

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. 5653
Order No. R-5191

NOMENCLATURE

APPLICATION OF MATHIS, SPENCER
& HUTSON FOR POOL CREATION AND
SPECIAL POOL RULES, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 17, 1976, at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 30th day of March, 1976, 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, Mathis, Spencer & Hutson, seeks the creation of a new oil pool for Wolfcamp production in Lea County, New Mexico.

(3) That the applicant also seeks the promulgation of special rules for said pool, including a provision for 160-acre proration units.

(4) That the evidence presently available indicates that applicant's Clayton Well No. 1, located in Unit L of Section 22, Township 15 South, Range 33 East, NMPM, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the Daisey-Wolfcamp Pool; that the vertical limits of the pool should be the Wolfcamp formation, and that the horizontal limits of said pool should be as follows:

TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM
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(5) That 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 spacing units should be promulgated for the Daisey-Wolfcamp Pool.

(6) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(7) That the temporary special rules and regulations should provide for a depth bracket allowable of 515 barrels.

(8) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(9) That this case should be reopened at an examiner hearing in April, 1977, at which time the operators in the subject pool should be prepared to appear and show cause why the Daisey-Wolfcamp Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That effective April 1, 1976, a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production, is hereby created and designated the Daisey-Wolfcamp Pool, with vertical limits comprising the Wolfcamp formation and horizontal limits comprising the following-described area:

TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM
Section 22: SW/4

(2) That temporary Special Rules and Regulations for the Daisey-Wolfcamp Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE DAISEY-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the Daisey-Wolfcamp Pool or in the Wolfcamp formation within one mile of the Daisey-Wolfcamp Pool, and not nearer to nor within the limits of another designated Wolfcamp 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 Daisey-Wolfcamp Pool shall be located on a unit containing 160-acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. For good cause shown, the Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising less than 160 acres. 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 Secretary-Director of the Commission may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Daisey-Wolfcamp Pool as the acreage in such non-standard unit bears to 160-acres.

RULE 4. Each well completed or recompleted in said pool shall not be drilled closer than 660 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line.

RULE 5. The Secretary-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 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 Secretary-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 Secretary-Director received the application.

RULE 6. A standard proration unit (158 through 162 acres) in the Daisey-Wolfcamp Pool shall be assigned a depth bracket allowable of 515 barrels, subject to the market demand percentage factor, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit in any proportion.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Daisey-Wolfcamp 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 Hobbs district office of the Commission in writing of the name and location of the well on or before June 1, 1976.

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(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 Daisey-Wolfcamp Pool shall have dedicated thereto 160 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 160 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. 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 Daisey-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof shall receive no more than one-fourth of a standard allowable for the pool.

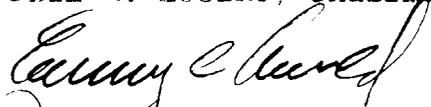
(3) That this case shall be reopened at an examiner hearing in April, 1977, at which time the operators in the subject pool should be prepared to appear and show cause why the Daisey-Wolfcamp Pool should not be developed on 40-acre spacing units.

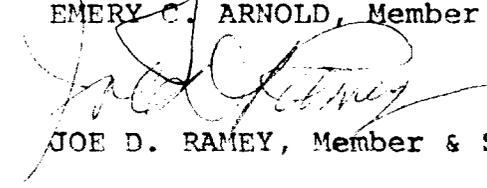
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

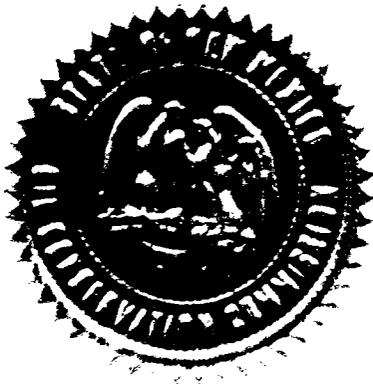
DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary



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