

**ENERGY MINERALS AND NATURAL
RESOURCES DEPARTMENT**

Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

- ATTEMPTED-NOT KNOWN
 - NO SUCH NUMBER
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Amoco Production Company
501 Airport Drive
Farmington, New Mexico 87401

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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

M E M O R A N D U M

TO: INDUSTRY OPERATORS, PURCHASERS AND
INTERESTED PARTIES

FROM: WILLIAM J. LEMAY, DIRECTOR

SUBJECT: ANNUAL STATE OF THE INDUSTRY MEETING
JUNE 3, 1988

This year's State of the Industry meeting will be held in Morgan Hall, State Land Office Building, Santa Fe, New Mexico, on June 3, 1988 beginning at 9 o'clock A.M. Navajo Refining Company will be hosting a welcoming reception for everyone attending the State of the Industry meeting. It will be held on Thursday night, June 2, 1988, from 6:30 to 8:00 P.M. in the New Mexico Room of the La Fonda Hotel. Cocktails and hors d'oeuvres will be served. We have a varied and interesting program this year which is as follows:

- 9:00 - 9:10 OPENING REMARKS - William J. LeMay -
Director, Oil Conservation Division, EMNR
- 9:10 - 9:35 KEYNOTE ADDRESS - Douglas H.M. Branion,
Consul General for Canada, Southwestern
United States
- 9:35 - 10:00 NEW MEXICO AND THE DOMESTIC CRUDE OIL
OUTLOOK - Guy W. Yates, Vice President,
Marketing, Giant Industries, Inc.
- 10:00 - 10:25 INTERNATIONAL CRUDE OIL PERSPECTIVE -
Roy Steiner, Vice President, Crude Oil
Supply, Phillips Petroleum
- 10:25 - 10:40 BREAK

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Memorandum
Annual State of the Industry Meeting

- 10:40 - 11:05 PROPOSED CHANGES IN NEW MEXICO'S OIL
ALLOWABLE PROCESS - Jerry Sexton, Oil
Conservation Division District Supervisor
- 11:05 - 11:30 DEVELOPMENTS IN NATURAL GAS MARKETING -
Ron Merrett, Manager, Oil Conservation
Division Gas Marketing Bureau
- 11:30 - 11:50 PANEL DISCUSSION - Questions from the floor
- 11:50 - 12:00 CONCLUDING REMARKS - William J. Lemay

May 13, 1988
fd/

Dockets Nos. 17-88 and 18-88 are tentatively set for June 8 and 22, 1988. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 25, 1988

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, Alternate Examiner:

✓ CASE 9379: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Division Order No. R-6469-B, by deleting the restriction of the special rules for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, to within the limits of the pool boundary. Said pool is a vast area located north of Lindrieth, New Mexico.

CASE 9380: Application of McKay Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the West Fork Unit Area comprising 20,775.02 acres, more or less, of State, Federal and Fee lands in portions of Townships 4 and 5 South, Ranges 21 and 22 East. The center of said acreage is approximately 3 1/4 miles west of the intersection of U.S. Highway No. 285 and State Highway No. 20.

CASE 9381: Application of McKay Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Camp State Unit Area comprising 5,453.34 acres, more or less, of State, Federal and Fee lands in portions of Township 5 South, Ranges 22 and 23 East. The unit area is located astraddle U.S. Highway No. 285 between the store and garage at Mesa, New Mexico, and the State-maintained Rest Stop three miles north of Mesa, New Mexico; being approximately 28 miles north of the town of Roswell, New Mexico.

CASE 9382: Application of TXO Production Corp. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Phiester State Unit Area comprising 320 acres, more or less, of State lands in the E/2 of Section 36, Township 11 South, Range 37 East. Said unit is located approximately 4.5 miles north of U.S. Highway 380 on County Road 168.

CASE 9383: Application of TXO Production Corp. for directional drilling and unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the plugged and abandoned Skelton Oil Company Phillips State Well No. 1 located 2310 feet from the South line and 1650 feet from the East line (Unit J) of Section 36, Township 11 South, Range 37 East, wherein the applicant proposes to deepen and deviate said well to within 50 feet of the following targeted locations (both of which are unorthodox):

1. In the Wolfcamp formation - 2570 feet from the North line and 1604 feet from the East line of said Section 36; and,
2. In the Devonian formation - 2100 feet from the North line and 1550 feet from the East line of said Section 36;

both zones to be dedicated to the SW/4 NE/4 (Unit G) of said Section 36 forming a standard 40-acre oil spacing and proration unit. IN THE ALTERNATIVE, should re-entry into the aforementioned well be found impracticable, the applicant seeks authority to re-enter the temporarily abandoned Apache Corporation Heyco "36" State Well No. 1 located 1650 feet from the North line and 990 feet from the East line (Unit H) of said Section 36, wherein the applicant proposes to deepen and deviate said well to within 50 feet of the following targeted locations (both of which are unorthodox):

1. In the Wolfcamp formation - 1890 feet from the North line and 1289 feet from the East line of said Section 36 to be dedicated to the SE/4 NE/4 (Unit H) of said Section 36 forming a standard 40-acre oil spacing and proration unit; and,
2. In the Devonian formation - 2100 feet from the North line and 1550 feet from the East line of said Section 36 to be dedicated to the SW/4 NE/4 (Unit G) of said Section 36 forming a standard 40-acre oil spacing and proration unit.

Said unit is located approximately 4.5 miles north of U.S. Highway 380 on County Road 168.

CASE 9384: Application of Yates Petroleum Corporation for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 26, Township 9 South, Range 26 East, to test all formations to the base of the Ordovician formations, the S/2 of said Section 26 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing. Said location is approximately 8 miles southeast by east of the Pecos River Bridge on U.S. Highway 70.

CASE 9359: (Continued from April 27, 1988, Examiner Hearing)

Application of Dugan Production Corporation for a non-standard oil proration unit, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the Special Rules and Regulations for the Rio Puerco-Mancos Oil Pool as promulgated by Division Order No. R-7471, as amended, to form a 160-acre non-standard oil spacing and proration unit for said pool comprising the NW/4 of Section 25, Township 21 North, Range 4 West, to be dedicated to the existing Husky Federal Well No. 2 located at a standard location 990 feet from the North and West lines (Unit D) of said Section 25. Said well is located approximately 3.25 miles south of Milepost 75 on New Mexico Highway No. 44.

CASE 9369: (Readvertised)

Application of Hixon Development Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 36, Township 26 North, Range 2 West, forming a standard 640-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to the applicant's Tapacitos Well No. 4 located at an unorthodox oil well location within the buffer zone as prescribed by Rule 2(b) of R-7407-E 1100 feet from the South line and 1600 feet from the East line (Unit O) of said Section 36 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and to which the E/2 of said Section 36 is presently dedicated. Also to be considered will be the adoption of guidelines for participation in said well and the designation of applicant as operator of the well. Said unit is located approximately 3.5 miles southwest by south of Gavilan, New Mexico.

CASE 9377: (Continued from May 11, 1988, Examiner Hearing)

Application of Hixon Development Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all overriding royalty interests in the Gavilan-Mancos Oil Pool underlying all of Section 25, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to the applicant's Tapacitos Well No. 2 located at a previously approved unorthodox location (NSL-1404) 1545 feet from the South line and 790 feet from the West line (Unit L) of said Section 25 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and in which the S/2 of said Section 25 is presently dedicated. Said well is located approximately 4.5 miles north-northwest of Gavilan, New Mexico.

CASE 9385: Application of Blackwood & Nichols Co., Ltd. for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Ojo Alamo or Kirtland formation in the perforated interval from approximately 2422 feet to 2531 feet in its Northeast Blanco Unit Well No. 206 located 790 feet from the South line and 1190 feet from the West line (Unit M) of Section 10, Township 31 North, Range 7 West. Said well is approximately 8 miles north-northeast of the Navajo Lake Dam.

CASE 9373: (Continued from May 11, 1988, Examiner Hearing)

Application of Texaco Producing Inc. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Brushy Draw-Delaware Pool in the perforated interval from approximately 5417 feet to 6170 feet in its Salt Mountain "36" State Well No. 1 located 660 feet from the North and West lines (Unit D) of Section 36, Township 26 South, Range 29 East, which is located approximately 2.25 miles east by north of where the Pecos River crosses the Texas/New Mexico Stateline.

CASE 9386: Application of Standard Oil Production Company for an unorthodox oil well location and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to directionally drill from a surface location 1300 feet from the North line and 1060 feet from the East line of Section 36, Township 16 South, Range 37 East, to a non-standard bottomhole location in the Undesignated Casey-Strawn Pool within 150 feet of a target point of 1090 feet from the North line and 1180 feet from the East line (Unit A) of said Section 36. The N/2 NE/4 of said Section 36 is to be dedicated to the well forming a standard 80-acre proration and spacing unit for said pool. This unit is located approximately 6 miles north by east of Humble City, New Mexico.

CASE 9350: (Continued from May 11, 1988, Examiner Hearing)

Application of Amerind Oil Company for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an 80-acre non-standard oil proration unit for production from the Strawn and Atoka formations comprising the SE/4 NE/4 and NE/4 SE/4 of Section 2, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool, Undesignated Humble City-Strawn Pool, and Undesignated Humble City-Atoka Pool, said unit to be dedicated to a well to be drilled at a standard oil well location thereon. Said unit is located approximately 4.5 miles north of Humble City, New Mexico.

CASE 9376: (Continued from May 11, 1988, Examiner Hearing)

Application of Nearburg Producing Company to amend Division Order No. R-8605 and the assignment of an oil allowable retroactive to April 1, 1988, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8605, dated March 8, 1988, by changing the non-standard oil proration unit to include Lots 3 and 4 of Section 19, Township 16 South, Range 37 East, to be dedicated to its Soledad "19M" Well No. 1 located at an unorthodox location 1000 feet from the South and West lines of said Section 19 thereby forming a non-standard oil spacing and proration unit consisting of 100.81 acres. Applicant also seeks the assignment of an oil allowable for said well to be made retroactive to April 1, 1988 based on the new acreage factor. Said well is located approximately 4.25 miles southeast of Lovington, New Mexico.

CASE 9353: (Continued from April 27, 1988, Examiner Hearing)

Application of Read & Stevens, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 19, Township 19 South, Range 29 East, Undesignated Turkey Track-Morrow Gas Pool or Undesignated West Parkway-Morrow Gas Pool, the E/2 of said Section 19 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for either pool. Said location is approximately 7.5 miles southeast by east of the old Illinois Camp.

CASE 9366: (Readvertised)

Application of Exxon Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 990 feet from the South line and 330 feet from the East line (Unit P) of Section 9, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool, the S/2 SE/4 of said Section 9 to be dedicated to the well forming a standard 80-acre oil spacing and proration unit for said pool. Said location is approximately 3.8 miles northwest by north of Humble City, New Mexico.

CASE 9387: Application of Exxon Corporation for an unorthodox gas well location, downhole commingling, hydrocarbon storage authority, and relief from the reporting requirements of Division General Rule 1131, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Happy Valley-Morrow Gas Pool with the Undesignated Northeast Sheep Draw-Strawn Gas Pool in the wellbore of its Happy Valley "B" Federal Com Well No. 1 located at a previously approved unorthodox gas well location for the Morrow zone (NSL-2152) 1471 feet from the South line and 1908 feet from the West line (Unit K) of Section 28, Township 22 South, Range 26 East. Applicant further requests approval to utilize the Strawn zone in said well for storage of gas from the Morrow zone and an exemption from the reporting requirements of Division General Rule 1131. Said well is located approximately 1 mile northwest by west of the Carlsbad City Dump.

CASE 9362: (Continued from April 27, 1988, Examiner Hearing)

Application of Meridian Oil Inc. for the extension of the vertical limits of the Cedar Hill-Fruitland Basal Coal Pool and the concomitant contraction of the Mount Nebo-Fruitland Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the vertical limits of the Cedar Hill-Fruitland Basal Coal Pool to include any and all coal zones of the Fruitland formation, from approximately 2,579 feet to 2,878 feet, in Sections 3 through 6, Township 31 North, Range 10 West, and Sections 19 through 22 and 27 through 34, Township 37 North, Range 10 West. Applicant also seeks the concomitant contraction of said zones from the Mount Nebo-Fruitland Pool. Said area consists of 16 square miles in the form of a square centered approximately 5.5 miles east by north of Cedar Hill, New Mexico.

CASE 9388: Application of Curtis J. Little Oil and Gas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to a depth of approximately 8,300 feet underlying the SE/4 of Section 1, Township 25 North, Range 3 West, to form a standard 160-acre, more or less, gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 160-acre spacing to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately one quarter mile south of the Ojito Post Office.

CASE 9389: Application of Robert N. Enfield for compulsory pooling and an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the NW/4 of Section 29, Township 7 South, Range 31 East, to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical limits or the W/2 of said Section 29 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical limits, both aforementioned units to be dedicated to its E. McCombs Well No. 1 drilled at an unorthodox gas well location (for a 320-acre dedication) 1650 feet from the North line and 990 feet from the West line (Unit E) of said Section 29. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said units are located approximately 11 miles south by west of Kenna, New Mexico.

CASE 9390: Application of Robert N. Enfield for pool creation and special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the Devonian formation comprising the W/2 of Section 29, Township 7 South, Range 31 East, and for the promulgation of special rules and regulations for said pool including a provision for 160-acre spacing and proration units and designated well locations. Said area is located approximately 11 miles south by west of Kenna, New Mexico.

CASE 9391: Application of Foran Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn formation underlying the E/2 SE/4 of Section 7, Township 16 South, Range 37 East, forming a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool, to be dedicated to a well to be drilled at a standard oil well location in the NE/4 SE/4 (Unit I) of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is approximately 4 miles east by south of the junction of U.S. Highway 82 and New Mexico State 18 in Lovington, New Mexico.

CASE 9392: Application of Foran Oil Company for compulsory pooling and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to either the base of the Morrow formation or to a depth of 13,000 feet, whichever is deeper, underlying the SE/4, E/2 SW/4, and Lots 3 and 4 of Section 30, Township 21 South, Range 35 East, forming a 312.05-acre, more or less, non-standard gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre spacing, and the SE/4 of said Section 30 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 160-acre gas well spacing, both aforementioned units to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is approximately 2.5 miles south of the junction of New Mexico State Road 176 and County Road 32.

CASE 9393: Application of Tenneco Oil Company for exceptions to Rule 2(b) of the special rules governing the Blanco-Mesaverde Pool, infill well findings, and five unorthodox gas well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(b) of the special rules and regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, allowing a third well to be drilled and produced within 16 certain proration units, each well to be drilled within the quarter section that contains the original well in the unit, five of which are unorthodox (as listed below), and for an effective and efficient finding on each well, pursuant to F.E.R.C. Rule 271.305.

1. 1720' FSL & 1610' FWL, Section 28, T30N, R3W
2. 1620' FSL & 1005' FWL, Section 27, T30N, R8W
3. 300' FNL & 1230' FEL, Section 27, T30N, R8W
4. 2160' FNL & 395' FEL, Section 3, T31N, R11W
5. 1125' FNL & 1828' FEL, Section 27, T29N, R8W

CASE 9394: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Sulphate Draw-Wolfcamp Gas Pool. The discovery well is the Enron Oil and Gas Harkey 35 State Well No. 1 located in Unit J of Section 35, Township 24 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM
Section 35: E/2

(b) EXTEND the East Avalon-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 11: NW/4

(c) EXTEND the Benson-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM
Section 11: SE/4

(d) EXTEND the Benson-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM
Section 4: E/2

- (e) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMFM
Section 33: S/2

- (f) EXTEND the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMFM
Section 25: W/2

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMFM
Section 30: NE/4

- (g) EXTEND the Diablo-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMFM
Section 21: S/2 NE/4 and NW/4 NE/4

- (h) EXTEND the Four Ranch-PrePermian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 26 EAST, NMFM
Section 11: W/2

- (i) EXTEND the North Four Ranch-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMFM
Section 31: S/2

- (j) EXTEND the South Palma Mesa-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMFM
Section 27: S/2
Section 28: S/2
Section 34: N/2

- (k) EXTEND the West Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 5 SOUTH, RANGE 22 EAST, NMFM
Section 30: SE/4

- (l) EXTEND the Santo Nino-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMFM
Section 30: W/2 NE/4

- (m) EXTEND the North Shugart-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMFM
Section 6: SE/4
Section 18: N/2

- (n) EXTEND the Red Lake Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMFM
Section 15: S/2

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. 8715
Order No. R-6469-B

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR THE AMENDMENT
OF THE SPECIAL RULES AND REGULATIONS
FOR THE WEST PUERTO CHIQUITO-MANCOS OIL
POOL, RIO ARRIBA COUNTY, NEW MEXICO.

*See Also Order
No. R-6469-B
R-6469-B*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on September 25, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of March, 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) At the time of the hearing Division Cases Nos. 8695, 8714 and 8715 were consolidated for the purposes of testimony.
- (3) By Division Orders Nos. R-2565-C, R-6469, and R-6469-A, the New Mexico Oil Conservation Division amended the Special Rules and Regulations governing the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as promulgated by Division Order No. R-2565-B, which included, among other things, provisions for 640-acre spacing and proration units, well location requirements, assigning to each 640-acre unit a depth bracket allowable of 640 barrels of oil per day, and restricting the number of wells drilled on each unit to only one.
- (4) The applicant, Benson-Montin-Greer Drilling Corporation, seeks, at this time, the amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil

Pool, to allow a second well to be drilled on any 640-acre proration unit in a "Buffer Zone" to be formed on the western portion of the pool where it shares, in part, a common boundary with the Gavilan-Mancos Oil Pool, which is spaced on 320-acre proration units with a depth bracket allowable of 702 barrels of oil per day from each unit.

(5) Said Buffer Zone would consist of the following described acreage which includes, in part, the western-most two rows of sections in the subject pool, all in Rio Arriba County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

(6) Applicant further seeks an amendment increasing the depth bracket allowable for the pool with additional provisions in the above-described Buffer Zone.

(7) Based on the evidence presented at this hearing and the testimony and evidence from the previous cases concerning the Gavilan and West Puerto Chiquito-Mancos Oil Pools of which administrative notice was taken, the two aforementioned pools share a common reservoir within the Mancos formation.

(8) Within this general area the Mancos formation sharply updips to the east and actually outcrops within a mile to the east of the West Puerto Chiquito-Mancos Oil Pool's eastern boundary thereby placing it in depth range of 0 to 5,000 feet. The Mancos formation within the Gavilan-Mancos Oil Pool averages between 6,000 to 7,000 feet.

(9) The fact of producing wells on each side of the common boundary between the West Puerto Chiquito-Mancos and the Gavilan-Mancos Oil Pools would strongly indicate that uncompensated drainage would be reduced and correlative rights would be better served if the West Puerto Chiquito-Mancos Oil Pool was assigned an allowable more nearly equivalent to the 640-acre total allowable in the Gavilan-Mancos Pool.

(10) The applicant proposed the new allowable of the subject pool be based on the allowable assigned in the Gavilan-Mancos Oil Pool times two, or 1404 barrels of oil per day.

(11) A review of the testimony presented at the hearing indicates that the evidence is insufficient to support this reasoning. The allowable should therefore be based on the depth bracket allowable as set out in Division General Rule 505, which is calculated to be 1342 barrels of oil per day for a 640-acre unit at a depth range of 6,000 to 7,000 feet.

(12) Within the proposed "Buffer Zone" as described in Finding No. (5) above, the applicant proposes the following amendments to the subject Special Pool Rules:

(a) A second well be permitted on a 640-acre proration unit;

(b) Only one well should be allowed to be drilled in the west one-half of each section in the row of Sections in the pool which immediately borders the Gavilan-Mancos Oil Pool;

(c) Any well on a proration unit that is located closer than 2310 feet from the immediate eastern boundary of the Gavilan-Mancos Oil Pool would not be allowed to produce that share of its proration unit's top allowable that is in excess of the top allowable for a well on a 320-acre proration unit in the Gavilan-Mancos Oil Pool, or 702 barrels of oil per day; and,

(d) When there is only one well on a 640-acre proration unit and it is located 2310 feet or more from the immediate eastern boundary of the Gavilan-Mancos Oil Pool, it would be allowed to produce a full proration unit's top allowable.

(13) The evidence presented shows that an order embodying the above findings is in the best interest of conservation, would prevent waste and protect correlative rights, and should therefore be approved and made effective as of February 1, 1986.

(14) The Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated and amended by Division Orders Nos. R-2565-B, R2565-C, R-6469, and R-6469-A, have become somewhat complex, complicated, and unclear; therefore, these Special Rules should at this time be renumbered for the purpose of clarification.

IT IS THEREFORE ORDERED THAT:

(1) The Special Rules for the West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, as previously established by Division Order No. R-2565-B as amended by Division Orders Nos. R-2565-C and R-6469-A are hereby superseded.

(2) That new Special Rules are hereby established for the West Puerto Chiquito-Mancos Oil Pool incorporating new or revised provisions in compliance with the findings of this order and pre-existing rules not in conflict therewith, all as follows:

SPECIAL RULES FOR THE
WEST PUERTO CHIQUITO-MANCOS OIL POOL

RULE 1. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located on a standard spacing or proration unit consisting of approximately 640-acres which shall comprise a single governmental section, being a legal subdivision of the United States Public Land Surveys. For purposes of these rules, a spacing or proration unit consisting of between 632 and 648 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. An exception to the provisions of Rule 2 above may be obtained administratively for a non-standard unit comprising all of a single governmental section but comprising less than 632 acres or more than 648 acres resulting from a correction in the lands survey.

To obtain such administrative approval, the applicant shall furnish the Division Director with appropriate plats and with the written consent of all operators owning lands offsetting the proration unit.

In lieu of furnishing such consent, the applicant may furnish proof that all of the aforesaid operators were notified by registered or certified mail of his intent to form the non-standard unit. The Division Director may approve the application upon receipt of the aforementioned written consents, or if no offset operator has objected to the

non-standard unit within 30 days after the Director received the application.

RULE 4. (a) Each well completed or recompleted in the West Puerto Chiquito-Mancos Oil Pool shall be located no nearer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to a quarter section line, provided however, that, with the exception of those areas as described in Rule 5 below, nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing or proration unit.

(b) The operator of each well projected to and completed in the West Puerto Chiquito-Mancos Oil Pool shall conduct deviation tests on such well to determine the deviation from the vertical at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Gas.

(c) If the total deviation, assumed in a constant direction, indicates a horizontal displacement of the lowermost perforation, or the bottom of the hole in the case of an open-hole completion, of more than 330 feet from the surface location, no allowable shall be approved for the well unless a directional survey approved by the Division Director establishes a horizontal displacement of 330 feet or less, or unless the well has been approved for production, subject to a possible production penalty; after notice and hearing.

RULE 5. The Division Director may grant an exception to the surface location requirements of Rule 4 (a) 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 proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers of objection from all operators or if no objection is received from any offsetting operator within 20 days after receipt of the application and written waivers have been received from all offset operators whose lands are being "crowded" either directly or diagonally by the proposed unorthodox location.

RULE 6. (a) A second well may be drilled on any proration unit which lies within the following described

"Buffer Zone" which includes the western-most two rows of sections within the pool, all in Rio Arriba County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

TOWNSHIP 26 NORTH, RANGE 1 WEST, NMPM
Sections 5 through 8: All
Sections 17 through 20: All
Sections 29 through 32: All

However, only one well shall be allowed in the western one-half of each section of the western-most row of sections in the above-described "Buffer Zone".

(b) The Director of The Oil Conservation Division may administratively extend the "Buffer Zone" upon an extension of the common boundary between the West Puerto Chiquito Oil Pool and the Gavilan-Mancos Oil Pool.

RULE 7. (a) Except as otherwise provided for in subparts (b) and (c), below, a standard spacing or proration unit in the West Puerto Chiquito-Mancos Oil Pool (632 through 648 acres) shall be assigned a top allowable of 1342 barrels of oil per day. Any non-standard spacing or proration unit containing less than 632 acres or more than 648 acres shall be assigned an allowable in the same ratio to 1342 as the acreage in the proration unit bears to 640.

(b) Any well on a proration unit which is located closer than 2310 feet from the eastern boundary of the Gavilan-Mancos Oil Pool shall not be allowed to produce that share of its proration unit's top allowable that is in excess of the top allowable for a well on a 320-acre proration unit in the Gavilan-Mancos Oil Pool.

(c) Any well in the pool which is the only well on a 640-acre proration unit and which is located 2310 feet or more from the eastern boundary of the Gavilan-Mancos Oil Pool shall be allowed to produce a full proration unit's top allowable.

(3) The Special Rules for the West Puerto Chiquito-Mancos Oil Pool as described above shall be made effective as of February 1, 1986.

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(4) All other provisions as set forth by Division Order No. R-2565-B, as amended by Orders Nos. R-2565-C, R-6469, and R-6469-A, are hereby continued in full force and effect until further order of the Division.

(5) 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

S E A L