

**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:**

**CASE NO. 12447
ORDER NO. R-4949-B**

**APPLICATION OF OXY USA INC. TO RESCIND DIVISION ORDER R-4949
WHICH ADOPTED THE SPECIAL POOL RULES FOR THE NORTH BURTON
FLAT-WOLFCAMP GAS POOL, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 13, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 10th day of August, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-4949, issued in Case No. 5397 and dated January 22, 1975, the Division, upon application of Cities Service Oil Company, now OXY USA Inc. ("OXY"), created the North Burton Flat-Wolfcamp Gas Pool comprising all of Sections 14 and 23, Township 20 South, Range 28 East, NMPM, Eddy County New Mexico and established temporary special rules including a provision for 320-acre spacing and proration units with wells to be located no closer than 660 feet to the nearest side boundary nor nearer than 1980 feet to the nearest end boundary. The temporary special rules further limited gas well production to no more than 1,500 MCFPD.

(3) By Order No. R-4949-A, issued in Case No. 5397 and dated February 17, 1976, the Division permanently adopted the special rules governing the North Burton Flat-Wolfcamp Gas Pool.

(4) The applicant seeks an order rescinding Division Order No. R-4949, as amended, which adopted the special pool rules for the North Burton Flat-Wolfcamp Gas Pool, Eddy County, New Mexico, so that all existing and future wells and their respective

spacing and proration units that are now subject to Division Order No. R-4949, as amended, will be governed by the provisions of Division Rule 104.C.(2), which provides for:

(a) spacing units consisting of 320 surface acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys;

(b) the initial well to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;

(c) one infill well on a 320-acre unit provided that the well is located in the quarter section of the 320-acre unit not containing the initial well, is no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary, the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(5) OXY testified that the adoption of a maximum gas allowable of 1,500 MCFPD was based upon data demonstrating that:

(a) the North Burton Flat-Wolfcamp Gas Pool is a retrograde gas condensate reservoir in which the producing wells were producing at or above the dew point of the reservoir;

(b) a gas limit would provide an opportunity to control the gas withdrawals and thereby prolong the period when a maximum volume of condensate could be produced; and

(c) an opportunity was needed to determine if pressure maintenance would be economically feasible.

(6) The current North Burton Flat-Wolfcamp Gas Pool boundaries, which have been extended several times, are as follows:

Township 20 South, Range 28 East, NMPM

Sections 3, 4, 9 through 11:	all
Section 12:	all
Sections 14 and 15:	all
Section 16:	E/2
Section 19:	S/2
Section 20:	S/2
Section 21:	S/2
Sections 22, 23, 28 through 33:	all.

(7) Currently, there are 14 producing gas wells within the North Burton Flat-Wolfcamp Gas Pool, of which OXY operates six. The remaining wells are operated by Chi Operating, Inc., Yates Petroleum Corporation and Vision Energy, Inc.

(8) None of the current operators in the North Burton Flat-Wolfcamp Gas Pool objected to OXY's request to rescind the special rules for the North Burton Flat-Wolfcamp Gas Pool.

(9) OXY presented evidence demonstrating that:

(a) none of the 31 wells drilled in the North Burton Flat-Wolfcamp Gas Pool ever demonstrated the capacity to produce gas in excess of the maximum gas allowable of 1,500 MCFPD for any significant period of time;

(b) the remaining 14 producing wells are producing on average less than 300 MCFPD;

(c) there have been substantial changes in the temperature and pressure in the reservoir and in the rates at which these wells can produce, so it is too late in the life of the North Burton Flat-Wolfcamp Gas Pool to increase recovery by initiating pressure maintenance or by limiting gas withdrawals; and

(d) production from the Wolfcamp formation in the North Burton Flat-Wolfcamp Gas Pool is from many separate stringers that vary greatly in lateral extent, porosity and thickness.

(10) By Division Order R-10546, issued in Case 11455 and dated February 21, 1996, OXY was authorized to drill its Government Nbfd Unit Well No. 1 as an infill well at an unorthodox location 660 feet from the South line and 330 feet from the West line of

Section 11, Township 20 South, Range 28 East, NMPM. The location is surrounded by four existing wells that currently produce from the North Burton Flat-Wolfcamp Gas Pool: the Government AB Well No. 1 in Unit K of Section 11; the Government T Com Well No. 1 in Unit C of Section 14; the Government AB Well No. 2 in Unit I of Section 10; and the Government Com Well No. 2 in Unit G of Section 15.

(11) Oxy testified that production from the Government NBFD Unit Well No. 1 did not adversely affect the offsetting production and has resulted in production of gas and condensate that could not have been produced by the other four wells.

(12) OXY further testified that the location of the Government NBFD Unit Well No. 1 demonstrated that:

(a) conforming well location requirements to the current Division Rule 104.C.(2) requirements will not have an adverse affect on existing wells; and

(b) recovery from the North Burton Flat-Wolfcamp Gas Pool can be increased by increasing well density from one well per 320 acres to two wells per 320 acres.

(13) There are recoverable gas and condensate reserves underlying the spacing units that might not be recovered unless greater flexibility is provided for standard well locations and provision is made for increasing the density to greater than one well per 320-acre spacing unit.

(14) Termination of special rules for the North Burton Flat-Wolfcamp Gas Pool will result in increased ultimate recovery from the North Burton Flat-Wolfcamp Gas Pool thereby preventing waste.

(15) No operator or interest owner appeared at the hearing in opposition to the application.

(16) Approval of this application will afford OXY and all affected interest owners the opportunity to produce their just and equitable share of the hydrocarbons in the North Burton Flat-Wolfcamp Gas Pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

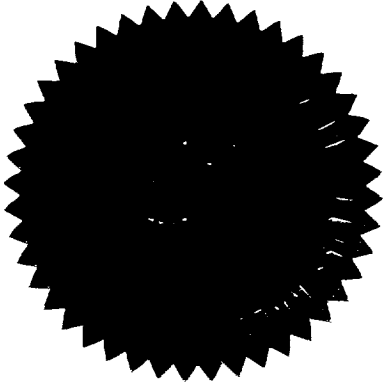
(1) Pursuant to the application of OXY USA Inc., the special rules for the North Burton Flat-Wolfcamp Gas Pool, as set forth in Division Order No. R-4949, as amended,

are hereby rescinded.

(2) The North Burton Flat-Wolfcamp Gas Pool shall hereafter be governed by Division Rule 104.C.(2).

(3) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrottenbery
LORI WROTENBERY
Director