

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
RECEIVED

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
FOR POOL CREATION, SPECIAL POOL RULES,
AND A DISCOVERY ALLOWABLE,
CHAVES COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION

CASE NO. 10308

AMENDED APPLICATION

STEVENS OPERATING CORPORATION, by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order (1) designating a new pool as result of discovery of hydrocarbons in the Devonian formation in its McClellan No. 1 Federal Well located 2,190 feet from the North line and 1,990 feet from the East line in Unit H of Section 28, Township 13 South, Range 29 East, N.M.P.M. Chaves County, New Mexico, (2) promulgating special rules and regulations for this pool, including (a) 160-acre spacing or proration units on a permanent basis or, in the alternative, on a temporary basis; (b) the dedication of the NE/4 of said Section 28 to the McClellan No. 1 Federal Well, and (c) special well location requirements and (3) assignment of a discovery allowable, and in support of this application states:

1. Applicant has recently completed its McClellan No. 1 Federal Well in the Devonian formation, capable of producing oil and gas in paying quantities located 2,190 feet from the North line and 990 feet from the East line of Section 28, Township 13 South, Range 29 East, Chaves County, New Mexico. Said well is producing through the

open hole from 9,843 feet to 9,848 feet and was swab tested at a calculated rate of 552 barrels of oil per day.

2. Applicant believes that the following described lands are reasonably proven to be productive of oil and gas in paying quantities from the Devonian formation and should be included in the original definition of the pool to be created because of this discovery:

Township 13 South, Range 39 East, N.M.P.M.

Section 28: NE/4

3. In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid augmentation of risk arising from the drilling of an excessive number of wells and otherwise prevent waste and protect correlative rights, special rules and regulations providing for 160-acre spacing units should be promulgated for the new pool.

4. Applicant respectfully requests that the special pool rules provide that each well should be located on a standard unit containing 160-acres, more or less, consisting of a governmental quarter section and that each well shall be located no closer than 330 feet to the outer boundary of the spacing unit.

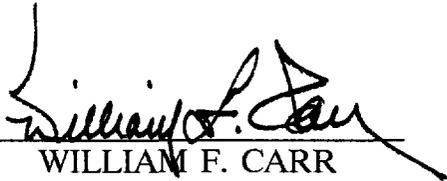
5. Pursuant to the provisions of Division Rule 509, Stevens Operating Corporation seeks assignment of a discovery allowable to its McClellan No. 1 Federal Well.

WHEREFORE, Stevens Operating Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 16, 1991, that notice be given as required by law and the rules of the Division, and that the

application be approved.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

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CORPORATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

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

MAY 21 1991

OIL CONSERVATION DIV.
SANTA FE

Case No. 10308

Order No. R-_____

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION, SPECIAL
POOL RULES AND DISCOVERY ALLOWABLE,
CHAVES COUNTY, NEW MEXICO.

STEVENS OPERATING CORPORATION'S
PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of May, 1991, 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, Stevens Operating Corporation, is the owner and operator of the McClellan No. 1 Federal Well located 2190 feet from the North line and 990 feet from the East line (Unit H) of Section 28, Township 13 South, Range 29 East, N.M.P.M., Chaves County, New Mexico, which was spudded on March 9, 1991 and drilled to a total depth of 9836 feet, and successfully tested in the Devonian formation.

(3) Applicant now seeks the creation of a new pool for the production of oil from the Devonian formation consisting of the NE/4 of said Section 28 and the promulgation of temporary special rules and regulations therefor including a provision for 160-acre spacing and proration units and designated well location requirements.

(4) Applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509 to the above-described well.

(5) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Devonian formation from 9830 feet to 9836 feet.

(6) Having made a bona fide discovery of a new common source of supply, the discovery well, applicant's McClellan No. 1 Federal Well is eligible for and should be assigned an oil discovery allowable of five barrels for each foot of depth from the surface of the ground to the top of the open hole interval at 9830 feet, or 49,150 barrels.

(7) There is ample evidence in the record on this case which indicates that the Devonian formation encountered in the above-described well is of high permeability and that the drainage radius of the discovery well will be substantially in excess of 40-acres.

(8) 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 to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the proposed pool.

(9) The evidence presently available on this pool indicates that it is a water drive reservoir, with no evolution of solution gas in the reservoir and no formation of a secondary gas cap; which makes it necessary to locate wells at the highest structural point to produce the oil in the pool without waste.

(10) The temporary special rules and regulations should also provide for special well locations in order to provide flexibility so wells can be located at the optimum structural position thereby increasing the recovery of oil and protecting the correlative rights of all interest owners in the pool.

(11) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a one-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that 160-acre units in this pool can be efficiently and economically drained and developed by one well.

(12) A new pool classified as an oil pool for Devonian production should be created and designated the McClellan-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the NE/4 of Section 28, Township 13 South, Range 29 East, N.M.P.M., Chaves County, New Mexico.

(13) This case should be reopened at an Examiner hearing in May, 1992, at which time the operators in the subject pool should be prepared to appear and show cause why the McClellan-Devonian Pool temporary rules promulgated herein should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Stevens Operating Corporation, a new pool in Chaves County, New Mexico, classified as an oil pool for Devonian production, is hereby created and designated the McClellan-Devonian Pool, with vertical limits comprising the Devonian formation, and the horizontal limits comprising the following described area:

Township 13 South, Range 29 East, N.M.P.M.
Section 28: NE/4

(2) The discovery well for said pool, the McClellan No. 1 Federal Well located 2190 feet from the East line in Unit H of Section 28, Township 13 South, Range 29 East, N.M.P.M., Chaves County, New Mexico, is hereby assigned an oil discovery allowable of 49,150 barrels of oil, to be produced within 730 days after the effective date of this Order.

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

SPECIAL RULES AND REGULATIONS
FOR THE
McCLELLAN-DEVONIAN POOL

RULE 1. Each well completed or recompleted in the McClellan-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 160-acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as 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 consisting of less than 160-acres 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 thirty (30) days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 330 feet to the outer boundary of the proration unit nor closer than 10 feet to any governmental quarter-quarter section line or subdivision inner boundary.

RULE 5. The Division 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 twenty (20) days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 515 barrels of oil per day, and in the event there is more than one well on a 160-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 160-acres.

IT IS FURTHER ORDERED THAT:

(4) The location of all wells presently drilling to or completed in the McClellan-Devonian Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty (30) days from the date of this Order.

(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 McClellan-Devonian Pool shall have dedicated thereto 160-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 proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160-acres to a well or to obtain a non-standard unit approved by the Division within sixty (60) days from the date of this Order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said sixty (60) day limitation, each well presently drilling to or completed in the McClellan-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-fourth of a standard allowable for said pool.

(6) This case shall be reopened at an Examiner hearing in May, 1992, at which time the operators in the subject pool may appear and show cause why the McClellan-Devonian Pool's temporary rules promulgated herein should not be rescinded.

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(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

WILLIAM J. LeMAY
Director

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