

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5397
Order No. R-4949

NOMENCLATURE

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR POOL CREATION AND
SPECIAL POOL RULES, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 8, 1975,
at Santa Fe, New Mexico, before Examiner, Richard L. Stamets.

NOW, on this 22nd day of January, 1975, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Cities Service Oil Company,
seeks the creation of a new gas pool for Wolfcamp production
in Eddy County, New Mexico, and the promulgation of special
rules and regulations governing said pool, including a
provision for 320-acre spacing units.

(3) That applicant's Government "T" Well No. 1, located
in Unit C of Section 14, Township 20 South, Range 28 East,
NMPM, Eddy County, New Mexico, having its top perforations
at 9206 feet, has discovered a separate common source of
supply which should be designated the North Burton Flats-
Wolfcamp Gas Pool; that the vertical limits of said pool
should be the Wolfcamp formation and the horizontal limits
of said pool should include all of Sections 14 and 23 in
said township.

(4) That temporary special rules and regulations
providing for 320-acre gas well spacing should be promulgated
for the subject pool in order to prevent the economic loss
caused by the drilling of unnecessary wells, avoid the

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12447 Exhibit No. 2
Submitted By:
OXY USA, Inc.
Hearing Date: July 13, 2000

augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

(5) That the temporary special rules and regulations should provide for the limitation of production from wells in the subject pool to a maximum of no more than 1,500 MCF per day.

(6) That the temporary special rules and regulations should establish proration rules for gas wells in order to prevent waste and protect correlative rights.

(7) That this case should be reopened at an examiner hearing during February, 1976, to permit the operators in said gas pool to appear and show cause why the North Burton Flats-Wolfcamp Gas Pool should not be developed on 160-acre spacing and proration units.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1975, a new pool for the production of gas from the Wolfcamp formation is hereby created and designated as the North Burton Flats-Wolfcamp Gas Pool with horizontal limits comprising the following described area:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 14: All
Section 23: All

(2) That effective February 1, 1975, Special Rules and Regulations for the North Burton Flats-Wolfcamp Gas Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
NORTH BURTON FLATS-WOLFCAMP GAS POOL

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

RULE 2. (a) Each well shall be located on a standard unit containing 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Land Surveys.

RULE 3. The Secretary-Director of the Commission 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 United States 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 unit lies wholly within a standard proration unit for the well under the applicable provisions of Rule 2 above and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the standard proration unit for the well 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 Secretary-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 Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the nearest side boundary of the tract nor nearer than 1980 feet to the nearest end boundary of the tract.

RULE 5. A gas well in the North Burton Flats-Wolfcamp Gas Pool shall be permitted to produce no more than 1,500 MCF of gas per day during the effective period of these pool rules.

RULE 6. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 7.

RULE 7. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The Commission District Supervisor may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 8. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 9. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the amounts set forth in Rule 5 of these rules.

RULE 10. The initial balancing date shall be 7 o'clock a.m. April the first, 1975. Subsequently, the date 7:00 a.m. April the first of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

RULE 11. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 12. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 13. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 14. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 15. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 16. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 17. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

RULE 18. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of

the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 19. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the North Burton Flats-Wolfcamp Gas Pool or in the Wolfcamp formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the appropriate district office of the Commission in writing of the name and location of the well on or before February 15, 1975.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the North Burton Flats-Wolfcamp Gas Pool shall have dedicated thereto 320 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 Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable.


(3) That this cause shall be reopened at an examiner hearing during February, 1976, to permit the operators in said pools to appear and present evidence to clearly establish the nature of said reservoirs, proper rates of production for wells therein, and special rules therefor.

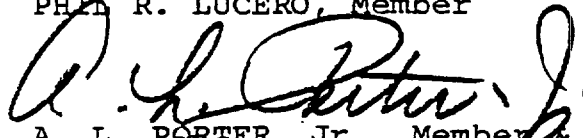
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman


PHIL R. LUCERO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

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