

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. 9870  
Order No. R-9160

APPLICATION OF SIETE OIL & GAS  
CORPORATION FOR SPECIAL POOL  
RULES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 7 and April 18, 1990, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 24<sup>th</sup> day of April, 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) By Order No. R-9096, dated January 11, 1990, the Division created and defined the Parkway-Bone Spring Pool, Eddy County, New Mexico, said pool to comprise the E/2 of Section 34, Township 19 South, Range 29 East, NMPM, and the N/2 of Sections 2 and 3, Township 20 South, Range 29 East, NMPM. The discovery well for said pool was the Siete Oil & Gas Corporation Osage Federal Well No. 9 located 990 feet from the North line and 1980 feet from the East line (Unit B) of said Section 34.

(3) The applicant, Siete Oil & Gas Corporation, seeks an order promulgating special pool rules for the Parkway-Bone Spring Pool, including a provision for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

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(4) The applicant further requests that such pool rules be made effective retroactive to the date of first production from its Osage Federal Well No. 13 located 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 34, which, according to the evidence presented, was January 9, 1990.

(5) Subsequent to the hearing on March 7, it was determined by the Division that the applicant had not properly given hearing notice to all operators within the subject pool and to all operators of wells within one mile of the pool boundary as prescribed by Division Rule No. 1207 (a)(4), and as a result, this case was reopened and readvertised for the hearing held on April 18.

(6) In addition, on March 13, 1990, the applicant requested temporary authorization, pending the issuance of an order in this case, to produce its wells within the Parkway-Bone Spring Pool at a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil. Said request was granted by the Division by letter dated March 13, 1990.

(7) Within the Parkway-Bone Spring Pool there are currently six wells producing or capable of producing, four of said wells are operated by the applicant and the remaining two are operated respectively by Chevron USA Inc. and Ray Westall.

(8) The geologic evidence presented by the applicant indicates the following: a) the 1st and 2nd Bone Spring sand intervals within the Parkway-Bone Spring Pool contain producible hydrocarbons; b) both the 1st and 2nd Bone Spring sand intervals consist of very low porosity and permeability sandstones; c) the horizontal extent of the Parkway-Bone Spring Pool may be limited to portions of said Section 34.

(9) According to the evidence presented, the subject reservoir is a solution gas drive reservoir, and no evidence currently available indicates the presence of a gas cap.

(10) The engineering and geologic evidence further indicates that the subject reservoir may be produced at a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil without waste, and may in fact prevent waste by allowing the recovery of oil that otherwise may not be recovered at the current producing gas-oil ratio limitation of 2,000 cubic feet of gas per barrel of oil.

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(11) No other operator of wells in the subject pool or offset operators and/or interest owners appeared at the hearing in opposition to the application.

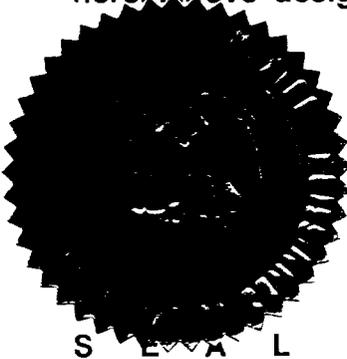
(12) Approval of the proposed gas-oil ratio limitation and retroactive effective date will afford the applicant and other operators in the subject pool the opportunity to produce their share of the oil and gas within the Parkway-Bone Spring Pool, will allow additional oil recovery thereby preventing waste, and will protect correlative rights.

IT IS THEREFORE ORDERED THAT:

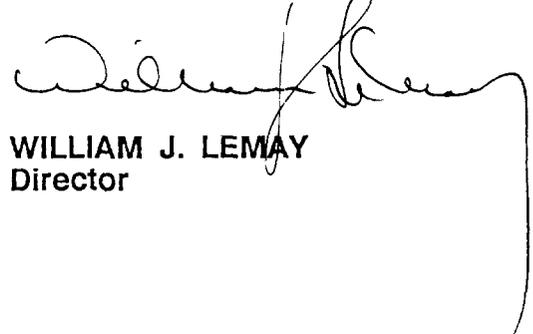
(1) Effective January 9, 1990, the limiting gas-oil ratio in the Parkway-Bone Spring Pool, Eddy County, New Mexico, shall be 10,000 cubic feet of gas per barrel of oil; each proration unit in the Parkway-Bone Spring Pool shall produce only that volume of gas equivalent to 10,000 multiplied by the top unit allowable for the pool.

(2) 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