

CASE 4261: Application of PENNZOIL
UNITED, FOR SPECIAL POOL RULES
AND UNORTHODOX GAS WELL LOCATION.

Case Number.

4261

Application

Transcripts.

Small Exhibits

ETC.

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 25, 1969

EXAMINER HEARING

IN THE MATTER OF:

Application of Pennzoil United,
Inc., for special pool rules, and
unorthodox gas well location, Lea
County, New Mexico.

Case No. 4261

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4261.

MR. HATCH: Case 4261. Application of Pennzoil United, Inc., for special pool rules and unorthodox gas well location, Lea County, New Mexico.

MR. DURRETT: If the Examiner please, J. M. Durrett, representing the Applicant, Pennzoil United, and I have one witness, Mr. Sinclair, and ask that he be sworn.

MR. UTZ: Any other appearances?

You may proceed.

(Witness sworn).

(Whereupon, Applicant's Exhibits 1 through 3 were marked for identification.)

BENNIE C. SINCLAIR

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. J. M. DURRETT:

Q Mr. Sinclair, will you state your name for the record, please?

A Bennie C. Sinclair.

Q By whom are you employed and in what position?

A Pennzoil United Incorporated, and I am a petroleum engineer.

Q Where are you located, Mr. Sinclair?

A Midland, Texas.

Q Have you previously testified before the Oil Conservation Commission as a petroleum engineer and had your qualifications previously accepted?

A Yes, I have.

Q Mr. Sinclair, what is Pennzoil seeking in this application, Case 4261?

A We are seeking the promulgation of field rules for the Quail Ridge-Morrow Gas Pool, and approval of a non-standard location for the Pennzoil United Mescalero Ridge, No. 1 Well.

Q Will you please refer to your Exhibit No. 1, now, which is the plat of the area, and state to the Examiner what that shows?

A Exhibit No. 1 is a structure map of -- showing the general structure of the Morrow Gas -- Morrow Line Formation, in the general area of the Quail Ridge Field.

The contours shown are drawn on the top of the Morrow Line. The contour interval is twenty-five feet.

The exhibit also shows the location of the Pennzoil United Mescalero Ridge, Unit No. 1 Well, in the southwest quarter of Section 20, Township 19 South, Range

34 East.

Q What is the footage location on that well?

A This well is located six hundred and sixty feet from the west and south boundaries of Section 20.

Q And that is the well that you are seeking the non-standard location for, if your proposed spacing is accepted by the Commission; is that correct?

A Yes, that's true.

This exhibit shows the wells that have been completed in the Morrow Gas Zone, in this area, and shows these wells, with a red colored designation.

The wells colored in green are completions in the Bone Spring Zone. There have been three wells completed in the Quail Ridge-Morrow Gas Pool. These wells are the Atlantic Richfield Mescalero Ridge Unit No. 1, in the northwest quarter of Section 21; the Atlantic Richfield Mescalero Ridge Unit No. 2, in the northeast quarter of Section 28; and the Pennzoil United Mescalero Ridge Unit No. 1 Well, in the southwest quarter of Section 20.

By way of the history of this pool, the two Atlantic Richfield wells were originally drilled by El Paso Natural Gas Company, and were later taken over by Sinclair, which has been merged into Atlantic Richfield.

And are now designated with the Atlantic Richfield as the operator of the well. These wells were completed in late 1961 and early 1962, and accumulative gas production from the wells has been approximately eight hundred million cubic feet from the No. 1 Well, and approximately one hundred and eighty thousand MCF from the No. 2 Well.

Q And those are the Atlantic Wells you are referring to?

A These are the Atlantic Richfield Wells, yes, sir.

Q All right.

A These wells had calculated open flows on an initial potential test of thirteen hundred for the Atlantic Richfield No. 1 Well, and eleven hundred and eighty-five MCF, per day, for the No. 2 Well.

The Pennzoil United Mescalero Ridge Unit No. 1 Well was completed in September of 1969. And on tests, this well produced at a rate of thirty-three hundred and fifty-one MCF of gas per day, plus sixty-eight barrels of condensate per million cubic feet, with a flowing tubing pressure of twenty-nine hundred and twenty-nine pounds -- a shut-in tubing pressure of forty-three hundred and seventy-three pounds, for a calculated open flow of eighty-nine hundred

and fifty MCF per day.

MR. UTZ: Eighty--nine fifty?

THE WITNESS: Yes. Eighty-nine fifty MCF per day.

Production for this test was from the Morrow, through perforations at thirteen thousand two hundred and nineteen feet to thirteen thousand four hundred and eighty-five feet.

I would like to point out the comparisons of the calculated open flow of the Pennzoil Well with the Atlantic Richfield Well. The Atlantic Richfield Wells are both shut-in at the present time, after producing a volume of gas that I indicated earlier.

The Pennzoil Well, based on calculated open flow tests, is a much better well, and has better productivity, and based on analysis of the drill stem test, it appears to be in a larger reservoir and draining a much greater area than the Atlantic Richfield Wells were.

As has been pointed out earlier, the Pennzoil Mescalero Ridge Well No. 1 is located six hundred and sixty feet from the south and west lines of Section 20. A six hundred and sixty foot location was chosen, because the original plan called for the wells to be drilled to fifteen

thousand feet to test the Morrow Formation, which is normally productive of oil in this area.

The well was actually drilled to thirteen thousand nine hundred and fifty-three feet into the Mississippian Formation, which is below the Morrow. And the well was running structurally low, at the Mississippian depth.

Therefore, our exploration department felt that this condemned the Devonian Formations, and in the interest of economics, drilling was stopped and the well was plugged back and completed in the Morrow Gas Zone, which have been drill stem tested.

The top of the Mississippian Zone, in the Pennzoil Well, is a minus a nine thousand nine hundred four feet, compared to a minus ninety-eight sixty-four, for the Arco No. 1 Well, and a minus ninety-nine twenty-two, for the Arco No. 2 Well.

I would like to point out that Pennzoil plans to dedicate the west half of Section 20 to this well, as a proration unit, if our application is approved.

I would also like to point out that Pennzoil owns the moral rights in all offset locations, except to the north.

Q Do you have anything further with reference to Exhibit No. 1?

A No.

Q Let's move on, then, to your Exhibit No. 2, which is your reservoir data.

Will you please briefly explain that exhibit to the Examiner?

A This exhibit shows the average reservoir and fluid properties of the Morrow Gas Pool, as found in the Pennzoil Mescalero Ridge No. 1 Well.

These properties are depth, thirteen thousand five hundred feet; net pay, forty-six feet; porosity, ten point four percent; the effective permeability, six-two point three millidarcies; connate water, thirty-eight percent; bottom hole pressure, six thousand five hundred one, pounds per square inch absolute; bottom hole temperature, one hundred and eighty-eight degrees Fahrenheit; the separator gas gravity is .702; the formation volume factor, 303.1, standard cubic feet per cubic foot; condensate content, sixty-eight barrels per million cubic feet; condensate gravity, 52.6 degrees API.

I would like to point out that these properties are within the range that are normally recognized for gas

reservoirs as being capable of draining areas much in excess of three hundred and twenty acres per well. Using these properties, I have made a calculation of the time required for the pressure drop to be transmitted twenty-six hundred feet to the reservoirs, which would be the distance to the furthest point, on a three hundred and twenty acre proration unit from a well drilled in the center of that unit, from a production rate of three thousand MCF per day of gas: two point three six days would be required for this pressure --

MR. UTZ: How many?

THE WITNESS: Two point three six days would be required for the pressure to be transmitted through the reservoir distance of twenty-six hundred feet.

Based on this data, we believe that one well in this reservoir can efficiently and effectively drain in excess of three hundred and twenty acres, and request that the pool rules be approved to provide for a three hundred and twenty acre spacing.

We further request that the rules approve well locations no closer than six hundred and sixty feet to the nearest side boundary of a proration unit, and nineteen hundred and eighty feet to the nearest end boundary, with

well locations no closer than three hundred and thirty feet to any quarter quarter section or subdivision inner bounardy.

I would like to point out that if this reservoir had been discovered after June 1, 1964, it would have automatically have been on three hundred and twenty acre spacing, under the state-wide rules.

Q (By Mr. Durrett) Mr. Sinclair, the well location that you are proposing are the same as the state-wide rules for deep production; is that correct?

A This is correct.

Q Now, move to your Exhibit No. 3, which is your economic data. Will you please summarize that for the Examiner?

A Exhibit No. 3 shows comparative economics for one hundred and sixty acres versus three hundred and twenty acre spacing for the Quail Ridge-Morrow Gas Pool.

This comparison is based on the Pennzoil Mescalero Ridge No. 1 Well. Referring to the exhibit, for one hundred and sixty acre spaced well, the estimated ultimate recovery is five million six hundred and forty thousand MCF per day, and two hundred and twenty-five thousand six hundred barrels of condensate.

This production results in a total revenue after royalty and severance tax of a million two hundred and sixteen thousand dollars -- that is, one million two hundred and sixteen thousand six hundred dollars.

The total expense is eight hundred and forty-four thousand dollars, and this includes seven hundred thousand dollars for drilling and equipping two wells, and one hundred and forty-four thousand dollars for operating costs, over a fifteen year period, for these wells.

This leaves a net profit of three hundred and seventy-two thousand six hundred dollars, which yields a profit to investment ratio of 0.53, and an average rate of return of 10.2 percent.

For three hundred and twenty acre spacing, the total revenue is estimated at a million eighty-one thousand four hundred dollars. The total expense is estimated at four hundred and forty-six thousand dollars, which includes the cost to drill one well, and operate this well for a twenty-year period.

This leaves a net profit of six hundred and thirty-five thousand four hundred dollars, which yields a profit to investment ratio of 1.82, and an average rate of return of 14.1 percent.

I would like to point out that the profitability of the rate of return or profit to investment ratio of .53, and an average rate of return of 10.2 percent is considered marginal, and that the profit to investment ratio of 1.82, with a rate of return of 14.1 percent is considered adequate to justify the development of this reservoir.

I would further like to point out that dry holes have not been considered in this economic comparison. They would have to be born -- to the cost of drilling any dry holes that might result.

Q Now, Mr. Sinclair, is it your opinion, as a petroleum engineer, that the Quail Ridge-Morrow Gas Pool can be efficiently and economically drained and developed on a three hundred and twenty acre spacing?

A Yes, it is.

Q And is it your opinion that the well location, which you have proposed of six-sixty to a side boundary in 1980, to the end boundary, would protect adequately the correlative rights and prevent waste?

A Yes.

Q Were Exhibits 1, 2 and 3 prepared by you or under your supervision?

A Yes, they were.

MR. DURRETT: If the Examiner please, I offer in evidence Exhibits 1, 2 and 3. And that will conclude my direct examination.

CROSS EXAMINATION

BY MR. UTZ:

Q It's your estimate then that you would actually recover more gas per acre on one hundred and sixty acres than on three hundred and twenty acres?

A Yes, sir. This is generally always true -- I think we really don't know enough about the reservoir at this point, to know for sure, but I think generally speaking, the closer the spacing, you could expect -- to recover slightly more oil or gas, whichever the case may be.

Q And the further you go in the well bore, the more gas --

A This would be -- no, sir. It's really not tied to that. If the reservoir were homogeneous, I think we could drain the outer limits of the reservoir, but normally, the lack of homogeneity in the reservoir results in some barriers that we can't define, and don't know exactly where they are -- and we just know that the more dense the pattern, the more of these areas of lower permeability were likely to

drain; but, I point out that it's not economically feasible to try to drain every cubic foot of gas that you can out of a reservoir -- I think the economics dictate how close your spacing can be in this case.

Q In other words, it's your contention that it cost more than one hundred thousand dollars to drill another well -- and your income here was about a million dollars against nine hundred and two; correct?

A Yes, sir. It was about thirty-five thousand -- three hundred and seventy-two -- the rate of return is not adequate to justify the risks that are involved in developing any reservoir when your return is no greater than you would get from a hundred and sixty acre spaced well.

Q I think your contention is a valid one, but I will just have to say that you are the first engineer that has ever been on this stand that admitted it.

MR. UTZ: Any questions of the witness?

MR. HATCH: Maybe I misunderstood you, but did you say that the subject well was originally staked as a Devonian test or a Morrow test?

THE WITNESS: It was staked as a Devonian test -- permeated to fifteen thousand feet, which would be an adequate depth to test the Devonian.

MR. UTZ: I would like to clarify one thing. These Atlantic Wells; No. 1 in Section 21 and the No. 2 in Section 28; are you saying now that they are abandoned in the Morrow?

THE WITNESS: They are shut-in, and I think the No. 1 Well is abandoned in the Morrow -- it was originally a dual completion in the Bone Spring and Morrow. And I'm not certain whether the Morrow is just shut-in or has actually been physically abandoned, but the No. 2 Well is shut-in.

Q (By Mr. Utz) Now, did Atlantic operate this unit previously to your taking it over?

A Yes, sir. This was a climb-out deal from Atlantic Richfield Company.

MR. UTZ: Any other questions of the witness? The witness may be excused.

(Witness excused).

MR. DURRETT: I don't think my exhibits have got admitted --

MR. UTZ: Would you like to admit them?

MR. DURRETT: I move the introduction of Exhibits 1, 2 and 3.

MR. UTZ: Exhibits 1, 2 and 3 will be entered

into the record of this case.

And the case will be taken under advisement.


I N D E X

<u>WITNESS</u>	<u>PAGE</u>
BENNIE C. SINCLAIR	
Direct Examination by Mr. Durrett	2
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E X H I B I T S

Applicant's Exhibits	
1 through 3	2

best of my knowledge, skill


Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings of the
the Executive Meeting of Case No. 4761
heard by me on Nov. 25, 1969
[Signature]
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4261
Order No. R-3890

APPLICATION OF PENNZOIL UNITED, INC.,
FOR SPECIAL POOL RULES AND UNORTHODOX
GAS WELL LOCATION, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 25, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of December, 1969, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Pennzoil United, Inc., seeks the
promulgation of special rules and regulations for the Quail Ridge-
Morrow Gas Pool, Lea County, New Mexico, including a provision
for 320-acre spacing units.

(3) That the applicant further seeks an exception to the
proposed well location requirements for said Quail Ridge-Morrow
Gas Pool for its Hascadero Ridge Well No. 1 located 660 feet from
the South line and 660 feet from the West line of Section 20,
Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by
the drilling of unnecessary wells, to avoid the augmentation of

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CASE No. 4261

Order No. R-3890

risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 320-acre spacing units should be promulgated for the Quail Ridge-Morrow Gas Pool.

(5) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That approval of the non-standard location in the subject pool for the aforesaid Mescalero Ridge Well No. 1 will prevent the drilling of unnecessary wells, will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
QUAIL RIDGE-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission 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 and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a single governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 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 location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may

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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 Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the Pennzoil United, Inc., Mescalero Ridge Well No. 1, located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, is hereby granted an exception to the well location requirements contained herein.

(2) That the operator of the aforesaid Mescalero Ridge Well No. 1 shall file a new Form C-102 outlining thereon the acreage dedicated to said well within 15 days after receipt of this order.

(3) That the locations of all wells presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before December 15, 1969.

(4) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Quail Ridge-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission 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 Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

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CASE No. 4261

Order No. R-3890

(5) That 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



DAVID F. CARGO, Chairman



ALEX J. ARRIAGA, Member



A. L. PORTER, Jr., Member & Secretary



esr/

Case 4261

Heard 11-25-69

Rev. 11-26-69

Grant Remyoint visited at
prominent under ^{374 A.c.} ~~main Ridge~~
spacing the ~~Meculero Ridge~~
Monroe Gap pool.

Use B20 A.c. spacing, 1280/and
of unit; 660/aid of unit, 330/
1/4 1/4 inner boundary. (Same as
Rule 104).

Grant 15+ for their Meculero
Ridge unit #1, 660/S, 660/W
lines of sec. 20-19.5-34E.

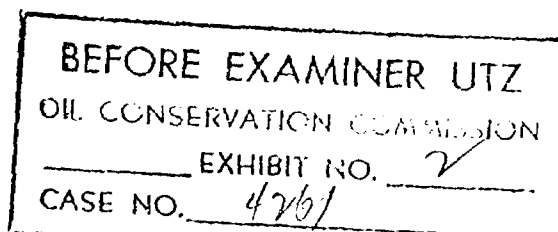
Thos. W. R.

AVERAGE RESERVOIR AND FLUID PROPERTIES
PENNZOIL UNITED, INC. - MESCALERO RIDGE UNIT NO. 1
QUAIL RIDGE MORROW GAS POOL
LEA COUNTY, NEW MEXICO

Depth	13,500 feet
Net Pay	46 feet
Porosity	10.4 %
Permeability, effective	62.3 m.d.
Connate Water	38 %
Bottom Hole Pressure	6501 psia
Bottom Hole Temperature	188 °F
Separator Gas Gravity	0.702
Formation Volume Factor	303.1 SCF/CF
Condensate Content	68 B/MMCF
Condensate Gravity	52.6 °API

Case No. 4261
Exhibit No. 2

B. C. Sinclair
November 20, 1969



ESTIMATED ECONOMICS FOR PENNZOIL UNITED, INC.

MESCALERO RIDGE UNIT NO. 1 WELL

QUAIL RIDGE MORROW GAS POOL
LEA COUNTY, NEW MEXICO

<u>Revenue</u>	<u>160-Acre Spacing</u>	<u>320-Acre Spacing</u>
160 acre - 5,640,000 MCF @ \$.18 225,600 Bbl @ \$3.15	\$ 1,015,200 710,600	
320 acre - 5,013,000 MCF @ \$.18 200,500 Bbl @ \$3.15		\$ 902,300 631,600
Less Royalty @ 25.0%	431,500	383,500
Less Severance Tax @ 6%	<u>77,700</u>	<u>69,000</u>
Total Revenue	\$ 1,216,600	\$ 1,081,400
<u>Expense</u>		
Drilling, Completing, Equiping Well	\$ 700,000	\$ 350,000
Operating Costs		
160 acre - 15 years @ \$ 4,800 (2)	144,000	
320 acre - 20 years @ \$ 4,800		<u>96,000</u>
Total Expense	\$ 844,000	\$ 446,000
Net Profit	\$ 372,600	\$ 635,400
Profit:Investment Ratio	0.53	1.82
Rate of Return, Average	10.2%	14.1%

Case No. 4261

Exhibit No. 3

B. C. Sinclair

November 20, 1969

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>3</u>
CASE NO.	<u>4261</u>

OCT 31 1969

RHODES, McCALLISTER & DURRETT
ATTORNEYS AT LAW

JERRY P. RHODES
ORVILLE C. McCALLISTER, JR.
J. M. DURRETT, JR.

500 OAK, N E
(CORNER ROMA AND INTERSTATE 25)
ALBUQUERQUE, NEW MEXICO 87106
TELEPHONE 243-9744

October 29, 1969

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Case 4261

Gentlemen:

I am enclosing an Application on behalf of Pennzoil United, Inc. for promulgation of special rules and regulations and a non-standard gas well location. Will you please docket this case on your next regularly scheduled examiner hearing.

Thank you for your assistance.

Very truly yours,

Rhodes, McCallister & Durrett

By *J. M. Durrett, Jr.*
J. M. Durrett, Jr.

JMD:dn
encl.

DOCKET MAILED

Date 11-18-69

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

Application of

PENNZOIL UNITED, INC.,

Case No. 4281

for Promulgation of Special Pool
Rules and a Non-Standard Location,
Lea County, New Mexico

A P P L I C A T I O N

Comes now the applicant, Pennzoil United, Inc.
by and through its attorneys, Rhodes, McCallister & Durrett,
and respectfully states:

I.

The applicant is the owner and operator of the
Mescalero Ridge Well No. 1 located 660 feet from the South
line and 660 feet from the West line of Section 20, Township
19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

II.

Said well is completed in the Quail Ridge Morrow
Gas Pool, Lea County, New Mexico.

III.

The Quail Ridge Morrow Gas Pool can be efficiently
and economically drained and developed on 320 acre spacing.

IV.

Well locations no closer than 660 feet to the nearest
side boundary of a 320 acre tract and no closer than 1980 feet
to the nearest end boundary of a 320 acre tract and no closer than
330 feet to any quarter quarter section or sub-division inner
boundary of a 320 acre tract will prevent waste and protect
correlative rights in the subject pool.

V.

The applicant's Mescalero Ridge Well No. 1 was drilled as a Devonian oil well. The Devonian formation was dry and the well was plugged back to and completed in the Morrow formation. If the special rules and regulations proposed by the applicant are approved, said well will be located at a non-standard location in the Quail Ridge Morrow Gas Pool.

VI.

If the special rules and regulations proposed by the applicant are approved, approval of a non-standard location for the subject well will prevent the drilling of an unnecessary well and will afford the applicant the opportunity to produce its just and equitable share of the gas in the pool.

WHEREFORE, the applicant requests the Commission to promulgate special rules and regulations governing the Quail Ridge Morrow Gas Pool and to approve a non-standard location for its Mescalero Ridge Well No. 1 in the Quail Ridge Morrow Gas Pool as set out above.

RHODES, McCALLISTER & DURRETT

By 
J. M. Durrett, Jr.

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

RECORDS CENTER

CASE No. 4261

Order No. R-3890

GMH *AMP* *Don*
APPLICATION OF PENNZOIL UNITED, INC.,
FOR SPECIAL POOL RULES AND UNORTHODOX
GAS WELL LOCATION, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 25, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 26th day of Dec, 1969, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the subject
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(2) That the applicant, Pennzoil United, Inc., seeks the
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Morrow Gas Pool, Lea County, New Mexico, including a provision
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(3) That the applicant further seeks an exception to the
proposed well location requirements for said Quail Ridge-Morrow
Gas Pool for its Mescalero Ridge Well No. 1 located 660 feet from
the South line and 660 feet from the West line of Section 20,
Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by
the drilling of unnecessary wells, to avoid the augmentation of

risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 320-acre spacing units should be promulgated for the Quail Ridge-Morrow Gas Pool.

(5) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That approval of the non-standard location in the subject pool for the aforesaid Mescalero Ridge Well No. 1 will prevent the drilling of unnecessary wells, will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
QUAIL RIDGE-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section,

being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission 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 and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a single governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

*Rule 4 Each well shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.
(under)*

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 Secretary-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 Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the Pennzoil United, Inc., Mescalero Ridge Well No. 1, located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Quail Ridge-Morrow Gas Pool, is hereby granted an exception to the well location requirements contained herein.

(2) That the operator of the aforesaid Mescalero Ridge Well No. 1 shall file a new Form C-102 outlining thereon the acreage dedicated to said well within 15 ~~30~~ days after receipt of this order.

(3) That the locations of all wells presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before December 15, 1969.

(4) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Quail Ridge-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing

wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission 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 Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive no more than $\frac{1}{2}$ of a standard allowable for the pool.

(5) That 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.

CASE 4262: Application of PLAINS
RADIO BROADCASTING FOR AN EXCEP-
TION TO R-3221, AS AMENDED.