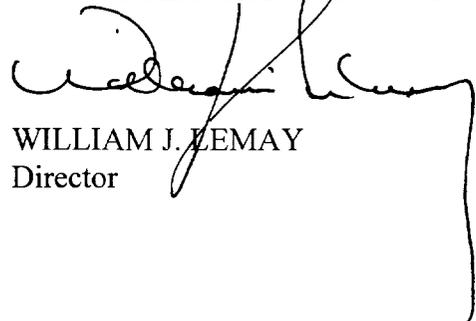
(4) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil and gas wells in the Burton Flat-Bone Spring Associated Pool shall have dedicated thereto 40 acres and 160 acres, respectively, in accordance with the foregoing pool rules; or, pursuant 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 40 acres and 160 acres to oil and gas wells, respectively, 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 a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Burton Flat-Bone Spring Associated Pool or in the Bone Spring formation within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

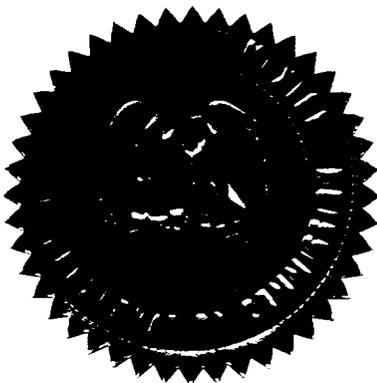
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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