

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. 8949
Order No. R-8279
NOMENCLATURE

APPLICATION OF MOBIL PRODUCING
TEXAS & NEW MEXICO, INC. FOR
POOL CREATION, SPECIAL POOL
RULES, DISCOVERY ALLOWABLE, AND
AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

MPTM EXHIBIT NO. 3

ORDER OF THE DIVISION

CASE NO. 9128

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 23, 1986 and on August 6, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 14th day of August, 1986, 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, Mobil Producing Texas & New Mexico, Inc., is the owner and operator of the Lovington Deep State Well No. 1, located 823 feet from the North line and 581 feet from the East line (Unit A) of Section 1, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) The applicant seeks the creation of a new pool for the production of oil from the Devonian formation and the promulgation of temporary special pool rules including a provision for well location requirements and a provision for 80-acre spacing and proration units.

(4) The applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509

to the above-described well which is also located at an unorthodox oil well location for the proposed special pool rules.

(5) The evidence presently available indicates that the aforementioned Lovington Deep State Well No. 1 has discovered a separate common source of supply in the Devonian formation from 12,569 feet to 12,621 feet (depth measured from surface).

(6) A new oil pool should therefore be created with the vertical limits to include the Devonian formation and the horizontal limits to be comprised of the N/2 NE/4 of Section 1, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico.

(7) At the time of the hearing the applicant proposed the subject pool be designated either the Easter-Devonian or the South Shoe Bar-Devonian and because of its close proximity to the Shoe Bar-Devonian and East Shoe Bar-Devonian Pools, the above-described pool should be designated the South Shoe Bar-Devonian Pool.

(8) There is ample evidence in the record of this case to justify the establishment of 80-acre spacing and proration units on a temporary basis, and such temporary spacing should be adopted for a period of 18 months at the applicant's request.

(9) Said temporary rules should provide for well locations to be within 150 feet of the center of a governmental quarter-quarter section.

(10) Such temporary rules will not cause waste nor impair correlative rights.

(11) During the 18 month period in which this order is in effect, the applicant should gather all available information relative to drainage and recoverable reserves in the subject pool.

(12) This case should be reopened at an examiner hearing in March 1988, at which time the operators in the subject pool should appear and show cause why the pool should not be developed on 40-acre spacing and proration units.

(13) Said Lovington Deep State Well No. 1 was located at a standard oil well location within a standard 40-acre oil spacing unit at the time it was drilled; under the proposed Special Pool Rules, however, the location is unorthodox and should therefore be approved.

(14) Under the provisions of Division General Rule 509, Lovington Deep State Well No. 1 is also entitled to and should be assigned a discovery allowable equal to 5 barrels of oil for each foot of depth to the uppermost perforation below ground level, or 62,845 barrels.

IT IS THEREFORE ORDERED THAT:

(1) A new oil pool for Devonian production, designated as the South Shoe Bar-Devonian Pool, is hereby created with vertical limits comprising the Devonian formation, and the horizontal limits described as follows:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 1: N/2 NE/4

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

SPECIAL RULES FOR THE
SOUTH SHOE BAR-DEVONIAN POOL

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

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Director of 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 comprising a single governmental quarter-quarter section or lot, 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 non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The 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 another 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 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 490 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on 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 80 acres.

IT IS FURTHER ORDERED THAT:

(3) Effective September 1, 1986, the discovery well for said pool, the applicant's Lovington Deep State Well No. 1, located at an unorthodox oil well location 823 feet from the North line and 581 feet from the East line (Unit A) of said Section 1, is hereby approved and assigned a discovery allowable in the amount of 62,845 barrels, said allowable to be produced in accordance with Division Rule 509.

(4) The locations of any other wells, presently drilling to or completed in the South Shoe Bar-Devonian Pool or within one mile thereof, and not nearer to or within the limits of another designated Devonian pool, are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before November 1, 1986.

(5) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing

oil wells in the South Shoe Bar-Devonian Pool shall have dedicated thereto 80 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.

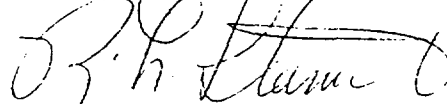
Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the South Shoe Bar-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1), above, or within one mile thereof shall receive no more than one-half of a standard allowable for said pool.

(6) This case shall be reopened at an examiner hearing in March 1988, at which time the operators in the subject pool may appear and show cause why the South Shoe Bar-Devonian Pool should not be developed on 40-acre spacing units.

(7) 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
Director

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