

CASE 10757: Application of Yates Petroleum Corporation for compulsory pooling, Eddy 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 27, Township 21 South, Range 24 East, and in the following manner: all of Section 27 forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent; the S/2 forming 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. Said unit is to be dedicated to a well to be re-entered at a previously approved unorthodox location 1140 feet from the South line and 1350 feet from the West line of said Section 27. 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2 miles north of Walt Spring.

CASE 10758: Application of Mewbourne Oil Company for an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks authorization to deepen its Cedar Breaks 2 State Well No. 1 currently completed in the Bone Spring formation at a location 2130 feet from the North line and 1980 feet from the East line (Unit G) of Section 2, Township 18 South, Range 30 East, to test the Strawn formation (undesignated Cedar Lake-Strawn Pool). The NE/4 of Section 2 will be dedicated to the well. Said unit is located approximately 4 miles southeast of Loco Hill.

CASE 10687: (Continued from June 17, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the following described areas in Section 17, Township 18 South, Range 28 East, and in the following manner: the E/2 forming 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; and the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said unit is to be dedicated to its Illinois Camp "17" State Well No. 2, to be drilled at a standard location within said E/2 proration unit. 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 unit is located approximately 2 miles north of Illinois Camp.

CASE 10688: (Continued from June 17, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the following described areas in Section 31, Township 17 South, Range 28 East, and in the following manner: the S/2 forming 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; the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW/4 SE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Chalk Bluff "31" State Well No. 1, to be drilled at a standard location within said S/2 proration unit. 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 unit is located approximately 1 mile southwest of the Baylor Triangulation Station.

CASE 10759: Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 9, Township 24 South, Range 25 East, forming 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. Said unit is to be dedicated to its Mosley Canyon 9 State Com Well No. 1, to be drilled at an orthodox location within said N/2 proration unit. 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 the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 4 miles north of White City.

CASE 10760: Application of Breck Operating Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 20, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool developed within said vertical extent. Said unit is to be dedicated to its Kutz-Government Well No. 9, recompleted at an approved unorthodox location within said W/2 proration unit. 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 the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 5 miles southeast of Bloomfield, New Mexico.

CASE 10761: Application of Mewbourne Oil Company for statutory unitization, Lea County, New Mexico. Applicant seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the Querecho Plains-Upper Bone Spring Pool underlying 2,400 acres, more or less, of federal land comprising all or portions of Sections 13, 14, 22, 23, 24, 26, 27 and 28, Township 18 South, Range 32 East, to be designated the Querecho Plains Bone Spring Unit Area. To be considered will be those matters required by the New Mexico Statutory Unitization Act, Sections 70-7-1 et. seq. NMSA (1987 Repl.), and other provisions of the Unit Agreement and Unit Operating Agreement. Said unit area is centered approximately 8 miles south of Maljamar, New Mexico.

CASE 10762: Application of Mewbourne Oil Company for a waterflood project and qualification for the recovered oil tax rate, Lea County, New Mexico. Applicant seeks approval of its Querecho Plains Bone Spring Waterflood Project by injection of water into the Querecho Plains-Upper Bone Spring Pool at pressures in excess of .2 psi per foot of depth through 15 injection wells located in Township 18 South, Range 32 East as follows: Section 13 - S/2 SW/4; Section 14 - SE/4; Section 22 - E/2 SE/4, SW/4 SE/4; Section 23 - All; Section 24 - W/2 NW/4, SW/4 SW/4; Section 26 - N/2; Section 27 - All; and Section 28 - E/2. The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within said area without the necessity of further hearings and the adoption of any provisions necessary for such other matters as may be appropriate for said waterflood operations. Applicant further seeks to qualify this project for the recovered oil tax rate under the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said area of interest is located approximately 8 miles south of Maljamar, New Mexico.

CASE 10513: (Continued from June 17, 1993, Examiner Hearing.)

Application of Hanley Petroleum Inc. for determination of reasonable well costs, Lea County, New Mexico. Applicant, in the above-styled cause, as a working interest owner in the Santa Fe Energy Operating Partners, L.P. Kachina "8" Federal Well No. 2 located 1830 feet from the North line and 660 feet from the West line (Unit E) of Section 8, Township 18 South, Range 33 East, South Corbin-Wolfcamp Pool, which was drilled pursuant to the compulsory pooling provisions of Division Order Nos. R-9480, R-9480-A, and R-9480-B, all entered in Case Nos. 10211 and 10219, and to which is dedicated the W/2 NW/4 (Units D and E) of said Section 8, seeks an order ascertaining the reasonableness of actual well costs for the subject well. Said unit is located approximately 7.5 miles southeast by south of Maljamar, New Mexico.

CEDAR LAKE-STRAWN POOL
Eddy County, New Mexico

Order No. R-9554-A, Adopting Operating Rules for the Cedar Lake-Strawn Pool, Eddy County, New Mexico, November 19, 1992.

Order No. R-9554-A supersedes Order No. R-9554, adopting operating rules for the field.

Application of Mewbourne Oil Company for the Amendment of Division Order No. R-9554, Eddy County, New Mexico; and

CASE NO. 10518

In the Matter of Case No. 10329 being Reopened Pursuant to the Provisions of Division Order No. R-9554, which Promulgated Special Rules and Regulations for the Cedar Lake-Strawn Pool, Eddy County, New Mexico.

CASE NO. 10329 (Reopened)
Order No. R-9554-A

ORDER OF THE DIVISION

BY THE DIVISION: Both causes came on for hearing at 8:15 a.m. on August 6, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of November, 1992 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 each cause and the subject matter thereof.

(2) The Division, by Order No. R-9545, dated July 1, 1991, in part, created and defined the Cedar Lake-Strawn Pool for the production of oil from the Strawn formation, with horizontal limits consisting of the SW/4 of Section 2, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) By Division Order No. R-9609, dated November 7, 1991, the horizontal limits of the subject pool were extended to include the NW/4 equivalent of said Section 2. Therefore, the current boundary of the Cedar Lake-Strawn Pool comprises the W/2 equivalent of said Section 2.

(4) By Division Order No. R-9554, issued in Case No. 10329 and dated July 31, 1991, temporary Special Rules and Regulations were promulgated for the Cedar Lake-Strawn Pool for a one-year period establishing 80-acre oil spacing units and designated well location requirements.

(5) Pursuant to the provisions of said Order No. R-9554, Case No. 10329 is being reopened at this time to allow the operators in the subject pool to appear and show cause why the temporary Special Rules and Regulations for the Cedar Lake-Strawn Pool should not be rescinded and said pool not be developed on 40-acre oil spacing units.

(6) Also, the applicant in Case No. 10518 and the original applicant in said Case No. 10329, Mewbourne Oil Company, (Mewbourne) seeks the amendment of said Special Rules and Regulations for the Cedar Lake-Strawn Pool, as promulgated by said Order No. R-9554, by providing for 160-acre spacing instead of the current 80-acre spacing, corresponding well location requirements, and a limiting gas/oil ratio of 4000 cubic feet of gas per barrel of oil.

(7) At the time of the hearing, both Case No. 10518 and Reopened Case No. 10329 were consolidated for purposes of testimony.

(8) Mewbourne currently operates the only two producing Strawn wells in the subject pool; the Loco Hills State Well No. 1 located 990 feet from the South line and 660 feet from the West line (Unit M) and the State "CE" Well No. 1 located 1980 feet from the North line and 1880 feet from the West line (Unit F), both in said Section 2.

(9) Within the twelve-month period that said Order No. R-9554 granted the operators in said pool to accumulate additional production and technical data to qualify continuation of the special pool rules, Mewbourne presented its tabulation of said data which indicates that the reservoir has a higher permeability than originally demonstrated and is capable of draining an area in excess of 80 acres.

(10) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the 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 to otherwise prevent waste and protect correlative rights, the existing special rules and regulations providing for 80-acre spacing units should be amended to provide for 160-acre spacing units.

(11) In order to promote the continued systematic development of this pool with the proposed changes, the applicant requests setback location requirements that have been traditionally accepted by the Division when spacing oil pools on 160 acres. The existing Rule 4 of said Order No. R-9554 should be amended to read:

"RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary."

(12) Further, evidence was submitted on the reservoir characteristics of the subject pool which justifies the establishment of a gas/oil ratio limitation of 4,000 cubic feet of gas per barrel of liquid hydrocarbons.

(13) Such changes and additions to the existing special rules and regulations promulgated by said Order No. R-9554 should afford the owner of each property in the pool the opportunity to produce his just and equitable share of the hydrocarbons in the pool.

(14) The applicant made an extensive effort to notify all working, royalty and overriding royalty interest owners within the subject pool boundary and within a one-mile radius of said boundary that would be affected by this order. No such interest owner or affected party appeared at the hearing in objection to the proposed rule changes.

(15) The applicant's final request to make such changes and amendments permanent is in the best interest of conservation and will serve to promote the orderly development of said pool.

(16) Since the proposed changes and amendments are somewhat extensive, the existing rules should be recodified to minimize any confusion that might be interpreted between the two orders.

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-9554, issued in Case No. 10329 and dated July 31, 1991, is hereby superseded by this order.

(2) The following Special Rules and Regulations for the Cedar Lake-Strawn Pool, currently comprising the W/2 equivalent of Section 2, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, as previously defined and described by Division Order No. R-9545 and R-9609, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
CEDAR LAKE-STRAWN POOL**

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

(CEDAR LAKE-STRAWN POOL - Cont'd.)

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Land Survey.

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 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. 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 nonstandard unit within thirty days after the Director has received an application.

RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

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 twenty days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 560 barrels of oil per day, 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. 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.

RULE 7. The limiting gas/oil ratio for said Cedar Lake-Strawn Pool shall be 4,000 cubic feet of gas per barrel of oil produced.

(3) The locations of all wells presently drilling to or completed in the Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia 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 Cedar Lake-Strawn 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, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

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 Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) 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.

RIO PUERCO-MANCOS POOL
(San Isidro (Shallow) Unit Horizontal/High Angle Wellbores)
Sandoval County, New Mexico

Order No. R-9330, Adopting Operating Rules for Drilling Horizontal/High Angle Wellbores in the San Isidro (Shallow) Unit, Rio Puerco-Mancos Pool, Sandoval County, New Mexico, November 1, 1990, as Amended by Order Effective August 1, 1991.

Order No. R-9330-B continues in full force and effect the rules adopted in Order No. R-9330, as Amended.

Application of Samuel Gary Jr. & Associates, Inc. for Special Operating Rules for Drilling Horizontal/High Angle Wellbores in the San Isidro (Shallow) Unit, Rio Puerco-Mancos Oil Pool, Sandoval County, New Mexico.

CASE NO. 10100
Order No. R-9330

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on October 3, 1990, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 26th day of October 1990, 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, Samuel Gary Jr. & Associates, Inc., is a working interest owner in, and the unit operator of, the San Isidro (Shallow) Unit (the Unit), which covers the lands described on Exhibit A attached hereto, located in Sandoval County, New Mexico.

(3) The Unit comprises 18,897.16 acres, more or less, all of which are federal minerals. Except for Unit Tract No. 19 on the exterior of the Unit, comprising 120 acres, one hundred percent of working interests in the Unit are committed to the Unit, and the Bureau of Land Management has approved the Unit.

(4) The Unit was formed for the purpose of conducting a horizontal drilling program within the Unit.

(5) A proposed horizontal pilot well and the Unit are located within the boundaries of the Rio Puerco-Mancos Oil Pool and, as such, would be subject to the special rules and regulations for said pool, which require 320-acre spacing and proration units with wells to be located no closer than 600 feet from the outer boundary of the proration unit, nor closer than 330 feet from any quarter-quarter section line, nor closer than 1,800 feet to any other well completed or drilled within the Pool. The allowable for a well completed in said Pool is 320 barrels of oil per day; limiting gas-oil ratio is 500. Pool rules also provide for no more than one well on a 320-acre unit.

(6) The applicant proposes drilling additional horizontal wells to the Mancos formation within the Unit; these wells are being permitted with the Bureau of Land Management. It is anticipated that one of these wells will be commenced by the end of October, 1990. If the pilot well and the second well are successful, additional horizontal wells will be drilled within the Unit.