

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

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

Nomenclature
CASE NO. 10986
ORDER NO. R-10137

**APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. FOR
POOL CONTRACTION AND EXPANSION, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 9, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 22nd day of June, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Santa Fe Energy Operating Partners, L.P. (Santa Fe) seeks to contract the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom Sections 4 through 8, Township 22 South, Range 24 East and Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.
- (3) This case (No. 10986) was consolidated with related cases Nos. 10987, 10988, 10989, and 10977 for purpose of testimony at the time of the hearing. In the related cases, the applicant seeks approval for four proposed Upper Pennsylvanian well locations.
- (4) Pool rules in the Indian Basin-Upper Pennsylvanian Gas Pool (the Gas Pool) provide for 640-acre spacing with wells to be no closer than 1650 feet from outer section boundaries nor closer than 330 feet from quarter-quarter section lines.

(5) The Indian Basin-Upper Pennsylvanian Associated Pool (the Associated Pool) was created by Division Order No. R-9922 on July 6, 1993. Pool rules provide for 320-acre spacing with wells to be no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from quarter-quarter section lines. Allowable is 940 barrels per day for a 320-acre proration unit. No more than one well per quarter section is permitted.

(6) The Associated Pool has been expanded to include the following acreage, NMPM, Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 24 EAST

S/2 Section 27; and;
All of Section 34

TOWNSHIP 22 SOUTH, RANGE 24 EAST

W/2 Section 2;
All of Sections 3,9,10,16,17; and,
N/2 Section 11

(7) Geologic evidence was presented by the applicant to show that wells in both the Gas Pool and the Associated Pool produce from the same geologic interval-the Cisco/Canyon Dolomite.

(8) A cross section through the proposed Associated Pool expansion area was presented to show that Gas Pool completions had previously produced from the upper part of the Cisco/Canyon interval above a datum of -3700. Wells completed below that level have resulted in oil completions.

(9) Applicant's well completion data shows that gas wells in each of the sections in the proposed expansion area produced substantial quantities of gas from the gas pool but were plugged and abandoned during the 1980's due to large volumes of produced water.

(10) Santa Fe has recently completed oil wells in Sections 5 and 8. Completion data shows that the wells produce large amounts of oil (400 to 500 BOPD) and water with a gas/oil ratio below 1000. These completions along with the geologic evidence submitted by the applicant indicate that Sections 4,5,7, and 8 should be removed from the Gas Pool and added to the Associated Pool.

(11) Yates Petroleum Company recently re-entered a well in Section 6 and completed it with perforations throughout the Cisco/Canyon formation. Initial gas well completion information submitted by Santa Fe shows completion date on October 18, 1993

with daily producing rates of 10 barrels of oil, 4633 barrels of water and 1,740 MCF gas. Based on this completion, Sections 1 and 6 should not be removed from the Gas Pool nor added to the Associated Pool at this time.

(12) Marathon Oil Company, Nearburg Exploration Company, and Nearburg Producing Company appeared at the hearing through counsel and questioned applicant's witnesses concerning allowables, pool rules, and justification for the selected expansion area, but did not present evidence nor protest the application. No other interest owner or offset operator appeared to oppose the application.

IT IS THEREFORE ORDERED THAT:

(1) The following described acreage is hereby removed from the Indian Basin-Upper Pennsylvanian Gas Pool and added to the Indian Basin-Upper Pennsylvanian Associated Pool:

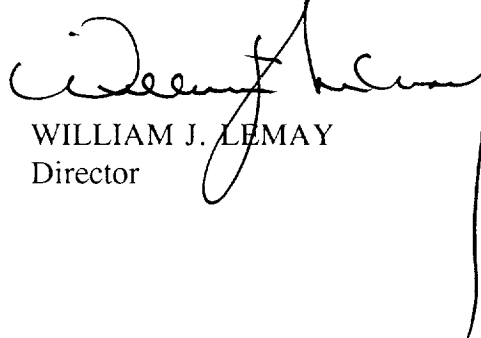
EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM,
All of Sections 4,5,7, and 8.

(2) Wells drilling to or completed in the Indian Basin-Upper Pennsylvanian Associated Pool within said Sections 4,5,7,and 8 shall be subject to the rules and requirements for said pool as set out in Division Order No. R-9922 dated July 6, 1993.

(3) Jurisdiction of this cause is hereby retained for entry of such further orders as the Division may deem necessary.

Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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