

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:

NOMENCLATURE
CASE NO. 11041
ORDER NO. R-10183

**APPLICATION OF PG&E RESOURCES COMPANY FOR POOL CREATION,
SPECIAL POOL RULES AND A DISCOVERY ALLOWABLE, LEA COUNTY, NEW
MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 21, 1994 at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 26th day of August, 1994 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, PG&E Resources Company, seeks the creation of a new pool in the S/2 SW/4 of Section 15, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico for the production of oil from the Strawn formation. The applicant also seeks the adoption of 80-acre spacing rules with standard well location requirements. The applicant further seeks the assignment of an oil discovery allowable for its Smith "15" Well No. 1 located 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 15.

(3) At the hearing, a PG&E witness submitted production history for the Smith "15" Well No. 1. Initial production was on May 3, 1994. The well was shut-in on May 10 through June 30, 1994. It was opened to production again on July 1, and in seventeen days

produced 11,464 barrels of oil, no water and 10,771 MCF of gas. Average production was 442 BOPD and 634 MCFGPD. GOR was 1434. The maximum producing rate reported for the well was 790 BOPD and 1250 MCFGPD with a GOR of 1582 on June 7, 1994.

(4) The applicant's geologist submitted a structure map which shows that the discovery well produces from a Strawn algal mound development which is apparently separate from any previous Strawn production.

(5) The applicant's witness testified that the Smith "15" Well No. 1 is over 2½ miles from any current Strawn production. The Northeast Lovington-Strawn Pool is 2½ to 3 miles away. The Townsend-Strawn Pool is approximately 4 miles northwest and the Shoe Bar-Strawn Pool is 4 miles to the west. Dry holes separate the discovery well from these pools.

(6) A cross-section was submitted showing two wells within 2 miles of the discovery well which had Strawn shows on DST. One of the wells, the Pennzoil State "A" Well No. 1 produced a total of 1329 barrels of oil before being abandoned in the Strawn. The discovery well is 200 feet lower structurally and apparently separated geologically from the Pennzoil State "A" Well No. 1. The other well within 2 miles, the O'Neill Properties Pennzoil "22" State Well No. 1, had only slight Strawn shows on DST and was not completed in the Strawn.

(7) Bottomhole pressure data from the discovery well was compared to initial bottomhole pressures from other Strawn producing pools in the area. Based on this information, the well appears to be a new well in a new reservoir. Reservoir pressure (4571 PSIG) has apparently not been depleted by previous production from the reservoir.

(8) The applicant requested a discovery allowable of 57,265 barrels to be produced over a two year period at 78.4 BOPD. The discovery allowable plus the 80-acre depth bracket allowable of 445 BOPD would result in a total daily allowable of 523 BOPD.

(9) The applicant's evidence indicates that one well may be expected to drain 80 acres. The applicant requested that pool rules allow only one well per 80 acres.

(10) A standard 2000 to 1 GOR was requested by the applicant, along with standard well spacing requirements. It was also requested that the rules be temporary for a two-year period.

(11) The proposed pool name is the Diamond-Strawn Pool.

(12) No offset operator or interest owner appeared at the hearing in opposition to the application.

(13) The applicant's requests will provide for orderly development of the new reservoir and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) A new oil pool in the S/2 SW/4 of Section 15, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby created and designated as the Diamond-Strawn Pool.

(2) Temporary Special Rules and Regulations for said pool are hereby adopted as set out below for a period of two years.

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
DIAMOND-STRAWN POOL

RULE 1. Each well completed or recompleted in the Diamond-Strawn Pool or the Strawn formation within one mile of the Diamond-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 Diamond-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; only one producing well shall be located on each 80-acre 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 single quarter-quarter sections or lots. 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 thirty days, no offset operator has entered an objection to the formation of such unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Diamond-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 twenty 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. Each 80-acre proration unit shall contain only one producing well.

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:

(3) The location of any well permitted in, drilling to or completed in the Strawn formation within the boundaries of the Diamond-Strawn Pool prior to September 1, 1994, which location was orthodox under pool rules existing prior to that time and which location is now unorthodox, is hereby approved.

(4) The locations of any other wells presently permitted in, drilling to, or completed in the currently defined Diamond-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 October 1, 1994.

(5) A discovery allowable of 57,265 barrels shall be assigned to the PG&E Resources Company Smith "15" Well No. 1. PG&E is authorized to produce the discovery allowable over a two year period beginning September 1, 1994 at a rate of 78.4 barrels per day.

(6) The effective date of this order and of the pool and the pool rules included herein shall be September 1, 1994.

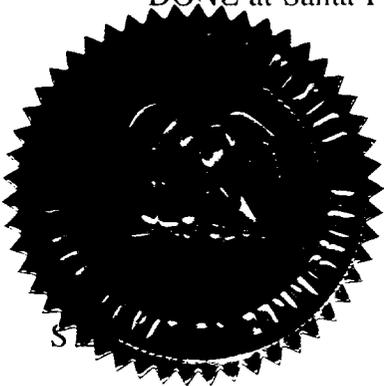
(7) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), existing wells in the Diamond-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units 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 sixty 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 Diamond-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.

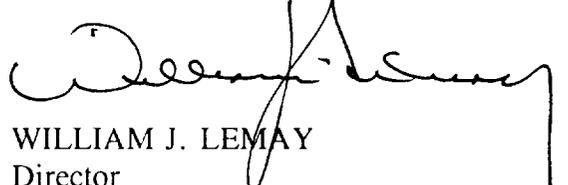
(8) This case shall be reopened at an examiner hearing in September 1996 at which time the operators in the subject pool may appear and show cause why the Diamond-Strawn Pool should not be developed on 40-acre proration units.

(9) 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