

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. 11773
ORDER NO. R- _____

APPLICATION OF CONOCO INC. FOR
ADOPTION OF SPECIAL POOL RULES FOR
THE WEST MALJAMAR-DEVONIAN POOL,
LEA COUNTY, NEW MEXICO

CONOCO INC.'S
PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 1, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of May, 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) The applicant, Conoco Inc. ("Conoco"), seeks an order promulgating special pool rules for the West Maljamar-Devonian Pool which currently comprises the NW/4 of Section 20, Township 17 South, Range 32 East, including provisions for 160-acre oil spacing and proration units, designation of well location requirements and a special oil allowable of 900 barrels of oil per day.

(3) Conoco has drilled, completed and now operates its Elvis Well No. 1, located 1780 feet from the North line and 1980 feet from the West line (Unit F) of Section 20, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico.

(4) On January 1, 1997, Conoco filed a request with the Division's Hobbs office for the creation of a new Devonian oil pool ("West Maljamar Devonian Pool") comprising the NW/4 of said Section 20 and on February 25, 1997, Conoco filed an application with the Division's Hobbs office requesting the assignment of a "discovery oil allowable" to the Elvis Well No. 1.

(5) The creation of a new pool and approval of a discovery allowable were the subject of Case 11765(e) which was heard by the Division on its April 17, 1997 and are now pending approval by the Division.

(6) The nearest historical Devonian oil production was located more than one mile to the east in the now abandoned Maljamar-Devonian Pool.

(7) This well constitutes a "new oil discovery" for the production of oil from the Devonian formation.

(8) Conoco requests the adoption of the following Special Rules and Regulations for the West Maljamar-Devonian Pool:

- (a) 160-acre oil spacing and proration units;
- (b) with no more than one producing well for each 160-acre spacing or proration unit;
- (c) well locations within 330 feet of the side boundary of a governmental quarter-quarter section;
- (d) a special depth bracket maximum oil allowable of 900 barrels of oil per day per oil spacing unit; and

(e) that each well completed or recompleted in this pool or the Devonian formation within one mile thereof, shall be spaced, drilled operated and produced in accordance with these special rules.

(9) In accordance with Division rules, notification of this hearing and this application, including a description of the specifically requested rules, and request for hearing to be held on May 1, 1997 was sent to all operators within one mile of the outer boundary of the pool.

(10) Conoco currently is the only operator within this pool and no other operator or interested party has appeared in this case.

(11) Conoco presented geological and petroleum engineering data and conclusions to demonstrate that:

(a) based upon 3-D seismic data and conventional geological data, the Devonian formation underlying the subject area constitutes a newly discovered reservoir which is a localized structural feature consisting of a fractured and vuggy dolomite.

(b) based upon a CBIL Imaging Log the reservoir contains multiple distinct compartmentalized intervals of fractured vuggy dolomite which are both horizontally and vertically porous and permeable through the vuggular and fracture systems.

(c) that wells located on not less than 160 acres per well should be sufficient to encounter all of the various compartmentalized intervals of the pool while wells located on 320-acres would be inadequate for efficient drainage of the reservoir.

(d) based upon PVT data, crude oil produced from this reservoir is an undersaturated, volatile oil.

(e) based upon a pressure buildup test, the radius of investigation established that the drainage area for the 3 feet of perforations in the discovery well extended at least 2,000 feet which calculates to a drainage area of approximately 189 acres

(f) based upon a deliverability test, the discovery well has the capacity to produced the requested 900 barrels of oil per day allowable while not increasing the percentage of water produced.

(12) The Division **FINDS** that:

(a) 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 rules and regulations providing for 160-acre oil spacing units should be promulgated for said pool,

(b) The proposed 330-foot set back requirement would serve to provide the operators in the subject pool with the maximum appropriate flexibility in locating wells at more favorable positions on the structural feature of this pool.

(c) In order to assure the orderly development of the pool and to deter the drilling of multiple wells in a spacing unit which would be unnecessary, the proposed limitation of one well per spacing units should be granted.

(d) Division Rule 505.A provides a depth bracket oil allowable of 695 barrels of oil per day for 160-acre spacing units for a pool at the depth of 13,100 to 13,999.

(e) The requested special oil allowable of 900 barrels of oil a day is appropriate because said allowable will not cause waste or damage to the reservoir.

(f) it is in the best interest of conservation and the protection of correlative rights that the requested spacing rules and regulation for this pool be approved.

(g) the proposed pool rules should be established for a period of not less than 18 months in order to allow the operator(s) in the subject pool to gather sufficient reservoir information to determine that the pool can be sufficiently and economically drained and developed by one well per 160-acres.

(13) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(14) Approval of Conoco's request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pool, will not reduce ultimate recovery from the subject pool, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) That effective April 1, 1997 and until further order or of the Division, the Temporary Special Rules and Regulations for the West Maljamar-Devonian Pool, are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
WEST MALJAMAR-DEVONIAN POOL**

RULE 1. Each well completed or recompleted in the West Maljamar-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another Devonian oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. A standard unit shall contain 160-acres, more or less, consisting of a governmental quarter section and shall not contain more than more than one (1) well capable of production from this pool.

Rule 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division" may grant an exception to the requirements of Rule 2 only after notice and hearing with notice being provided by certified mail-return receipt to the all of the operators in the pool and in the absence of an operator for any spacing units, then to the working interest owners thereof.

Rule 4. Each well shall be located no closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than ____ feet to the nearest well drilling to or capable of producing from this pool.

Rule 5. The Division Director may grant an exception to the requirements of Rule 4 only after notice and hearing with notice being provided by certified mail-return receipt to the all of the operators in the pool and in the absence of an operator for any spacing units, then to the working interest owners thereof.

Rule 6. A standard proration unit (158 through 162 acres) shall be subject to a special oil allowable of 900 barrels of oil per day. 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 160-acres.

(3) The locations of all wells presently drilling to or completed in the West Maljamar-Devonian Pool or in the Devonian 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 within thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the West Maljamar-Devonian Pool shall have dedicated thereto 160-acres in accordance with the foregoing pool rules, or, pursuant to Paragraph C of said Section 70-2-18 NMSA (1978) existing wells may have non-standard spacing and proration units established by the Division and dedicated thereto.

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Failure to file new Forms C-102 with the Division dedicating 160-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 sixty-day limitation, each well presently drilling to or completed in the West Maljamar-Devonian Pool or in the Devonian formation within one mile thereof shall receive no more than one-fourth of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in October, 1998 at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the West Maljamar-Devonian Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

(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

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KELLAHIN AND KELLAHIN

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May 5, 1997

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

*Re: NMOCD Case 11773
Application of Conoco Inc.
for special pool rules for the
West Maljamar-Devonian Pool,
Lea County, New Mexico*

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed a draft of a proposed order for consideration in this case.

Very truly yours,



W. Thomas Kellahin

cfx: Conoco Inc.
Attn: Jerry Hoover