

BEFORE THE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

IN THE MATTER OF THE APPLICATION  
OF NEARBURG PRODUCING COMPANY  
FOR A NON-STANDARD PRORATION UNIT,  
EDDY COUNTY, NEW MEXICO.

JUL 17 1990

OIL CONSERVATION DIV.  
SANTA FE

CASE NO. 10031

APPLICATION

NEARBURG PRODUCING COMPANY, by and through its undersigned attorneys, hereby makes application to the Oil Conservation Division for approval of a non-standard proration unit, and in support of this application states:

1. Applicant is the operator of the W/2 NE/4 of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico and proposes to drill a well at an orthodox location thereon.

2. Applicant seeks an exception to the acreage dedication requirements of Oil Conservation Division Rule 104 to permit the drilling of a well at an orthodox location to a depth of approximately 8,000 feet to test the Cisco Canyon formation, North Dagger Draw Upper Pennsylvanian Pool.

3. A non-standard 80-acre proration unit comprised of the W/2 NE/4 of said Section 31 should be dedicated to the well.

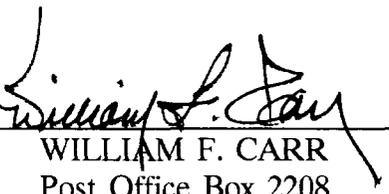
4. That approval of this application will afford applicant the opportunity to produce its just and equitable share of hydrocarbons underlying this spacing unit and will otherwise be in the best interest of conservation, the prevention of waste and the

protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on August 8, 1990, and that after notice and hearing as required by law, the Division enter its order granting this application and providing such other and further relief as is proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG  
PRODUCING COMPANY

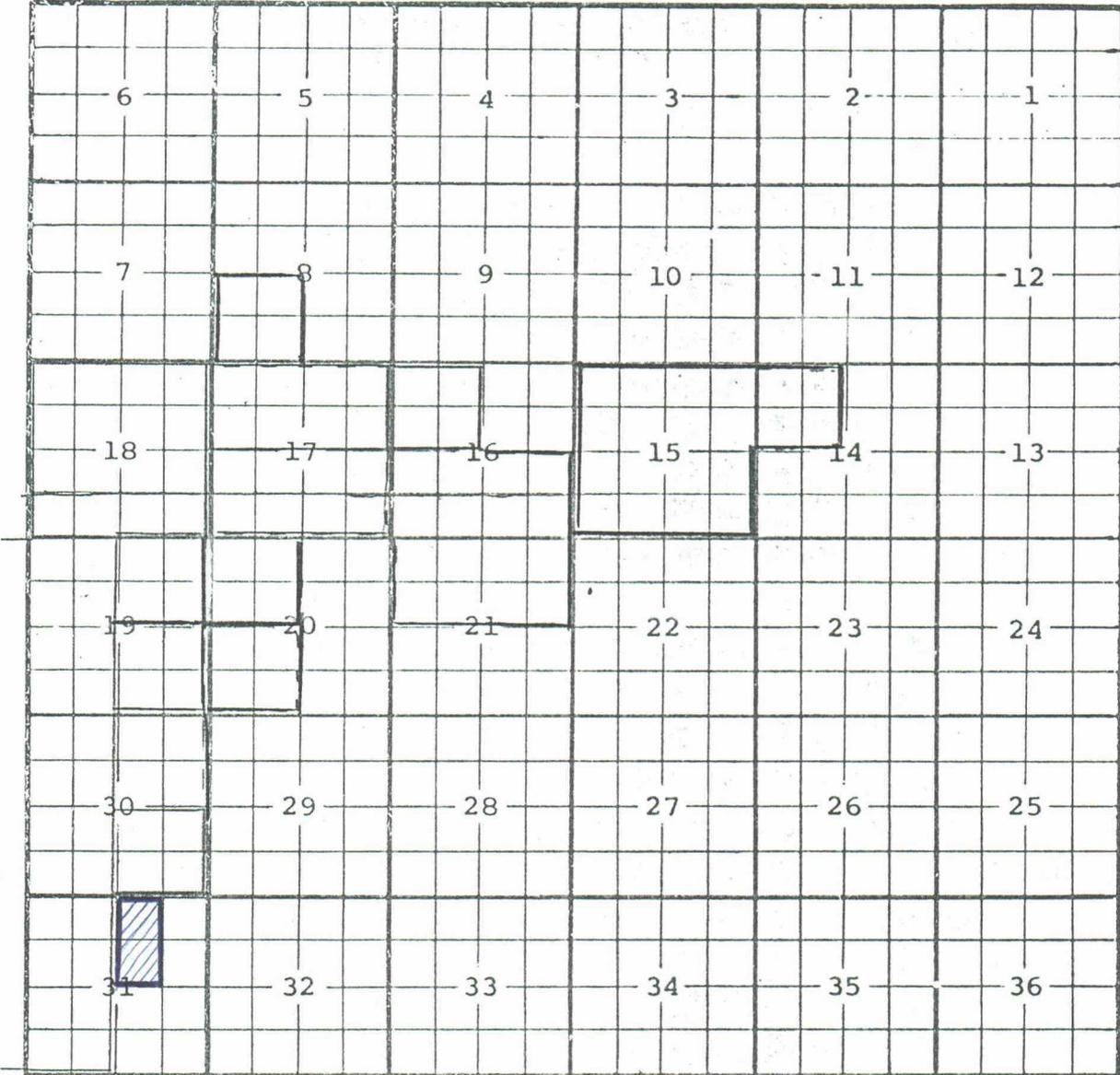
COUNTY Eddy

POOL North Dagger Draw - Upper Pennsylvanian

TOWNSHIP 19 South

RANGE 25 East

NMPM



Description: All Sec 18,  $\frac{w}{2}$  Sec 19,  $\frac{w}{2}$  Sec 30,  $\frac{w}{2}$  Sec 31 (R-4691, 1-1-74)  
 Ext:  $\frac{N}{2}$  Sec 17 (R-4821, 8-1-74) Ext:  $\frac{S}{2}$  Sec 17 (R-5063, 7-1-75)  
 Ext:  $\frac{SE}{4}$  Sec 30 (R-5309, 11-1-76) Ext:  $\frac{NW}{4}$  Sec 16 (R-5667, 4-1-78)  
 Ext:  $\frac{S}{2}$  Sec 16,  $\frac{N}{2}$  Sec 21 (R-7131, 11-30-82) Ext:  $\frac{NE}{4}$  Sec 19 (R-8391, 1-22-87)  
 Ext:  $\frac{SE}{4}$  Sec 19 (R-8484, 8-13-87) Ext:  $\frac{NE}{4}$  Sec 30 (R-8665, 6/9/88)  
 Ext:  $\frac{SW}{4}$  sec 8 (R-8827, 12-22-88) Ext:  $\frac{NW}{4}$  sec 20 (R-8945, 5-31-89)  
 Ext:  $\frac{SW}{4}$  Sec 20 (R-9096, 1-1-90) Ext:  $\frac{NW}{4}$  sec 14, All sec 15 (R-9134, 4-1-90)

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. 5117  
Order No. R-4691  
NOMENCLATURE

APPLICATION OF ROGER C. HANKS FOR  
POOL CREATION AND SPECIAL POOL RULES,  
EDDY COUNTY, NEW MEXICO.

*Also see*  
*R-4691-A*  
*R-4691-B*  
*R-4691-C*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 28, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of December, 1973, 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 Roger C. Hanks, seeks the establishment of a pool for production from the Upper Pennsylvanian (Cisco-Canyon) formation by the abolishment of the Parrish Ranch-Upper Pennsylvanian Pool and the Dagger Draw-Upper Pennsylvanian Pool and the creation of a new pool, designated the North Dagger Draw-Upper Pennsylvanian Pool, to take in all acreage formerly therein as well as requisite intervening acreage.

(3) That the applicant further seeks the promulgation of temporary special pool rules for the proposed new pool including a provision for 320-acre spacing, limited well locations, and the assignment of a special depth bracket allowable of 427 barrels of oil per day.

(4) That the reservoir characteristics of the proposed pool indicate that it cannot be efficiently and economically drained and developed on less than 320-acre spacing.

(5) That temporary special rules and regulations providing for 320-acre spacing for wells should be promulgated for the proposed pool 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 otherwise prevent waste and protect correlative rights.

(6) That the depth bracket allowable for oil wells in the proposed pool should be 427 barrels of oil per day.

(7) That the application for pool abolishment, pool creation, and temporary special pool rules should be granted.

IT IS THEREFORE ORDERED:

(1) That effective January 1, 1974, the Dagger Draw-Upper Pennsylvanian Pool heretofore defined as:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPPM  
Section 36: E/2 and SW/4

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPPM  
Section 30: W/2 W/2  
Section 31: NW/4

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPPM  
Section 1: NW/4

and the Parrish Ranch-Upper Pennsylvanian Pool heretofore defined as:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPPM  
Section 13: E/2 SE/4  
Section 24: NE/4

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPPM  
Section 18: N/2 S/2 and SE/4 NE/4

are hereby abolished.

(2) That effective January 1, 1974, a new pool is hereby created and designated the North Dagger Draw-Upper Pennsylvanian Pool with vertical limits consisting of the Upper Pennsylvanian (Cisco-Canyon) formation as found from a depth of 7575 feet to 7918 feet on the log of the Monsanto Hondo Well No. 1, located in Unit C of Section 31, Township 19 South, Range 25 East, NMPPM, Eddy County, New Mexico, and horizontal limits defined as:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPPM  
Section 24: E/2  
Section 25: E/2  
Section 36: All

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPPM  
Section 18: All  
Section 19: W/2  
Section 30: W/2  
Section 31: W/2

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPPM  
Section 1: N/2

(3) That effective January 1, 1974, temporary Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
NORTH DAGGER DRAW-  
UPPER PENNSYLVANIAN POOL

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

RULE 2. Each well shall be located on a standard unit containing 320 acres, more or less, comprising any two contiguous quarter section of a single governmental section, being a legal subdivision of the United States Public Land Surveys provided that for the purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

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 interest 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 nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

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 proration 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 may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. That the special depth bracket allowable for a well on a 320-acre tract shall be 427 barrels of oil per day.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the North Dagger Draw-Upper Pennsylvanian Pool or in the Upper Pennsylvanian 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 March 1, 1974.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing oil wells in the North Dagger Draw-Upper Pennsylvanian Pool shall have dedicated thereto 320 acres and existing gas wells in said 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.

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 North Dagger Draw-Upper Pennsylvanian Pool or in the Upper Pennsylvanian formation within one mile thereof shall receive no more than a 40-acre allowable for this pool.

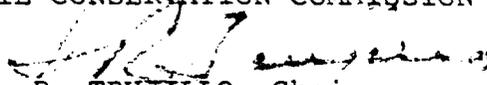
-5-  
CASE NO. 5117  
Order No. R-4691

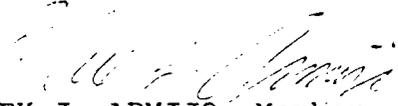
(3) That this cause shall be reopened in January, 1976 to permit operators in the subject pool to appear and show cause why the special rules promulgated herein should remain in effect.

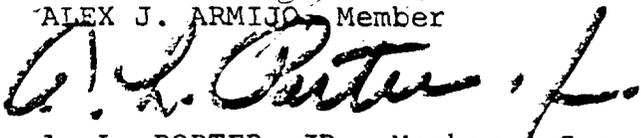
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
I. R. TRUJILLO, Chairman

  
ALEX J. ARMIJO, Member

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

S E A L

jr/

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. 5117  
Order No. R-4691-A

IN THE MATTER OF CASE 5117 BEING REOPENED  
PURSUANT TO THE PROVISIONS OF ORDER NO. R-4691,  
WHICH ORDER ESTABLISHED TEMPORARY SPECIAL POOL  
RULES FOR THE NORTH DAGGER DRAW-UPPER PENNSYLVANIAN  
POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 20, 1976,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 3rd day of February, 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 by Order No. R-4691, dated December 11, 1973,  
temporary special rules and regulations were promulgated for the  
North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New  
Mexico, establishing temporary 320-acre spacing units and  
proration units, and a special depth bracket allowable of 427  
barrels of oil per day.

(3) That pursuant to the provisions of Order No. R-4691,  
this case was reopened to allow the operators in the subject pool  
to appear and show cause why the North Dagger Draw-Upper Pennsyl-  
vanian Pool should not be developed on 160-acre spacing units  
and why the special depth bracket allowable should remain in  
effect.

(4) That the evidence establishes that one well in the  
North Dagger Draw-Upper Pennsylvanian Pool can efficiently and  
economically drain and develop 160 acres and that the depth  
bracket allowable should be commensurate therewith, or 267  
barrels of oil per day.

*also see  
R-4691-B  
R-4691-C*

(5) That the Special Rules and Regulations promulgated by Order No. R-4691, if amended to provide for 160-acre well spacing and proration units, and to provide a depth bracket allowable of 267 barrels of oil per day, will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool.

(6) That this case should be reopened at an examiner hearing in February, 1977, at which time the operators in the subject pool should appear and show cause why the North Dagger Draw-Upper Pennsylvanian Pool should not be developed on less than 160-acre proration units and why the depth bracket allowable should not be reduced.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the North Dagger Draw-Upper Pennsylvanian Pool, promulgated by Order No. R-4691, shall remain in full force and effect for an additional period of one year provided, however, that said rules are hereby amended to provide for 160-acre spacing and proration units and to provide a depth bracket allowable of 267 barrels of oil per day.

(2) That this case shall be reopened at an examiner hearing in February, 1977, at which time the operators in the subject pool shall appear and show cause why the North Dagger Draw-Upper Pennsylvanian Pool should not be developed on less than 160-acre proration units and why the depth bracket allowable should not be reduced.

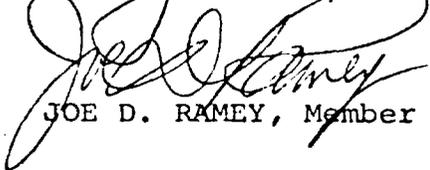
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

dr/

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. 5763  
Order No. R-4691-B

APPLICATION OF ROGER C. HANKS FOR  
A SPECIAL DEPTH BRACKET ALLOWABLE,  
EDDY COUNTY, NEW MEXICO.

*Also see R 4691-C*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 15, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 12th day of October, 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, Roger C. Hanks, seeks the amendment of Commission Order No. R-4691-A to provide for a special depth bracket allowable of 350 barrels per day for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico.
- (3) That the wells in said North Dagger Draw-Upper Pennsylvanian Pool produce large quantities of water.
- (4) That if such wells are shut in, because of allowable restriction or any other reason, water production increases and oil production decreases substantially.
- (5) That wells in said pool are not adversely affected by high rates of production but are instead improved thereby.
- (6) That approval of the application should serve to prevent waste and will not violate correlative rights.
- (7) That the subject application should be approved.

IT IS THEREFORE ORDERED:

(1) That Order (1) of Commission Order No. R-4691-A is hereby amended to read in its entirety as follows:

-2-  
Case No. 5763  
Order No. R-4691-B

"(1) That the Special Rules and Regulations governing the North Dagger Draw-Upper Pennsylvanian Pool, promulgated by Order No. R-4691, shall remain in full force and effect for an additional period of one year provided, however, that said rules are hereby amended to provide for 160-acre spacing and proration units and to provide a special depth bracket allowable of 350 barrels of oil per day."

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

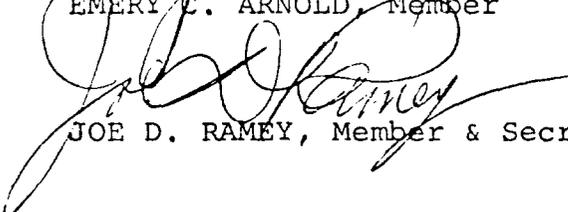
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman



EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

S E A L

jr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF CASE 5117 BEING REOPENED  
PURSUANT TO THE PROVISIONS OF ORDER NO. R-4691-A,  
WHICH ORDER EXTENDED THE TEMPORARY SPECIAL POOL  
RULES FOR THE NORTH DAGGER DRAW-UPPER PENNSYLVANIAN  
POOL, EDDY COUNTY, NEW MEXICO.

CASE NO. 5117  
Order No. R-4691-C

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 9, 1977,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of March, 1977, 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 by Order No. R-4691 dated December 11, 1973,  
temporary special rules and regulations were promulgated for  
the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County,  
New Mexico, establishing 320 acre spacing for the pool and a  
special depth bracket allowable of 427 barrels of oil per day.

(3) That by Order No. R-4691-A dated February 3, 1976,  
the spacing was changed from 320 to 160 acres and the special  
depth bracket allowable from 427 barrels per day to 267 barrels  
per day.

(4) That Order No. R-4691-B dated October 12, 1976, left  
the spacing unchanged at 160 acres but changed the special  
depth bracket allowable from 267 barrels per day to 350 barrels  
of oil per day.

(5) That pursuant to the provisions of Order No. R-4691-A  
this case was reopened to allow the operators in the subject  
pool to appear and show cause why the North Dagger Draw-Upper  
Pennsylvanian Pool should not be developed on less than 160-acre  
spacing units.

(6) That the evidence establishes that one well in the North Dagger Draw-Upper Pennsylvanian Pool can efficiently and economically drain and develop 160 acres and that the Special Depth Bracket Allowable of 350 barrels of oil per day should be retained.

(7) That the Special Rules and Regulations promulgated by Order No. R-4691, as amended by Orders Nos. R-4691-A and R-4691-B, have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool, will protect correlative rights, and will not cause waste.

(8) 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, the Special Rules and Regulations promulgated by Order No. R-4691, as amended, should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the special rules and regulations for the North Dagger Draw-Upper Pennsylvanian Pool as promulgated by Order No. R-4691, as amended by Orders Nos. R-4691-A and R-4691-B, are hereby continued in full force and effect until further order of the Commission.

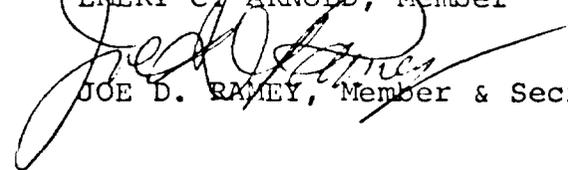
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMSEY, Member & Secretary

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