

**DOCKET: COMMISSION HEARING - MONDAY - JULY 14, 1997**

**9:00 A.M. - 2040 SOUTH PACHECO - SANTA FE, NEW MEXICO**  
**The Land Commissioner's designee for this hearing will be Jami Bailey**

**CASE 11705: (Readvertised)**

**Application of the Oil Conservation Division to amend Order R-8170, as amended, "General Rules for the Prorated Pools of New Mexico."** Applicant seeks to amend Order No. R-8170, as amended, to simplify the testing and proration rules as applied to the prorated pools of Northwest New Mexico.

**CASE 11599: (De Novo - Continued from June 5, 1997, Commission Hearing.)**

**Application of Gillespie-Crow, Inc. for an allowable reduction, Lea County, New Mexico.** Applicant seeks an order restricting production from wells completed in the West Lovington-Strawn Pool that are in communication with wells in the West Lovington Strawn Unit, and which adjoin but are outside the unit, to rates equal to the average producing rate for wells within the unit. The unit comprises all of Section 33 and the W/2 of Section 34, Township 15 South, Range 35 East; Lots 1 through 8 of Section 1, Township 16 South, Range 35 East; and Lots 3 through 5 of Section 6, Township 16 South, Range 36 East. Said unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico. Upon application of Yates Petroleum Corporation and Hanley Petroleum, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

**THE FOLLOWING CASES ARE AWAITING FINAL COMMISSION ACTION:**

**CASE 11793:** Application of the Oil Conservation Division upon its own motion to amend Rule 1104 of its General Rules and Regulations to eliminate the requirement of filing Form C-104 for change of transporter.

**CASE 11762:** Application of the the Oil Conservation Division on its own motion to amend Rule 111 of its General Rules and Regulations to simplify the regulatory process by eliminating the requirements for notice, the filing of an administrative application, and a possible hearing strictly on the grounds that a proposed well or existing recompletion is to be deviated, directionally drilled, or is to include a horizontal wellbore.

## Rand Carroll

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**From:** Frank Chavez  
**To:** Rand Carroll  
**Subject:** Well testing hearing  
**Date:** Wednesday, January 15, 1997 4:54PM  
**Priority:** High

Early in the productive life of the San Juan Basin it was determined by testing and reservoir studies that the ability of a gas well to produce and the amount of acreage dedicated to a gas well were indicators of the producible reserves of that well. The results from a standardized test (a deliverability test) and the amount of acreage dedicated to a well have been used by the OCD in a complex formula to calculate the amount of gas which is that well's just and equitable share of the total amount of gas produced from the pool in which the well is located. This has been an important activity in our duties to prevent waste and protect correlative rights. Due to the natural decline in producing wells, the addition of new wells, and other changing conditions, wells within a pool have had to be tested periodically.

At this time due to the declining productivity of wells in prorated pools in relation to demand levels, very few wells can produce more than their calculated share. We do not foresee that this will change. Also, the current allowable calculation formula may not be applicable in the current state of mature reservoir production and the current gas market. However, our current testing rules require the testing of many wells which will not be affected by calculated allowables and thus not endanger correlative rights nor cause waste. This unnecessary testing creates a burden on operators and on the OCD.

The purpose of our application is to amend OCD orders to reduce the amount of gas well testing required in the San Juan Basin and review the basis for testing. We propose that the Commission create a committee chaired by the OCD and made up of operator and pipeline representatives and other affected parties to draft revised well testing and proration rules that will address changing reservoir and market conditions and assure the prevention of waste and the protection of correlative rights.

DOCKET NO. 277

DOCKET: COMMISSION HEARING - THURSDAY - JANUARY 16, 1997

9:00 A.M. - 2040 SOUTH PACHECO - SANTA FE, NEW MEXICO  
The Land Commissioner's designee for this hearing will be Jami Bailey

**CASE 11705:** Application of the Oil Conservation Division to amend Order R-8170, as amended, "General Rules for the Prorated Pools of New Mexico. Applicant seeks to amend Order No. R-8170, as amended, to simplify the testing and proration rules as applied to the prorated pools of northwest New Mexico.

**CASE 10994:** (Reopened)

Application of Phillips Petroleum Company to Reopen De Novo Case No. 10994, Roosevelt County, New Mexico. Case 10994 will be reopened for consideration of oil allowables for future production from the South Peterson-Fusselman Pool, Roosevelt County, New Mexico.

**CASE 11613:** (De Novo)

Application of Burlington Resources Oil & Gas Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NW/4 SE/4 of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre oil spacing within said vertical extent, including but not limited to the West Red Tank Delaware Pool and the Red Tank-Bone Spring Pool. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Checkmate 24 Federal Well No. 1 which is to be drilled at a standard well location. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling and completing said well and the allocation of those costs as well as actual operating costs and charges for supervision, a charge for risk involved in drilling and completing said well and the designation of applicant as the operator of the well. Said well is located approximately 13 1/2 miles southeast of the intersection of State Highway 176 and U.S. Highway 180, Lea County, New Mexico. Upon application of Penwell Energy, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

**CASE 11622:** (De Novo)

Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NW/4 SE/4 of Section 24, Township 22 South, Range 32 East. Applicant proposes to dedicate this pooled unit to its Checkers 24 Federal Well No. 1 to be drilled at a standard location 1980 feet from the South and East lines (Unit J) of said Section 24 to test any and all formations to the base of the Bone Spring formation, Red Tank-Bone Spring Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 28 miles west-southwest of Eunice, New Mexico. Upon application of Penwell Energy, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

**CASE 11510:** (Reopened - Continued from December 12, 1996, Commission Hearing.)

Application of Branko, Inc. Et. al to Reopen Case No. 10656 (Order No. R-9845), Lea County, New Mexico. Mitchell Energy Corporation, a party in this matter, has requested to have the Oil Conservation Commission decide the matter of which parties are to be notified of election rights under compulsory pooling orders.

**CASE 11579:** (De Novo - Continued from December 12, 1996 Commission Hearing.)

Application of Pogo Producing Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to institute a pressure maintenance project in the West Red Tank-Delaware Pool within its federal oil and gas lease (No. NM-86149) comprising the W/2 of Section 26, Township 22 South, Range 32 East, by the injection of natural gas through the perforated interval from approximately 8,399 feet to 8,471 feet into its existing Red Tank "26" Federal Well No. 1 located 1880 feet from the South and West lines (Unit K) of said Section 26. Said project area is located approximately 29 miles west by south of Eunice, New Mexico. Upon application of Pogo Producing Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

**CASE 11702:** Application of Mallon Oil Company for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 30, Township 19 South, Range 34 East, and in the following manner: The N/2 of Section 30 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated Quail Ridge-Atoka Gas Pool; the NE/4 of Section 30 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing within said vertical extent, including but not limited to the Undesignated Quail Ridge-Yates Gas Pool; and the SW/4 NE/4 of Section 30 to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated East Gem-Strawn Pool, Undesignated Apache Ridge-Bone Spring Pool, and Undesignated Pearl-Queen Pool. Said unit will be dedicated to its Mescalero Ridge Unit 30 Well No. 4, to be drilled at an unorthodox location 1330 feet from the North and East lines (Unit G) of said Section 30. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. Said unit is located approximately 2.5 miles north of U.S. Highway 62/180 mile marker 76.

**CASE 11703:** Application of Parker & Parsley Development, L. P. for statutory unitization, Lea County, New Mexico. Applicant seeks an order unitizing, for the purpose of establishing a water injection project, all mineral interests in the West Lusk-Delaware Pool underlying its proposed Lusk West (Delaware) Unit Area encompassing some 1520 acres, more or less, of Federal lands comprising all of Sections 20 and 21 and NW/4, N/2 SW/4 of Section 21, all in Township 19 South, Range 32 East. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, Sections 70-7-1 et. seq., NMSA, will be the necessity of unit operations; the designation of a unit operator; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable and equitable allocation of production and costs of production, including capital investments, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to unit voting procedures; selection, removal or substitution of the unit operator; and time of commencement and termination of unit operations. Said unit area is centered approximately 13 miles southeast of Loco Hills, New Mexico.

**CASE 11704:** Application of Parker & Parsley Development, L. P. for a water injection project for secondary recovery of hydrocarbons, Lea County, New Mexico. Applicant seeks approval to institute a water injection project in the West Lusk-Delaware Pool within its proposed Lusk West (Delaware) Unit Area (being the subject of Case No. 11703) located in Township 19 South, Range 32 East, by the injection of produced water through perforated intervals into the West Lusk-Delaware Pool. Said project is located approximately 13 miles southeast of Loco Hills, New Mexico.

**CASE 11604:** (Continued from December 5, 1996, Examiner Hearing.)

Application of Sunco Trucking Water Disposal Company for a show cause hearing as to why it should not be fined for violations of Oil Conservation Division Rule 711, San Juan County, New Mexico. Applicant seeks a hearing to show cause to the Oil Conservation Division why applicant should not be fined \$5,000.00 for violations of the conditions of its Rule 711 permit.

## **Carroll, Rand**

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**From:** Frank Chavez  
**Sent:** Thursday, November 21, 1996 5:25 PM  
**To:** William Lemay  
**Cc:** Florene Davidson; Rand Carroll  
**Subject:** Well testing and proration

This is a draft of the proposed memo:

### **Memorandum to operators of gas wells in the San Juan Basin**

Due to anticipated changes in the well testing rules for the San Juan Basin there will be a moratorium on deliverability testing on prorated wells and on shut-in pressure testing for non-prorated wells for 1997.

The Division will be submitting an application for a Commission hearing to simplify testing rules and proration rules. As is our current policy, at the hearing a committee will be formed to make recommended rules changes where they are needed.