

**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. 12538
ORDER NO. R-11506**

**APPLICATION OF RICKS EXPLORATION, INC. FOR POOL CREATION AND
SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 16, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 14th day of December, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Ricks Exploration, Inc. ("Ricks") seeks:
 - (a) to create a new pool for the production of oil from the Devonian formation, to be designated the North Trinity-Devonian Pool;
 - (b) the promulgation of temporary special pool rules to include provisions for 160-acre spacing and proration units consisting of the NE/4, SE/4, SW/4 or NW/4 of a single governmental section; and
 - (c) to have wells located no closer than 660 feet to any boundary of a proration unit nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary.

(3) The applicant's Burrus Well No. 1 located 900 feet from the South line and 1859 feet from the East line of Section 22, Township 12 South, Range 38 East, NMPM, Lea County, New Mexico was openhole completed on June 29, 2000 in the Devonian formation from 12,031 feet to 12,036 feet at an initial rate of approximately 148 barrels of oil per day.

(4) By Division Order No. R-11475, issued in Case No. 12521 and dated October 24, 2000, the Division extended the boundaries of the Trinity-Devonian Pool to include the Burrus Well No. 1. The Trinity-Devonian Pool was extended to include the following acreage:

Township 12 South, Range 38 East, NMPM
Section 22: SE/4
Section 27: N/2.

(5) The Trinity-Devonian Pool is currently governed by Rule 104 of the Division rules, which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet to any boundary of the proration unit. It currently comprises:

Township 12 South, Range 38 East, NMPM
Section 22: SE/4
Section 27: N/2 and SW/4.

(6) Ricks presented evidence demonstrating that:

(a) the Burrus Well No. 1 is located on an isolated structure within the Devonian formation;

(b) due to the limited lateral extent of the structure, a new source of supply for the Devonian formation, separate from the Trinity-Devonian Pool, has been discovered;

(c) the majority of the structure is within the S/2 of the SE/4 of Section 22;

(d) a drainage area of approximately 28 acres was calculated on the Hodge Well No. 1, a Devonian well, located in Unit M of Section 27, Township 12 South, Range 38 East;

(e) the Hodge Well No. 1 is located on a smaller structure than the one on which the Burrus Well No. 1 is located;

(f) a drainage area of approximately 80 acres was calculated on the H.H. Harris Well No. 2, originally a Devonian well, located in Unit O of Section 35, Township 12 South, Range 38 East; and

(g) based on surrounding data, the drainage area of the Burrus Well No. 1 is approximately 80 acres.

(7) Ricks testified that only one well will be required to effectively and economically drain the entire reservoir, and that no other wells will need to be drilled.

(8) Ricks further testified that in the event their request for 160-acre spacing is denied, they are requesting 80-acre spacing.

(9) Counsel for Mike Field, Field Circle 7 Ranch Mineral Partnership, and the First National Bank of Brownsville, Texas, successor trustee for Anita Field Trust, (collectively known as the "Opposition") appeared at the hearing in opposition to Ricks application.

(10) Counsel for the Opposition stated that the proposed 160-acre spacing and proration unit would unreasonably modify the intent of the development provisions contained in the oil and gas lease between the applicant and the Opposition, which requires a continuous drilling program. Additionally, counsel for the Opposition stated that Ricks would not be required to drill the remaining 40-acre spacing and proration units within the lease if this application is approved.

(11) Counsel for the Opposition further stated that a 160-acre spacing and proration unit was unnecessary because the applicant testified that the Burrus Well No. 1 would only drain approximately 80 acres.

(12) No other offset operator or interest owner appeared at the hearing or opposed the application.

(13) The evidence presented indicates that the majority of the Devonian structure in which the Burrus Well No. 1 is located is in the S/2 of the SE/4 of Section 22. Additionally, the evidence was insufficient to demonstrate that the Burrus Well No.1 can drain in excess of 80 acres.

(14) Ricks' request for 160-acre spacing and proration units should be denied.

(15) In order to prevent waste and protect correlative rights, temporary special pool rules providing for 80-acre spacing and proration units should be issued for the proposed pool.

(16) The temporary special pool rules should provide for designated well locations such that a well should be within 150 feet of the center of a governmental quarter-quarter section or lot.

(17) Pursuant to Division General Rules No. 505.A. and 506.A., the subject pool should be assigned a depth bracket allowable of 490 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(18) The Trinity-Devonian Pool in Lea County should be contracted by deleting:

Township 12 South, Range 38 East, NMPM
Section 22: SE/4
Section 27: N/2.

(19) Pursuant to Division nomenclature procedures, a new pool classified as an oil pool for Devonian production should be created and designated the North Trinity-Devonian Pool, with vertical limits comprising the Devonian formation and horizontal limits comprising the SE/4 of Section 22, Township 12 South, Range 38 East, NMPM, Lea County, New Mexico.

(20) This case should be reopened at an examiner hearing in December 2001, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules for the North Trinity-Devonian Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) The Trinity-Devonian Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

Township 12 South, Range 38 East, NMPM
Section 22: SE/4
Section 27: N/2.

(2) Pursuant to the application of Ricks Exploration, Inc. ("Ricks"), a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production is

hereby created and designated the North Trinity-Devonian Pool, with vertical limits comprising the Devonian formation, and horizontal limits comprising the following described area:

Township 12 South, Range 38 East, NMPM
Section 22: S/2 SE/4.

(3) Ricks' request for 160-acre spacing and proration units is hereby denied.

(4) Temporary special pool rules for the North Trinity-Devonian Pool are hereby adopted as follows:

**TEMPORARY SPECIAL POOL RULES FOR THE
NORTH TRINITY-DEVONIAN POOL**

RULE 1. Each well completed or recompleted in the North Trinity-Devonian Pool or in the Devonian within one mile thereof, and not nearer to or within the limits of another designated Devonian pool, shall be spaced, drilled, operated and produced in accordance with these rules.

RULE 2. Each well completed or recompleted in the North Trinity-Devonian 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.

RULE 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 80 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. 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 upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 20 days after the Director has received the application.

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 hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location 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 proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard 80-acre oil proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 490 BOPD with a limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil. In the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. 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:

(5) The location of all wells presently drilling to or completed in North Trinity-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian pool, are hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 30 days from the date of this order.

(6) Pursuant to Paragraph A of Section 70-2-18, NMSA 1978, existing oil wells in the North Trinity-Devonian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing and proration units established by the Division and dedicated thereto. Failure to file a new Form C-102 with the Division dedicating 80 acres to a well 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.

(7) This case shall be reopened at an examiner hearing in December 2001, at which time the operators in the North Trinity-Devonian Pool shall appear and show cause why the temporary special rules for the pool set forth herein should not be rescinded.

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

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

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