

CASE 4937: Appli. of CONTINENTAL
FOR RULES FOR THE BELL LAKE-BONE
SPRING POOL, LEA COUNTY.

CASE No.
4937

Application,
Transcripts,
Small Exhibits
ETC.

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 871081
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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
April 11, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil Company
for special pool rules, Lea County,
New Mexico.

Case No. 4937

BEFORE: Elvis A. Utz
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4937.

2 MR. CARR: Case 4937, Application of Continental Oil
3 Company for special pool rules, Lea County, New Mexico.

4 MR. KELLAHIN: If the Examiner please, Jason Kellahin,
5 Kellahin & Fox, appearing on behalf of the Applicant. May
6 the record show the witness is Mr. V. T. Lyon, he has been
7 sworn in the previous case and his qualifications have been
8 accepted.

9 MR. UTZ: Let the record so show.

10 * * * *

11 DIRECT EXAMINATION

12 BY MR. KELLAHIN:

13 Q Are you the same Mr. Lyon who has testified in the previous
14 case?

15 A Yes, I am.

16 Q Mr. Lyon, are you familiar with the application of
17 Continental Oil Company in Case 4937?

18 A Yes, sir.

19 Q What is proposed by the Applicant in this case?

20 A Case No. 4937 is the application of Continental Oil Company
21 for the promulgation of special pool rules for the Bell
22 Lake-Bone Spring Pool in Lea County, New Mexico, including
23 a provision for 160-acre proration units.

24 Q Referring to what has been marked as Applicant's Exhibit
25 No. 1 in this case, would you identify that exhibit?

1 A Yes, sir. Exhibit No. 1 is a location plat showing the
2 general area of the Bone Spring development to date. This
3 well is located within the Bell Lake unit, which perhaps
4 I should explain, initially the unit contained some 50,000
5 acres. On September 30, 1968, the unit was contracted to
6 the then existing participating areas which involved 29-
7 section participating areas, which we generally refer to
8 as the North area and the South area. This development
9 is in the South participating area, the boundaries of
10 which are shown on the heavy-dotted line. The
11 dotted line in the Southwest quarter of Section 31 and
12 the Northwest quarter of Section 6 is the proposed initial
13 participating area for the Bone Spring development. Bone
14 Spring wells are shown circled and consists of Well Number
15 3 which is located in Unit C of Section 6 and Well Number
16 11 located in Unit N of Section 31. This plat is slightly
17 out of date. Well Number 12, located in Unit J of Section
18 31 is also a Bone Spring producer. We are in the process
19 of drilling Well Number 13-Y in Unit H of Section 6. Well
20 Number 13 was drilled and was within 300 feet of the target
21 depth when the hole was lost. It was necessary to skid
22 the rig 150 feet West to drill Number 13-Y. The wells
23 shown on this plat Number 1 located in Unit N, a twin well
24 to Number 11, was the discovery well in the Bell Lake Unit.
25 It blew out and burned. The hole was lost in early 1954.

1 Well Number 1-A was drilled as a replacement well and it
2 was completed in the Devonian and is now producing from
3 the Morrow.

4 Well Number 4 is a Devonian well and is still producing
5 from the Devonian. It is located in Unit F of Section 6.
6 Well Number 5 located in Unit G of Section 1, Township 24
7 South, Range 33 East, was drilled to the Devonian, plugged
8 back, and re-completed in the Morrow. Well Number 7 was
9 drilled to the Bone Spring, was dry, and is now a salt water
10 disposal well. I believe that the rest of the wells in that
11 unit have been discussed.

12 Q This entire area was originally discovered by the Bell
13 Lake Unit?

14 A Yes.

15 Q Was the working interest pool under a operating agreement?

16 A At the time that we re-completed Well Number 1-A in the
17 Morrow, we entered into an operating agreement whereby the
18 working interest in the 9-Section area was pulled below
19 a depth of 9,000 feet, which is below the producing inter-
20 val for the Bone Spring, so that the Bone Spring is not
21 affected by that operating agreement. In effect, until
22 a participating area is formed, the Bone Spring interest
23 consists of the individual leases within this participating
24 area, but the area is governed by the unit agreement.

25 Q Referring to what has been marked as Exhibit No. 2, would

1 you identify that exhibit?

2 A Yes, sir. Exhibit No. 2 is a copy of the structure map
3 contoured on top of the Bone Spring line. The contour
4 interval is 25 feet. As shown, based on the control data
5 that we have, the structure is a North-South trending
6 anticline, a relatively low relief.

7 Q Referring to Exhibit No. 3, would you discuss that exhibit?

8 A Exhibit No. 3 is a log comparison of Bell Lake Unit Number
9 3, the discovery well in the Bone Spring, and Well Number
10 11, which was recently completed, the first confirmation
11 well. Well Number 3 was completed in 1955, the top of
12 the Bone Spring line is shown on each log and the perforated
13 intervals are shown by the arrows in the center section of
14 the log.

15 Q Well Number 3 was drilled, it was completed, you say, in
16 1955?

17 A Yes, sir.

18 Q And that was from a depth of 8860 feet, is that correct?

19 A Yes, approximately that. There is a total of 88 feet
20 perforated in that well and 4 shots per foot, and a total
21 depth of 8860.

22 Q And Well Number 11 was completed in 1972, is that correct?

23 A Yes, sir.

24 MR. UTZ: We have a crash program for development here,
25 don't we?

1 THE WITNESS: Yes, that is correct.

2 A The initial potential on Well Number 3 was 53 barrels of
3 oil and 2 barrels of water with a GOR of 1,049 cubic feet
4 per barrel. We stimulated the well with 25,000 gallons of
5 acid, and the small potential gave us very little hope that
6 the well would pay out, but it just refused to decline in a
7 producing rate, so we had done some further evaluation of
8 that well and some of the drilling data obtained from other
9 wells drilled within the unit and decided it was worthwhile
10 to drill a confirmation well.

11 Q That was the reason for the Number 11 Well?

12 A Yes, sir.

13 Q What was the cumulative production from the Number 3 Well?

14 A As of January 1, 1973, 158,322 barrels of oil.

15 Q Referring to what has been marked as Exhibit No. 4, would
16 you identify that exhibit?

17 A Exhibit No. 4 is a tabulation of reservoir characteristics
18 of the Bell Lake-Bone Spring Reservoir. The first part is
19 a geologic description which I won't read unless you feel
20 it is necessary to enter it into the record verbally.
21 The second part is the reservoir data which we have gathered.
22 The porosity is 3.35%, interstitial water saturation 25%,
23 reservoir volume factor 1.5 -- she has marked per cent
24 but it shouldn't be -- solution GOR 1,049 cubic feet per
25 barrel, crude gravity is 40 degrees or approximately that,

1 average net effective pay is 74 feet, estimated recovery
2 efficiency is 15%.

3 Q Have you made a calculation of what you anticipate the
4 ultimate recovery will be?

5 A Using this data, we estimate primary recovery per acre to
6 be 1,385 barrels. The estimated ultimate recovery for
7 Bell Lake Unit Number 3 is 232,822 barrels, which, divided
8 by the per acre recovery, indicates that it will drain a
9 total of 169 acres. The estimated cost to drill and com-
10 plete a well in this pool is \$220,000.

11 Q Referring to what has been marked as Exhibit No. 5, would
12 you identify that exhibit?

13 A Exhibit No. 5 is a copy of the declined curve of Well
14 Number 3. As you can see, it has a very, very flat decline.
15 The well has just been stimulated again within the last
16 30 days and we picked the producing rate up again a little
17 bit, but we are not certain how well it is going to
18 hold up.

19 Q On the basis of your experience with Well Number 3 and what
20 you have learned from your Well Number 11, in your opinion,
21 will one well in the Bone Spring formation drain in excess
22 of 160 acres?

23 A Yes, sir.

24 Q Do you recommend to this Commission that they adopt rules
25 giving 160-acre spacing and proration units for Bone Spring

1 production?

2 A Yes, I do.

3 Q Referring to what has been marked as Exhibit No. 6, would
4 you identify that exhibit?

5 A Exhibit No. 6 are the proposed special rules and regula-
6 tions for the Bell Lake-Bone Spring Pool. They provide
7 that each well should be located on a quarter section,
8 that is, a well should be located not closer than 660
9 feet to the outer boundary of the quarter section and not
10 closer than 320 feet to the inter-boundary of a quarter
11 section, and it provides a grandfather clause approving
12 a location for any well which was drilling or completed
13 before or on April 1, 1973.

14 Q Do these proposed rules generally conform to rules that
15 had been adopted by the Commission in other pools?

16 A Yes, sir.

17 Q In your opinion, will the development of this pool on 160-
18 acre units cause waste?

19 A No, I don't think it will cause waste, I think it will
20 prevent waste if drilled on 160 acres.

21 Q Will the correlative rights of all the owners be protected?

22 A Yes, I think they will.

23 Q Were Exhibits 1 through 6 prepared by you or under your
24 supervision?

25 A Yes, they were. I might point out, too, sir, that Rule 5

1 provides that the depth bracket allowable of 470 barrels
2 per day would be the assigned allowable.

3 Q Now, is that in conformity with the rules of the Commis-
4 sion?

5 A Yes.

6 MR. KELLAHIN: At this time, I'd like to offer in
7 evidence Exhibits 1 through 6 inclusive.

8 MR. UTZ: Without objection, Exhibits 1 through 6 will
9 be entered into the record of this case.

10 MR. KELLAHIN: That's all we have, Mr. Utz.

11 CROSS EXAMINATION

12 BY MR. UTZ:

13 Q Mr. Lyon, Exhibit 4 doesn't show any permeability. Do
14 you have permeability figures?

15 A I haven't made that calculation. I can make it.

16 Q Pretty low, though, isn't it?

17 A Pretty low, yes.

18 Q Have you completed the Number 11 Well?

19 A Yes, Number 11 has been completed. It was recently re-
20 entered and perforated in some additional sections which
21 were open within Well Number 12. I might mention that
22 Well Number 12 was completed February 1, with an initial
23 potential of 240 barrels, 3 barrels of water, 598 mcf gas.

24 Q Would you repeat that again?

25 A 240 barrels of oil, 3 barrels of water, 598 mcf gas, tubing

1 pressure was 1,025 pounds, the choke was 14/64.

2 Q Do you have any potential data on the Number 11 Well?

3 A I believe so. It was completed with an initial potential
4 pumping 123 barrels of oil, 90 barrels water. That was on
5 November 30, 1972.

6 MR. UTZ: Are there other questions of the witness?

7 (No response)

8 MR. UTZ: The witness may be excused. Are there state-
9 ments in the case?

10 (No response)

11 MR. UTZ: The case will be taken under advisement.

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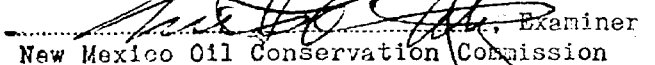
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1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF BERNALILLO)

4 I, JOHN DE LA ROSA, a Certified Shorthand Reporter, do
5 hereby certify that the foregoing and attached Transcript of
6 Hearing before the New Mexico Oil Conservation Commission
7 was reported by me; and that the same is a true and correct
8 record of the said proceedings to the best of my knowledge,
9 skill and ability.

10 
11 CERTIFIED SHORTHAND REPORTER

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23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 4937.
25 heard by me on April 11, 1933.


Examiner
New Mexico Oil Conservation Commission

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I N D E X

WITNESS

PAGE

V. T. LYON

Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Utz

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EXHIBITS

Offered

Admitted

Exhibit No. 1 - location plat

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Exhibit No. 2 - structure map

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Exhibit No. 3 - log comparison

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Exhibit No. 4 - tabulation of reservoir
characteristics

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Exhibit No. 5 - declined curve of Well
Number 3

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Exhibit No. 6 - proposed special rules
and regulations

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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. 4937
Order No. R-4539

APPLICATION OF CONTINENTAL
OIL COMPANY FOR SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 11, 1973, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 22nd day of May, 1973, 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, Continental Oil Company, seeks the promulgation of special rules and regulations for the Bell Lake-Bone Spring Pool, Lea County, New Mexico, including provisions for 160-acre spacing and proration units.

(3) That the applicant has established that one well in the Bell Lake-Bone Spring Pool can efficiently and economically drain and develop 160 acres.

(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 160-acre spacing units should be promulgated for the Bell Lake-Bone Spring 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.

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Case No. 4937
Order No. R-4539

(6) That the special rules and regulations for the Bell Lake-Bone Spring Pool should apply only to wells located within the horizontal limits of said pool.

IT IS THEREFORE ORDERED:

That, effective April 1, 1973, Special Rules and Regulations for the Bell Lake-Bone Spring Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
BELL LAKE-BONE SPRING POOL

RULE 1. Each well completed or recompleted in the Bell Lake-Bone Spring 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 containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys provided 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 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 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 Secretary-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 Secretary-Director has received the application.

RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the quarter-section and no closer than 330 feet to a quarter-quarter section 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

Case No. 4937
Order No. R-4539

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.

RULE 6. Top unit allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 470 barrels per day, and in the event there is more than one well on an 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.

RULE 7. That the limiting gas-oil ratio for the Bell Lake-Bone Spring Pool shall be 2,000 cubic feet of gas per barrel of oil produced.

IT IS FURTHER ORDERED:

(1) That the locations of all wells drilling to or completed in the Bell Lake-Bone Spring Pool prior to April 1, 1973, 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 June 1, 1973.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Bell Lake-Bone Spring Pool shall have dedicated thereto 160 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 160 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 Bell Lake-Bone Spring Pool shall receive no more than one-fourth of a standard allowable for the pool.

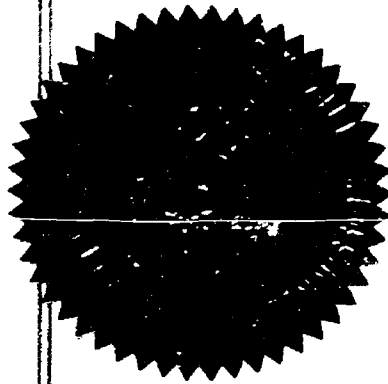
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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Case No. 4937
Order No. R-4539

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armiño
ALEX J. ARMIJO, Member

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

S E A L

dr/

RESERVOIR CHARACTERISTICS OF BELL LAKE-BONE SPRING

Lithologic description of Bone Spring Lime, taken from core descriptions in Bell Lake No. 2, Section 30, Township 23 South, Range 34 East.

Limestone, brown to gray-brown and dark brown; some shaly limestone and thin laminae of black micaceous shale; very finely crystalline with some crypto crystalline and medium crystalline; slightly fossiliferous in general with one six foot zone of coquina-like lime. Traces of pyrite, biotite, with some calcite and black chert inclusions. Scattered vertical calcite-filled veinlets and tight fractures. Porosity is reported as very fine pin-point porosity with some medium to large vugs.

RESERVOIR DATA

<u>Parameter</u>	<u>Value</u>	<u>Basis</u>
Porosity	3.35%	Log Calculation
Interstitial Water Sat.	25%	Log Calculation
Reservoir Volume Factor	1.5	Empirical Curves
Solution GOR	1049 Ft ³ /Bbl.	Production Data
Crude Gravity	40°	Production Data
Net Effective Pay	74' Average	Log Measurement
Recovery Efficiency	15%	Estimated

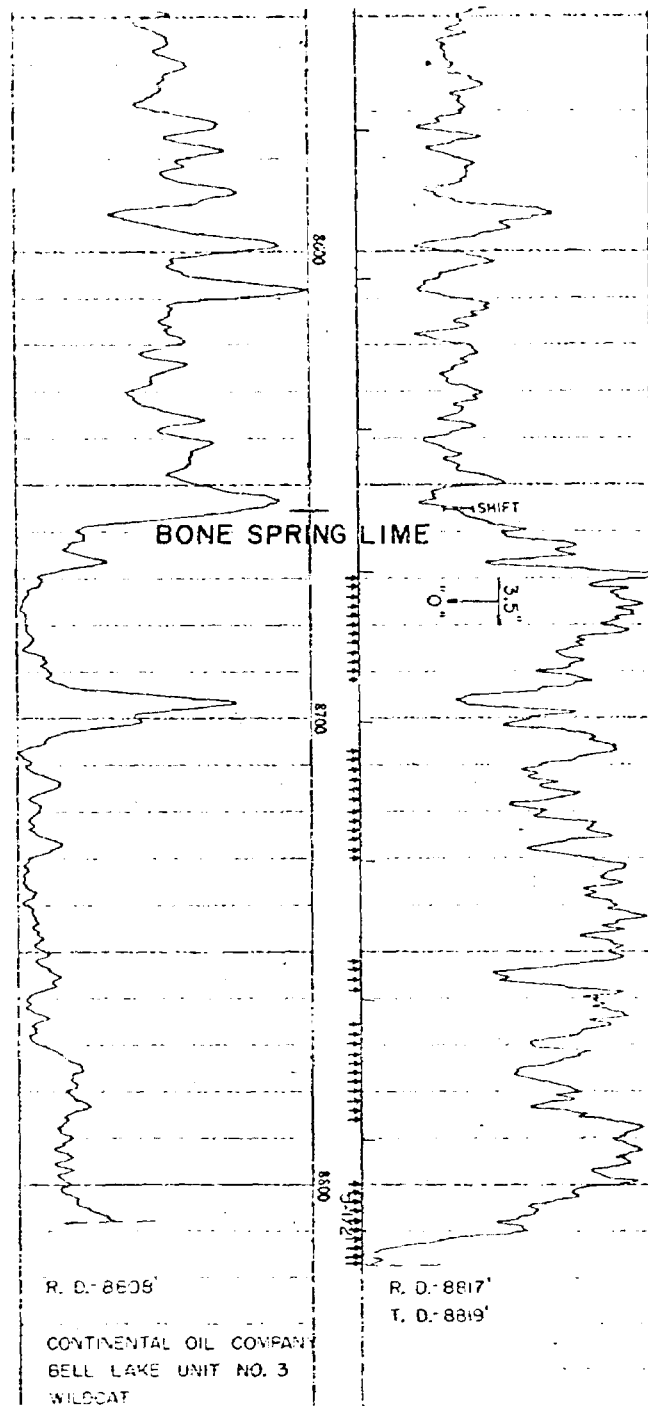
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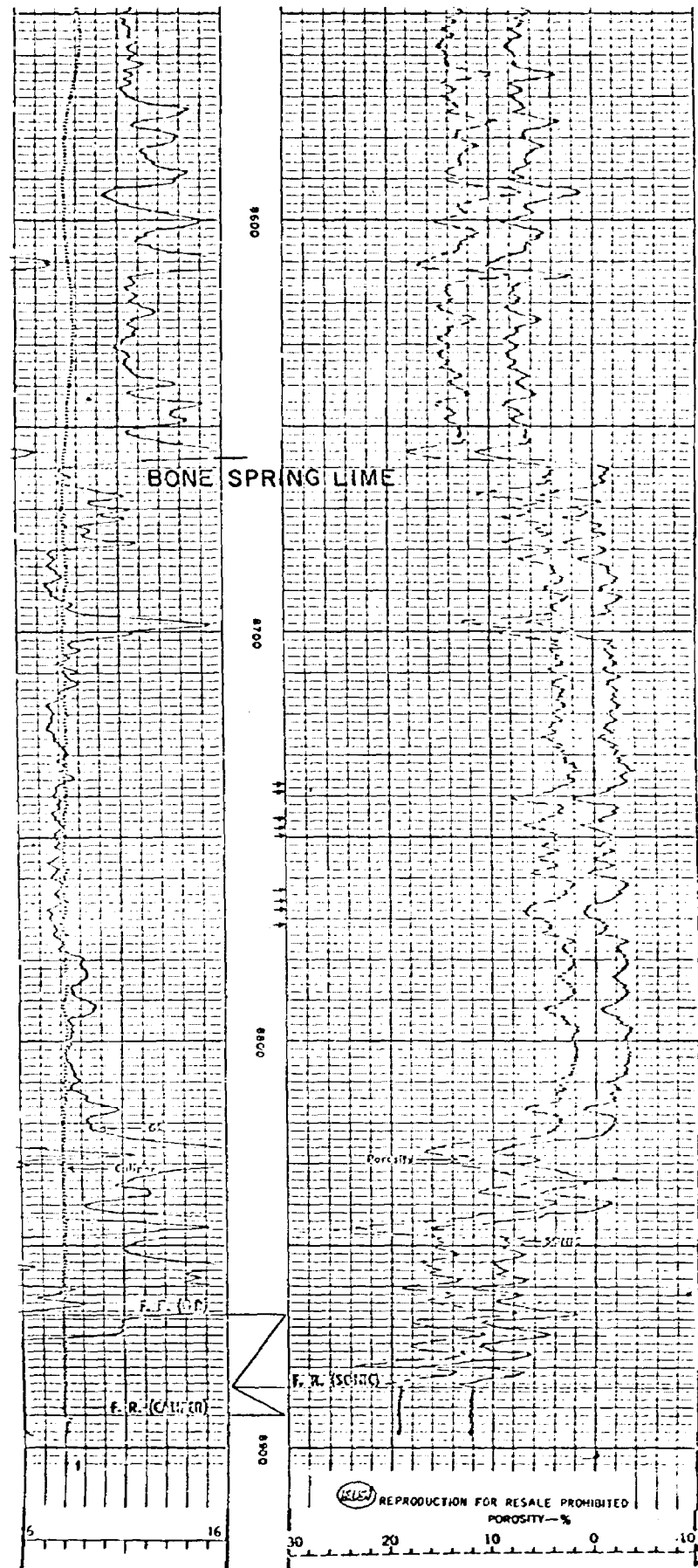
BEFORE EXAMINATION	
OIL CONCENTRATION OF SAMPLE	
SAMPLE NO.	4
CASE NO.	4937
Solvent	Continental Oil Co
Hearing Date	April 11, 1973

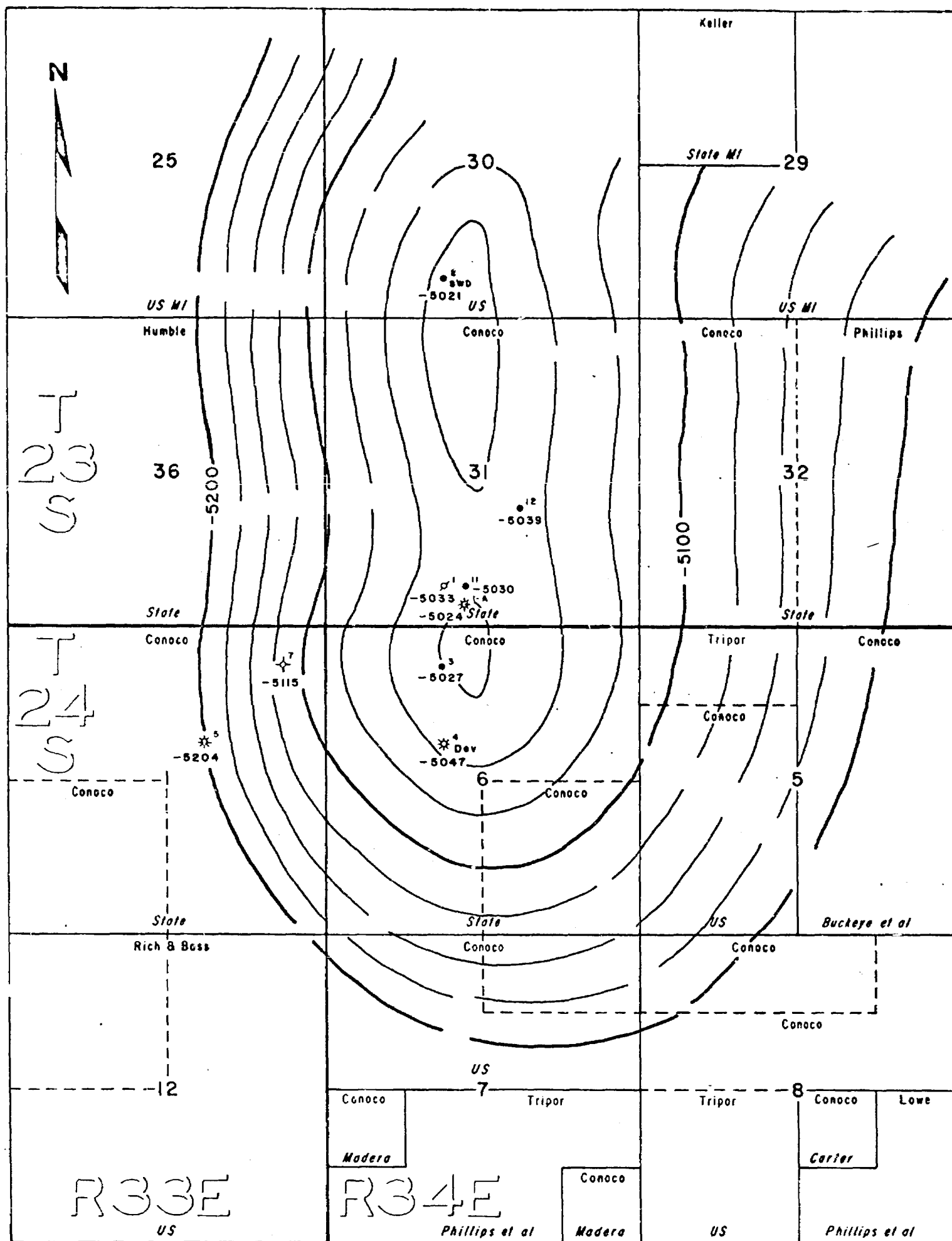
CONTINENTAL OIL COMPANY
 BELL LAKE UNIT NO. 3
 660' FS & 3300' FEL
 Sec. 6-T24S-R34E
 Elev., KB-3629

CONTINENTAL OIL COMPANY
 BELL LAKE STATE NO. 11
 790' FS & 2265' FWL
 Sec. 31-T23S-R34E
 Elev., KB-3629



BEFORE EXAMINED BY
 OIL CONSERVATION COMMISSION
 W.C. DIV. NO. 3
 4937
 Continental Oil Co.
 April 11, 1973





BEFORE EXAMINATION
OIL CONSERVATION
TEST NO. 2
Casing No. 4937
Sealed by Continental Oil Co
Hearing Date April 11, 1973

CONOCO	
PRODUCTION DEPARTMENT	HOBBS DIVISION
LEA COUNTY, NEW MEXICO	
STRUCTURE	
TOP-BONE SPRING LIME	
CI: 25'	
SCALE	
0' 1000' 2000'	
NBC 1-73	Exhibit 2 ERW

Case 4934

Hand 4-11-73

Rec. 4-24-73

Grant County, Oregon
Kulesy, on the Hill Lake - Bone
Sp. 1000000.

11. 160 Ac. spacing.

2. 200 ft. 1/4 sec. Boundary. & 330 ft. from
1/4 sec. boundary

3. Handwritten notes drilled before
4-1-73.

4. 158-162 - is 1st unit @ 470 bbls/d
old well.

These 162 - is 1st unit for this spacing

Thos. J. [Signature]

CASE 4937: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Bell Lake-Bone Spring Pool, Lea County, New Mexico, including a provision for 160-acre proration units.

CASE 4683: (Reopened)

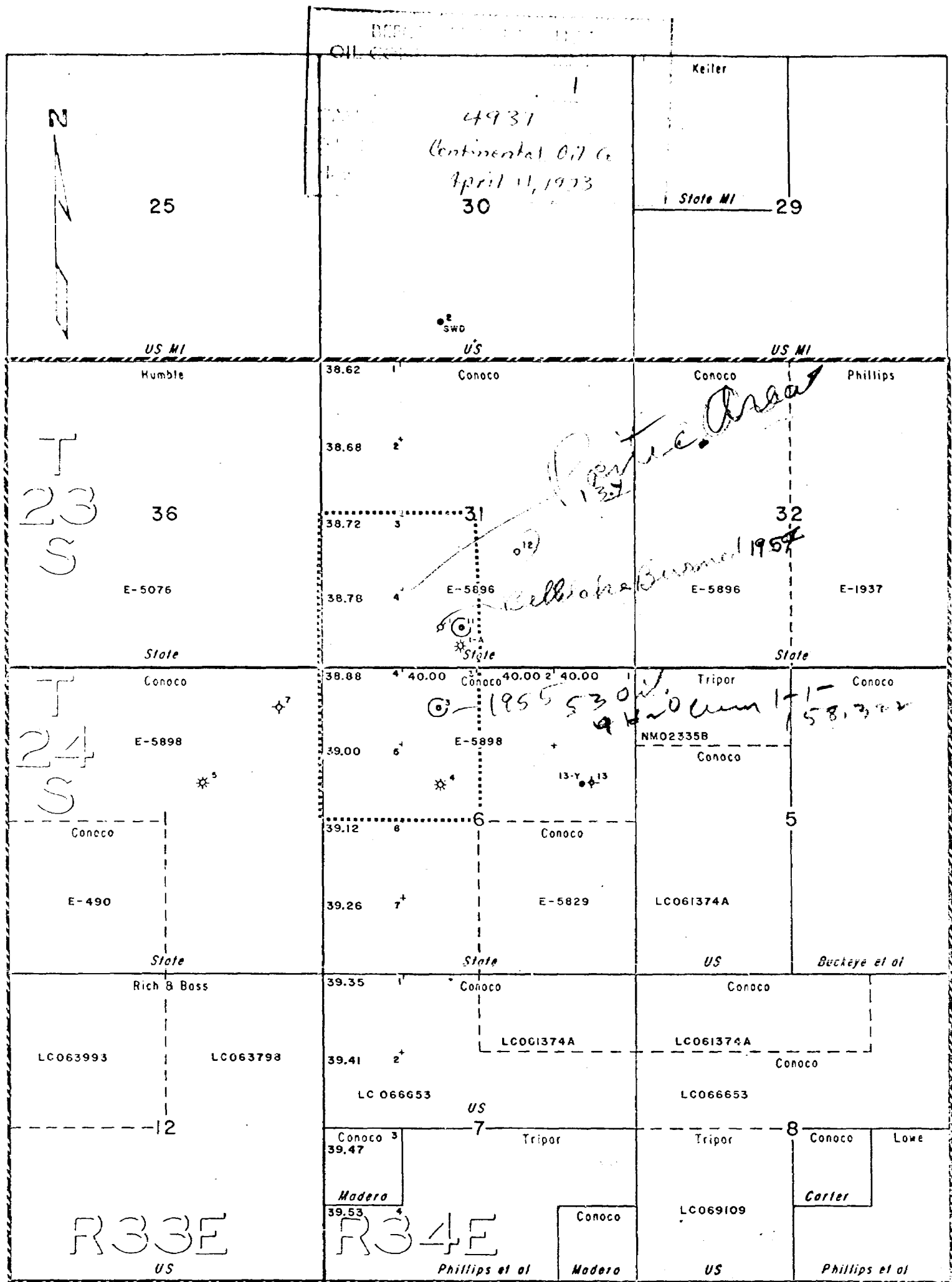
In the matter of Case 4683 being reopened pursuant to the provisions of Order No. R-4286, which order established special rules and regulations for the West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 160-acre proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre units.

CASE 4938: Application of Hanson Oil Corporation for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing oil well at an unorthodox location 990 feet from the South line and 1650 feet from the West line of Section 2, Township 9 South, Range 33 East, Vada-Pennsylvanian Pool, Lea County, New Mexico.

CASE 4939: Application of Penroc Oil Corporation for compulsory pooling, a non-standard proration unit, an unorthodox gas well location, and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Atoka and Morrow formations underlying the E/2 W/2 and the W/2 E/2 of Section 11, Township 24 South, Range 34 East, Antelope Ridge Gas Field extension, Lea County, New Mexico, to form a 320-acre non-standard gas proration unit in said pools to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1980 feet from the West line of said Section 11. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well. Applicant further seeks authority to dually complete said well in the above-named formations.

CASE 4940: Application of Pennzoil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to dually complete its Mobil 12-Federal Well No. 1 located in Unit B of Section 12, Township 23 South, Range 26 East, Eddy County, New Mexico, in such a manner as to produce gas from the South Carlsbad-Canyon Pool extension and from the South Carlsbad-Morrow Gas Pool through parallel strings of tubing.

CASE 4941: Application of Pennzoil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing gas well at an unorthodox location 1980 feet from the North line and 660 feet from the East line of Section 13, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 13 to be dedicated to said well.



--- BOUNDARY BELL LAKE UNIT
DEVONIAN PARTICIPATING AREA "A"

..... PROPOSED INITIAL BONE SPRING
PARTICIPATING AREA

⊙ BONE SPRING COMPLETION

CONOCO	
PRODUCTION DEPARTMENT	HOBBS DIVISION
BELL LAKE UNIT LEA COUNTY, NEW MEXICO	
BONE SPRING PARTICIPATING AREA EXHIBIT I	
SCALE 0' 1000' 2000'	
VTL I-73	grw

SPECIAL RULES AND REGULATIONS
FOR THE
BELL LAKE BONE-SPRING

RULE 1. Each well completed or recompleted in the Bell Lake Bone-Spring Pool or in the Bone Spring formation within one mile of said pool and not nearer to nor within the limits of another designated Bone Spring Pool, shall be spaced, drilled, operated and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Bell Lake Bone-Spring Pool shall be located on a unit containing 160 acres, more or less, which consists of a single 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. Each well completed or recompleted in the Bell Lake Bone Spring Oil Pool shall be located not closer than 660 feet to the outer boundary of the quarter-section and not closer than 330 feet to the quarter-quarter section inner boundary. Any well which was completed in the Bell Lake Bone Spring Pool or was drilling to the Bone Spring formation within one mile of said pool on April 1, 1973, is hereby granted an exception to the well location requirements of this rule.

RULE 4. For good cause shown, the Secretary-Director of the Commission may grant exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising less than 160 acres. All operators offsetting the proposed non-standard unit shall be notified of the application by registered mail, and the application shall state that such notice has been furnished. The Secretary-Director of the Commission may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Bell Lake Bone Spring Pool as the acreage in such non-standard unit bears to 160 acres.

RULE 5. A 160 acre proration unit (158 through 162 acres) in the Bell Lake Bone Spring Pool shall be assigned a Depth Bracket Allowable of 470 barrels for allowable purposes, 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.

BEFORE THE SECRETARY OF THE
OIL CONSERVATION COMMISSION
UNIT NO. <u>6</u>
ALLOWABLE <u>4937</u>
Operator <u>Continental Oil Co.</u>
Hearing Date <u>April 11, 1973</u>

EXHIBIT 6

L. P. Thompson
Division Manager
Production Department
Hobbs Division

Western Hemisphere Petroleum Division
Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

4937

February 8, 1973

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention Mr. A. L. Porter, Jr.
Secretary Director

Gentlemen:

Application for Promulgation of Special Pool Rules - Bell Lake Bone Spring
Oil Pool

Attached is our application, in triplicate, for special pool rules for the Bell Lake Bone Spring Oil Pool. Please set this matter for hearing on your next Examiner Docket. We are in the process of gathering reservoir data and it is possible that we will not be ready to present testimony until after the first week in March. We will advise you at a later date if a continuance of this hearing will be necessary.

Yours very truly,

SIGNED: L. P. THOMPSON

rw
Enc
Copy + enc:
RLA: GAD: JMK:

DOCKET MAILED

Date 3/28/73

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF THE NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
CONTINENTAL OIL COMPANY FOR PROMULGATION
OF TEMPORARY POOL RULES FOR THE BELL
LAKE BONE SPRING OIL POOL INCLUDING
PROVISIONS FOR 160-ACRE DRILLING AND
SPACING UNITS FOR SAID POOL LOCATED
IN SECTION 31, TOWNSHIP 23 SOUTH, RANGE
34 EAST, AND SECTION 6, TOWNSHIP 24
SOUTH, RANGE 34 EAST, LEA COUNTY, NEW
MEXICO

Case 4937

A P P L I C A T I O N

Applicant, Continental Oil Company, hereby requests promulgation of special pool rules for the Bell Lake Bone Spring Oil Pool including provisions for 160-acre drilling and spacing units for said pool and in support thereof would show:

1. Applicant is the Operator of the Bell Lake Unit comprising certain lands in Townships 22, 23, and 24 South, Ranges 33 and 34 East, Lea County, New Mexico.
2. Applicant drilled and completed on September 9, 1955, its Bell Lake Unit Well No. 3 at a location 660' FSL and 3300' FEL of Section 6, Township 24 South, Range 34 East, with an initial potential of 53 barrels oil, 2 barrels water per day.
3. Applicant drilled and completed on November 30, 1972, its confirmation Bell Lake Unit Well No. 11 located 790' FSL and 2065' FWL of Section 31, Township 23 South, Range 34 East, with an initial potential of 123 barrels oil, 90 barrels water.
4. The information gained from the discovery well and the confirmation well indicate that development of the pool is economically feasible on 160-acre spacing and that wells in the reservoir can economically and efficiently drain proration units of that size.
5. The promulgation of special pool rules including provision for 160-acre drilling and spacing units is in the interest of preventing waste and the protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Commission's duly appointed Examiner and that upon hearing, an order be entered promulgating and establishing temporary special pool rules for the Bell Lake Bone Spring Oil Pool as described above.

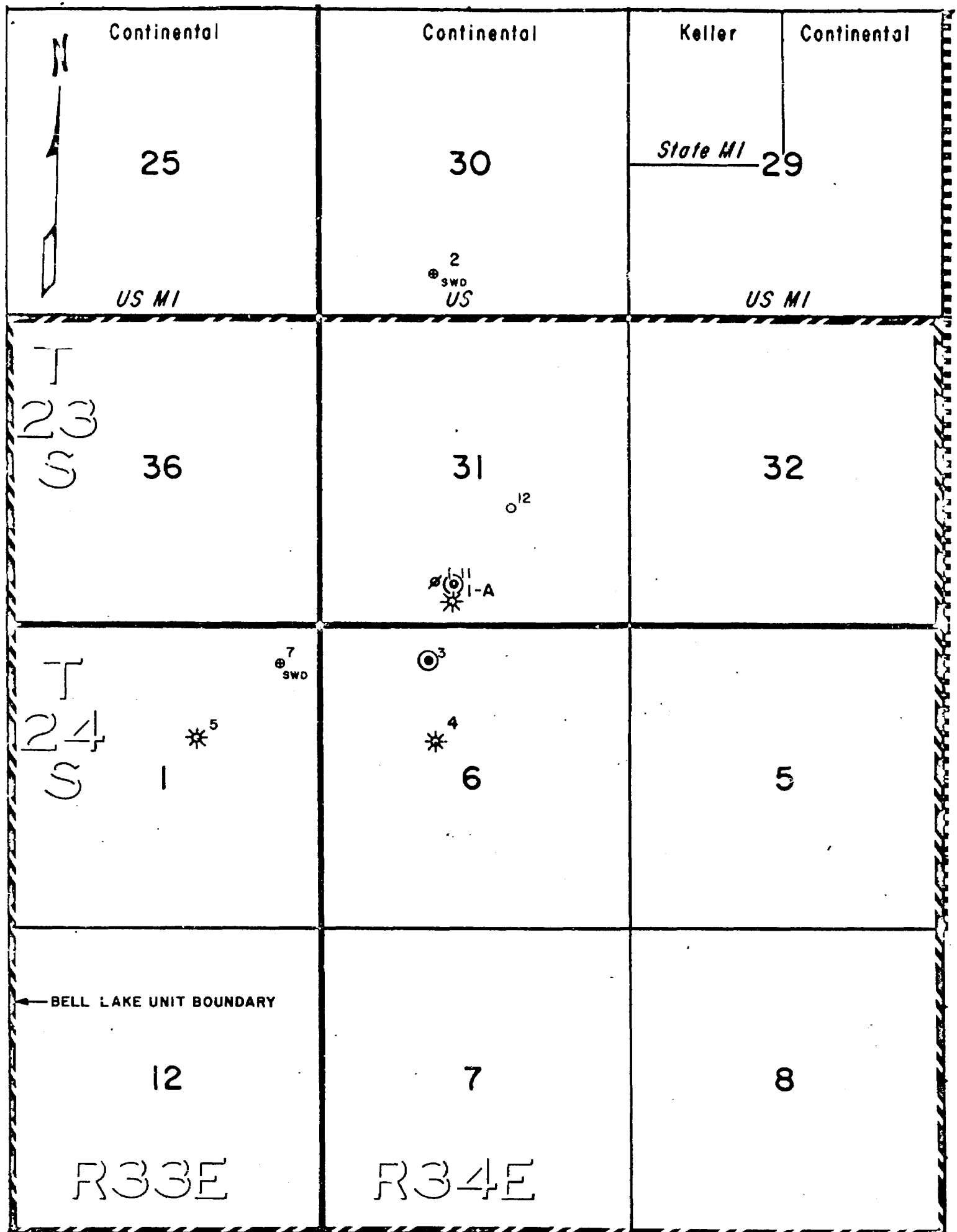
Respectfully submitted,

CONTINENTAL OIL COMPANY

SIGNED L. P. THOMPSON

L. P. Thompson
Division Manager

rw



● BONE SPRING COMPLETION

conoco	
PRODUCTION DEPARTMENT	HOBBS DIVISION
LEA COUNTY, NEW MEXICO BELL LAKE UNIT BONE SPRING FORMATION	
SCALE 0' 1000' 2000'	
VTL 2-73	ERW

Case 4937

DRAFT

dr/

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. 4937

Order No. R- 4539

APPLICATION OF CONTINENTAL
OIL COMPANY FOR SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 11, 1973,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this day of ~~April~~ MAY, 1973, 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, Continental Oil Company, seeks
the promulgation of special rules and regulations for the Bell
Lake-Bone Spring Pool, Lea County, New Mexico, including
provisions for 160-acre, ~~spacing and~~ ^{SPACING AND} proration units, ~~oil well~~
~~and gas well classification, and a gas-oil ratio limitation of~~
~~_____ cubic feet of gas per barrel of oil.~~

(3) That the applicant has established that one well in the Bell Lake-Bone Spring Pool can efficiently and economically drain and develop 160 acres.

~~(4) That there is no necessity for the special classification of oil and gas wells as requested by the applicant.~~

~~(5) That there is no necessity for the adoption of a gas-oil ratio limitation in excess of 2,000 cubic feet of gas per barrel of oil.~~

(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 160-acre spacing units should be promulgated for the Bell Lake-Bone Spring 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 the special rules and regulations for the Bell Lake-Bone Spring Pool should apply only to wells located within the horizontal limits of said pool.

IT IS THEREFORE ORDERED:

That, effective ~~APRIL~~ APRIL 1, 1973, Special Rules and Regulations for the Bell Lake-Bone Spring Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
BELL LAKE-BONE SPRING POOL

RULE 1. Each well completed or recompleted in the Bell Lake-Bone Spring 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 containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys. **PROVIDED THAT NOTHING CONTAINED HEREIN SHALL BE CONSTRUED AS PROHIBITING THE DRILLING OF A WELL ON EACH OF THE QUARTER-QUARTER**

RULE 3. The Secretary-Director of the Commission may **SECTIONS IN THE UNIT.** 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 Secretary-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 Secretary-Director has received the application.

NO CLOSER THAN 660 FEET TO THE OUTER BOUNDARY OF THE QUARTER-SECTION AND NO CLOSER THAN 330 FEET TO THE CENTER OF A GOVERNMENTAL QUARTER-QUARTER SECTION OR JOE. QUARTER-QUARTER SECTION INNER BOUNDARY.

RULE 4. Each well shall be located ~~within 150 feet of the~~ **QUARTER-SECTION AND NO CLOSER THAN 330 FEET TO THE CENTER OF A GOVERNMENTAL QUARTER-QUARTER SECTION OR JOE. QUARTER-QUARTER SECTION 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

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Order No. R-

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.

RULE 6. Top unit allowable for a standard proration unit ¹⁵⁸~~179~~ through ¹⁶²~~21~~ acres) shall be based on a depth bracket allowable of 470 barrels per day, and in the event there is more than one well on an 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.

RULE 7. That the limiting gas-oil ratio for the Bell Lake-Bone Spring Pool shall be 2,000 cubic feet of gas per barrel of oil produced.

IT IS FURTHER ORDERED:

(1) That the locations of all wells ~~proposedly~~ ^{PRIOR TO} APRIL 1, 1973, or completed in the Bell Lake-Bone Spring Pool, 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 JUNE 1, 1973

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Bell Lake-Bone Spring Pool shall have dedicated thereto 160 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.

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Failure to file new Forms C-102 with the Commission dedicating 160 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 Bell Lake-Bone Spring Pool shall receive no more than one-fourth of a standard allowable for the pool.

(3) 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.