

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR PURPOSES OF
CONSIDERING:

APPLICATION OF WILTON SCOTT
TO VACATE AND VOID DIVISION
ORDER R-7983, SPECIAL POOL
RULES FOR THE NORTHEAST
CAUDILL-WOLFCAMP POOL,
LEA COUNTY, NEW MEXICO.

27
RECEIVED
CASE 8678

APC OPERATING PARTNERSHIP
PROPOSED DIVISION ORDER

BY THE DIVISION:

This cause came on for hearing at 8 A.M. on August 14, 1985, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this ____ day of August, 1985, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That on May 8, 1985, the Division held a public hearing in Division Case 8595 and based upon testimony and evidence from that hearing, on July 12, 1985, entered Division Order R-7983 which established special rules and regulations for the Northeast Caudill-Wolfcamp Pool, Lea County, New Mexico, including 80-acre spacing, said rules being made effective on June 1, 1985.

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(3) That Wilton Scott, the applicant in this case, contends that he did not receive notice of the hearing held on May 8, 1985, in Case 8595.

(4) That on August 14, 1985, the Division held a hearing and received evidence on the application of Wilton Scott, who is opposed to 80-acre spacing for the subject pool.

(5) That Wilton Scott provided evidence that the Scott #1 well would be economic on 40-acre spacing.

(6) That Wilton Scott failed to provide substantial evidence as to the concerning drainage radius for either the Scott #1 well or the Gilliam #1 well.

(7) That Wilton Scott failed to establish that wells on 40-acre spacing would result in the production of additional oil than would otherwise be recovered on 80-acre spacing.

(8) That the granting of the Wilton Scott application may result in the drilling of unnecessary additional wells.

(9) That the granting of the Wilton Scott application may result in waste as a result of excessive drilling.

(10) That the denial of the Wilton Scott application does not preclude Wilton Scott from drilling a well in the S/2SW/4 of Section 1 provided the proration and spacing unit for the Scott #1 well is the N/2 of SW/4 of said Section 1.

(11) That to grant the Wilton Scott application will violate the correlative rights of APC Operating Partnership in that it will expose the APC acreage in the SE/4SE/4 of Section 2 to drainage by an unnecessary well.

(12) That Wilton Scott contends that the effective date of the Order, June 1, 1985, may affect his contractual arrangements with Edsel/Union of Texas.

(13) That the paramount duty of the Division is to prevent waste and in the exercise of that duty the Division may make reasonable rules and regulations notwithstanding the fact that such rules may affect contractual rights of certain parties.

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(14) That a June 1, 1985, effective date is reasonable and necessary in order to avoid the drilling of unnecessary wells.

(15) That the application of Wilton Scott should be denied in order to prevent waste.

IT IS THEREFORE ORDERED:

(1) That the application of Wilton Scott to vacate and void Division Order R-7983 is hereby denied.

OIL CONSERVATION DIVISION

Richard L. Stamets
Director

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8678 DE NOVO
Order No. R-7983-C

APPLICATION OF WILTON SCOTT
TO VACATE AND VOID DIVISION
ORDER NO. R-7983, AS AMENDED,
LEA COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on January 7, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of February, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) On April 15, 1985, APC Operating Partnership made application to the Oil Conservation Division (Division) for a hearing to consider creation of a new Wolfcamp oil pool and establishment of 80-acre spacing therefor, in Lea County, New Mexico.

(3) This matter was assigned Case No. 8595 and was heard by Division Examiner Gilbert P. Quintana on May 8, 1985.

(4) Division Order No. R-7983 was entered in Case No. 8595 on July 12, 1985.

(5) Said Order denied the application for pool creation insofar as the Northeast Caudill-Wolfcamp Pool had previously

been created in the area in question, but did establish temporary special pool rules for said Northeast Caudill-Wolfcamp Pool, including a provision for 80-acre spacing and made the effective date for said special rules retroactive to June 1, 1985.

(6) On August 2, 1985, Wilton Scott, a working interest owner in said pool, filed an application seeking to vacate Division Order No. R-7983 alleging he had not received notice of the application and that the order adversely affected property in which he had an interest.

(7) This matter was assigned Case No. 8678 and was heard by Division Examiner Michael E. Stogner on August 14 and 28, 1985.

(8) On October 14, 1985, Division Order No. R-7983-B was entered in Case No. 8678 continuing Division Order No. R-7983 in full force and effect but amending the effective date of said order to July 12, 1985, the date that order R-7983 was originally entered.

(9) On November 14, 1985, Wilton Scott filed a timely application for hearing de novo of Case No. 8678 before the Commission.

(10) This matter came on for hearing de novo on January 7, 1986, and was consolidated for the purposes of testimony with Cases Nos. 8793, 8794, and 8795.

(11) At the hearing, Scott withdrew all objection to the special pool rules contained in said Order No. R-7983, as amended, but continued his objection to an effective date for said order at any time prior to July 12, 1985.

(12) Union Texas Petroleum Corporation is the operator of the Scott Well No. 1 located in Unit L of Section 1, Township 15 South, Range 35 East, with an 80-acre tract consisting of the W/2 SW/4 of said Section 1 dedicated thereto in said Northeast Caudill-Wolfcamp Pool.

(13) The Scott Well No. 1 was drilled on acreage farmed out by Scott to Robert Edsel.

(14) The evidence presented in this case indicates that under terms of the farmout agreement, Scott was entitled to a reassignment of the SW/4 SW/4 of said Section 1, as well as other acreage, if no well was commenced thereon or if that acreage was not assigned to a spacing unit on or before June 15, 1985.

(15) The percentage of ownership interests are altered between the various interest owners in the SW/4 SW/4 of said Section 1 with said reassignment.

(16) Union Texas argued that the Commission should reestablish the June 1, 1985, effective date for said Order No. R-7983 and the special rules contained therein in order to protect correlative rights.

(17) Union Texas argued that correlative rights would be protected by preserving all interests in said Scott Well No. 1 as they were at the time the well was drilled and at the time Case No. 8595 was filed and heard.

(18) At the time of the original hearing in Case No. 8595, no party presented evidence or any request in support of entry of an order with an effective date on or before June 15, 1985.

(19) Scott presented evidence to the Commission to show that the June 15, 1985, date passed without the drilling of a well on the SW/4 SW/4 of said Section 1 or the dedication thereof to an existing well.

(20) As no order authorizing dedication of more than 40 acres to said Scott Well No. 1 existed prior to July 12, 1985, the operator of said well could not have dedicated the SW/4 SW/4 of said Section 1 thereto on or before June 15, 1985.

(21) Under the terms of the farmout, the ownership interest in the SW/4 SW/4 of said Section 1 did change on June 16, 1985, as a matter of private contractual agreement.

(22) While Union Texas' arguments contained in Findings Nos. (16) and (17) above could have been justification for Division action to enter an order in Case No. 8595 prior to and effective on or before June 15, 1985, those arguments were not timely made and ownership changes in acreage dedicated to said Scott Well No. 1 did occur.

(23) To enter an order at this time with a retroactive date on or before June 15, 1985, would alter existing ownership within the acreage dedicated to said Scott Well No. 1 and would violate existing correlative rights.

(24) To protect existing correlative rights, the effective date of Division Order No. R-7983 should be affirmed as July 12, 1985.

(25) Decretory Paragraph (5) of said Order No. R-7983 provided that, "this case shall be reopened at an examiner

hearing in August, 1986, at which time the operators in the Northeast Caudill-Wolfcamp Pool may appear and show cause why said pool should not be developed on 40-acre spacing units."

(26) The evidence presented in this case clearly established that 80-acre spacing is the correct spacing for said Northeast Caudill-Wolfcamp Pool and the special rules therefore should be made permanent.

(27) Entry of an order in this case in conformity with the above findings will protect correlative rights and prevent waste.

IT IS THEREFORE ORDERED THAT:

(1) The effective date of Division Order No. R-7983, as amended, and of the special rules and regulations contained therein is hereby affirmed as and shall be July 12, 1985.

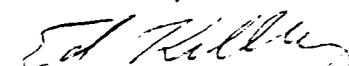
(2) The Temporary Special Rules and Regulations for the Northeast Caudill-Wolfcamp Pool contained in said order are hereby made permanent and continued in full force until further order of the Division or Commission.

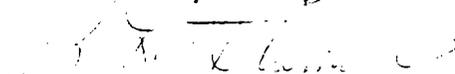
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS,
Chairman and Secretary

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