

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION 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, LEA COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This Cause came on for hearing for de novo 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 _____ day of January, 1986, the Commission, a quorum being present, having considered the testimony and the exhibits received at the 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) Case No. 8595, the "Application of APC Operating Partnership for Pool Creation and Special Pool Rules, Lea County, New Mexico" was heard by Division Examiner Gilbert P. Quintana on May 8, 1985, and subsequent to said hearing, on July 12, 1985, the Division entered its Order No. R-7983, which promulgated Special Pool Rules for the Northeast Caudill-Wolfcamp Pool, Lea County, New Mexico, including a provision for temporary 80-acre spacing and proration units and specified well locations, and prescribed that said pool rules should become effective retroactively to June 1, 1985, thereby establishing 80-acre spacing for said pool effective June 1, 1985.

(3) That Case No. 8678, the "Application of Wilton Scott To Vacate and Void Division Order No. R-7983, Lea County, New Mexico," was heard by Examiner Michael E. Stogner on August 14 and on August 28, 1985, and subsequent to said hearings, on October 15, 1985, the Division entered

its Order No. R-7983-B, which order denied the application of Scott to vacate Order No. R-7983, but did change the effective date of said order from June 1, 1985, to July 12, 1985, the original date of entry of said Order No. R-7983, thereby retaining temporary 80-acre spacing for said pool but changing the effective date of such spacing from June 1, 1985, to July 12, 1985.

(4) On October 31, 1985, Union Texas Petroleum Corporation, an operator in the Northeast Caudill-Wolfcamp Pool filed its application with the Division for a Hearing De Novo of Case No. 8678, and also filed, on or about November 8, 1985, a separate application for a non-standard 40-acre spacing or proration unit comprised of the NW/4 SW/4 of Section 1, Township 15 South, Range 36 East, NMPM, to be dedicated to their Scott Well No. 1, located 1830 feet from the South line and 660 feet from the West line of said Section 1.

(5) The aforesaid application for a non-standard spacing or proration unit was described by Union Texas as an alternative to its request for a denial in toto of Scott's application in Case No. 8678, and was set on the docket as Case No. 8793.

(6) On November 14, 1985, Scott filed his application for a Hearing De Novo of Case No. 8678, again seeking to have Order No. R-7983 vacated and made void, thus cancelling the 80-acre spacing for the Northeast Caudill-Wolfcamp Pool, but retaining the July 12 effective date of said order as established by Order No. R-7893-B, in the event 80-acre spacing were retained by the Commission.

(7) On November 14, 1985, Scott also filed two other applications, one seeking a non-standard spacing or proration unit comprising the SW/4 SW/4 of Section 1, Township 15 South, Range 36 East, NMPM, to be dedicated to a well that Scott proposed to drill at an unorthodox location 990 feet from the South line and 330 feet from the West line of said Section 1, and the other application seeking approval for an unorthodox location 330 feet from the North line and 330 feet from the West line of Section 12, Township 15 South, Range 36 East, NMPM, and the aforesaid Scott applications were set on the docket as Cases Nos. 8794 and 8795, respectively.

(8) At the hearing on January 7, 1986, Cases 8678 (De Novo), 8793, 8794, and 8795 were consolidated for hearing.

(9) At the hearing of Case 8678 (De Novo) Scott withdrew his opposition to the 80-acre spacing portion of Order No. R-7983, but maintained his opposition to the June 1, 1985, effective date of said order, and dismissed his Cases Nos. 8794 and 8795.

(10) The evidence presented at the hearing establishes that one well can efficiently and economically drain 80 acres in the Northeast Caudill-Wolfcamp Pool, that 80-acre spacing and proration units should be established for said pool, and that the 80-acre spacing provisions of Order No. R-7983 should be affirmed.

(11) The evidence established that Scott did not receive adequate notice of the application to establish 80-acre Northeast Caudill-Wolfcamp Pool, and was thus unable to appear at the original hearing of Case 8595 on May 8, 1985, in opposition to said 80-acre spacing.

(12) Scott's interests were adversely affected by the entry of Order No. R-7983, particularly so by the retroactive date set by said order as being June 1, 1985.

(13) No request was made in the application in Case No. 8595 nor was made of record at the May 8, 1985, hearing of Case No. 8595 for a retroactive date for any order issuing from said hearing, and there was no legal justification for making the order effective prior to its date of entry, July 12, 1985.

(14) Scott, as soon as it was practicable to do so, did file his application to vacate and make void Division Order No. R-7983, and at the hearings of Case No. 8678 presented evidence demonstrating how his interests in the subject pool had been adversely affected by said order.

(15) That neither APC Operating Partnership nor Union Texas Petroleum Corporation, though both were present at both hearings of Case No. 8678 on August 14 and August 28, 1985, presented any testimony or exhibits to offset Scott's evidence that he had been adversely affected by Order No. R-7983, particularly with respect to its retroactive date of June 1, 1985.

(16) Section 70-2-17 B., N.M.S.A. 1978 states, "The Division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells."

(17) As per Finding No. (10) above, the Commission finds that waste will be prevented by the adoption of 80-acre spacing and proration units in the Northeast Caudill-Wolfcamp Pool. The Commission must now find whether

this can be accomplished and still protect correlative rights.

(18) When the size of the spacing and proration units in a pool is increased in order to prevent waste in accordance with Section 70-2-17 B., N.M.S.A. 1978, it often happens that the size of the new proration unit is larger than the lease upon which the well is located and to which the well was solely dedicated under the old proration unit, and new lands not previously dedicated and possibly of a different ownership must be dedicated to the well to achieve a new proration unit equalling the size of the new spacing adopted for the pool.

(19) If a new owner suddenly finds himself sharing in the production from the well, and the original owner finds his share of the production has diminished as the result of the new larger acreage dedication, this is not a violation of the first owner's correlative rights. The increased size of the spacing and proration unit is based upon a finding that the well can effectively and economically drain the larger area, and some of the oil and/or gas produced from the well must be presumed to be coming from beneath the new owner's land.

(20) The SW/4 SW/4 of Section 1, Township 15 South, Range 36 East, NMPM, has contributed oil and gas to the Scott Well No. 1 in Unit L of Section 1 in the past and will continue to contribute oil and gas to the well in the future.

(21) To approve a 40-acre non-standard spacing or proration unit for Union Texas at this time would deprive Scott of his share of the hydrocarbons in the pool, and would violate his correlative rights. This is made more evident by the testimony of Union Texas indicating that the encroaching water drive has swept a large portion of the original reserves underlying the SW/4 SW/4 of Section 1 onto the NW/4 SW/4 of Section 1 to be produced by the Scott Well No. 1, and that the remaining reserves are such that Scott has no means of protecting his correlative rights by drilling an economic well in the SW/4 SW/4 of Section 1 at this time.

(22) The application of Union Texas for a 40-acre non-standard spacing or proration unit comprising the NW/4 SW/4 of Section 1, Township 15 South, Range 36 East, NMPM, in Case No. 8793 should be denied.

(23) There were no legal grounds upon which to base an effective date for the spacing order in the subject pool retroactively to June 1, nor are there now, and the effective date should be the date of entry of said order, July 12, 1985, and Order No. R-7893-B should be affirmed.

(24) The Commission further finds that determination of the ownership question of the lands in the W/2 SW/4 of Section 1 is beyond its jurisdiction.

(25) There was no 80-acre plat filed with the Division dedicating 80 acres to the Scott Well No. 1 until September 11, 1985, so it must therefore follow that the well had but 40 acres dedicated from its inception until September 11, 1985.

(26) An order affirming Order No. R-7983 as amended by Orders Nos. R-7983-A and R-7983-B will not cause waste nor impair correlative rights and should be entered.

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-7983, as amended by Division Orders Nos. R-7983-A and R-7983-B, is hereby affirmed in its entirety.

(2) 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, Member and
Secretary

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8678
Order No. R-7983-B

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on August 14 and 28, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of October, 1985, 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) 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 No. 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.

(3) The Northeast Caudill-Wolfcamp Pool was established by Division Order No. R-7396 and made effective December 1, 1983, as amended by Division Orders Nos. R-7714 and R-7842, effective November 1, 1984 and March 1, 1985, respectively, with its horizontal limits consisting of the W/2 of Section 1 and the SE/4 of Section 2, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico.

(4) 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.

(5) The applicant now seeks an order to vacate and void said Division Order No. R-7983, as amended.

(6) The applicant represents his own working interest and the working and royalty interests of Mr. Frank Late of Dallas, Texas, Mrs. Wilton Scott (applicant's spouse), and her two sisters, in the Union Texas Petroleum Scott Well No. 1 located 1830 feet from the South line and 660 feet from the West line of Section 1, Township 15 South, Range 36 East, NMPM, Northeast Caudill-Wolfcamp Pool, Lea County, New Mexico, which is one of only two wells in the pool.

(7) By Farmout Agreement dated December 6, 1982, as amended, applicant farmed out the following described lands to Robert M. Edsel in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMPM
Section 1: NE/4, E/2 NW/4, and SW/4
Section 12: W/2 NW/4

(8) Under the provisions of said Farmout Agreement, applicant was to receive a reassignment on June 15, 1985, of all lands under the Farmout Agreement not contained within a producing proration or spacing unit and all depths below 50 feet below the deepest depth drilled with respect to each of said producing proration units which were 40 acres prior to June 1, 1985.

(9) The record of Case 8595 contains no justification or basis for an effective date of June 1, 1985, for Order No. R-7983 issued thereon.

(10) In reviewing the record of said Case No. 8595 there was insufficient evidence to support the promulgation of 80-acre spacing in said pool on a permanent basis; however, there was sufficient evidence to support the promulgation of the 80-acre spacing rule on a temporary basis.

(11) Wilton Scott failed to provide sufficient evidence to show that said pool could properly be developed and drained on 40-acre spacing on a permanent basis at this time.

(12) The June 1, 1985, effective date for the Special Rules and Regulations for the Northeast Caudill-Wolfcamp Pool

as promulgated by said Order No. R-7983, as amended, should be rescinded and said order should be made effective on the date of entry, July 12, 1985.

(13) The applicant's request to void and vacate said Order No. R-7983, as amended, should be denied.

IT IS THEREFORE ORDERED THAT:

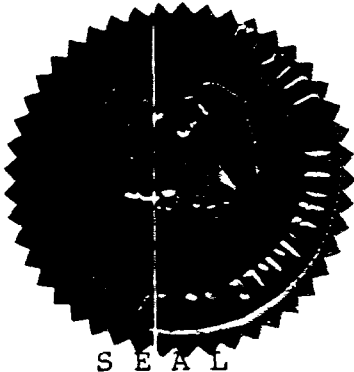
(1) Ordering Paragraph (6) of Division Order No. R-7983 is hereby amended to read in its entirety as follows:

"The provisions of this order shall become effective July 12, 1985."

(2) The application of Wilton Scott to vacate and void Division Order No. R-7983, as amended, is hereby denied.

(3) 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

R. L. Stamets
R. L. STAMETS
Director