

Entered May 4, 1981

JMR

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. 7154
Order No. R-6678

APPLICATION OF MOBIL PRODUCING TEXAS
AND NEW MEXICO, INC. FOR DESIGNATION
OF A TIGHT FORMATION, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 11, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

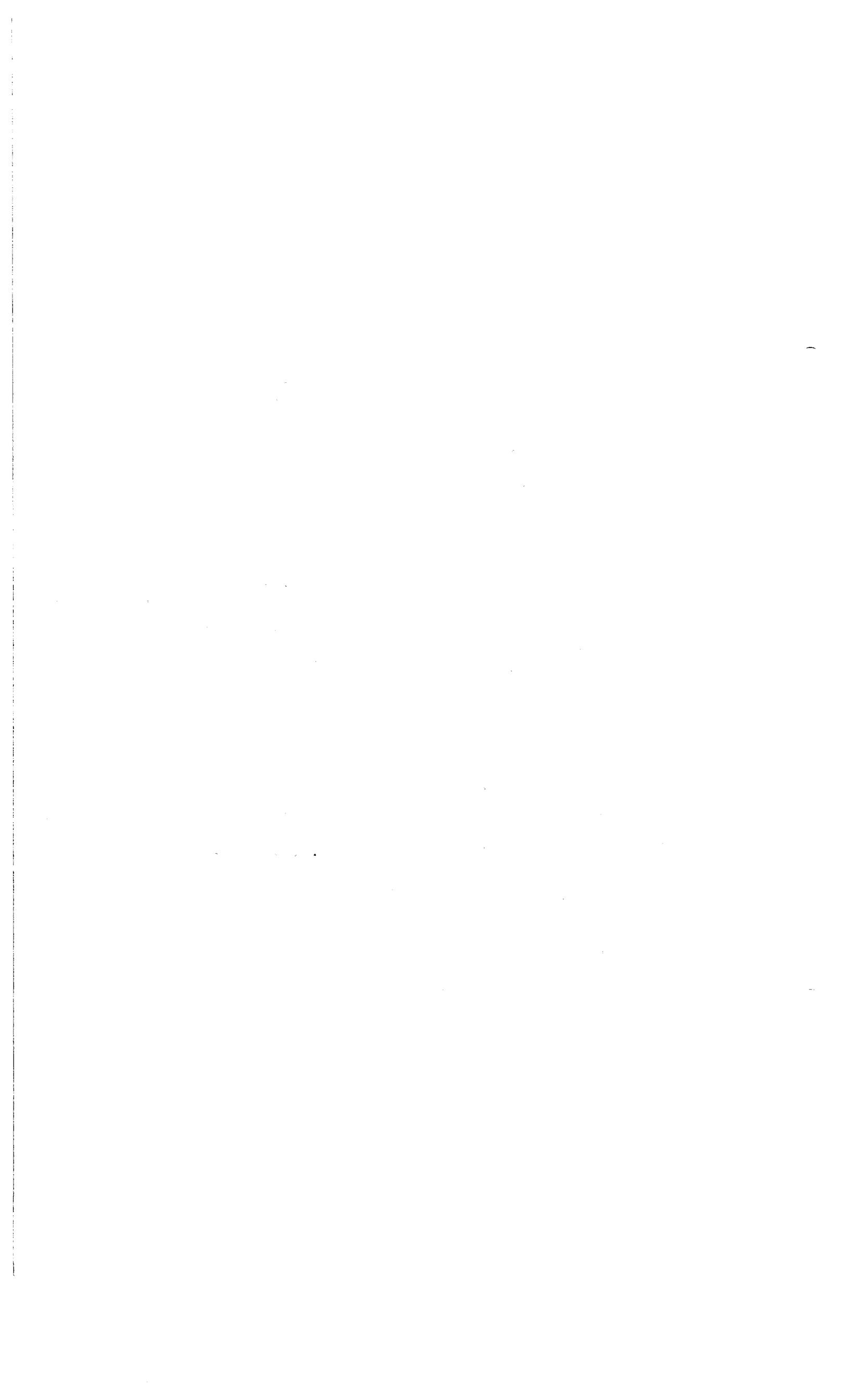
NOW, on this 4th day of May, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Mobil Producing Texas and New Mexico, Inc., requests that the Division in accordance with Section 107 of the Natural Gas Policy Act, and 18 C.F.R. §271.703 recommend to the Federal Energy Regulatory Commission that the Mesaverde formation underlying the following lands situated in Rio Arriba County, approximately 30 miles south of the city of Dulce, New Mexico, hereinafter referred to as the Mesaverde formation, be designated as a tight formation in said Federal Energy Regulatory Commission's regulations:

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
Section 7: Lot 4
Section 8: NE/4 and S/2
Sections 17 and 18: All
Section 19: Lots 1, 2, and 3



TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Sections 1 and 2: All
Sections 11 through 14: All
Sections 23 and 24: All

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Sections 11 through 14: All
Section 15: S/2
Sections 22 through 27: All
Sections 35 and 36: All

(3) That the area proposed for tight formation designation lies within the horizontal limits of the Blanco Mesaverde Gas Pool as previously defined and described in San Juan and Rio Arriba Counties, New Mexico.

(4) That the area proposed is an isolated sand development separated from the main body of the Blanco Mesaverde reservoir.

(5) That there is additional acreage within the horizontal limits of this isolated sand body including at least the following:

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM

Section 6: All
Section 7: Lots 1, 2, and 3
Section 19: Lot 4
Section 20: W/2

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

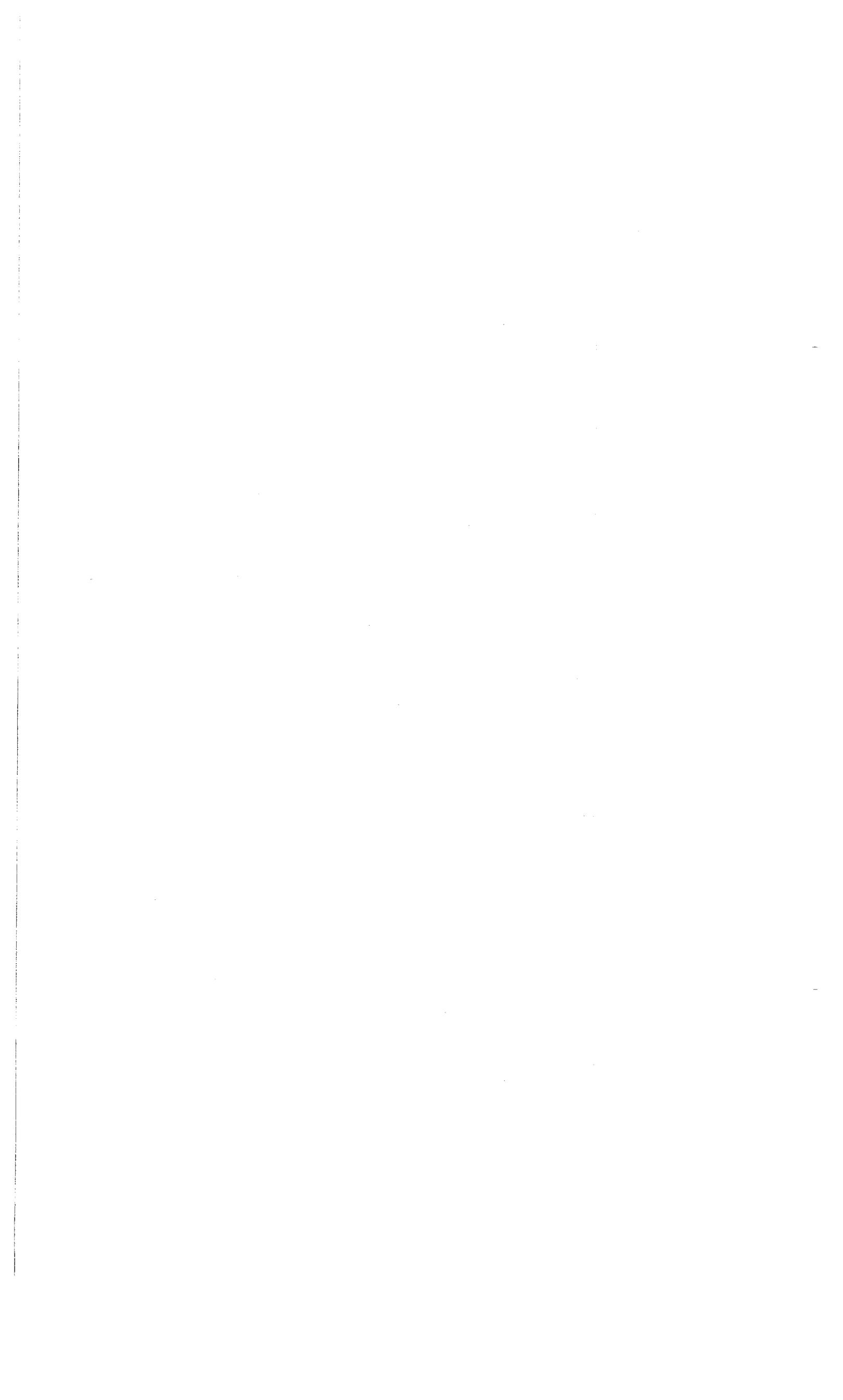
Section 3: E/2
Section 10: E/2
Section 15: E/2

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Sections 9 and 10: All
Section 16: E/2
Section 21: E/2
Section 28: E/2
Section 34: All

(6) That there is no evidence of significant geologic difference between the Mesaverde formation underlying the lands described in Findings Nos. (2) and (5) above and the entire area should be considered in any recommendation to the FERC.

(7) That the Mesaverde formation underlies all of the above-described lands; that the formation consists of two 40 to 100 foot thick sand intervals (the Cliff House and the Point



Lookout) separated by approximately 300 feet of shale which may contain thin sandstone layers; that the top of such formation is found at an average depth of 5563 feet below the surface of said area.

(8) That the type section for the Mesaverde formation for the proposed tight formation designation is found at a depth of from approximately 5484 feet to 6018 feet on the Induction Electric log of the Mobil Jicarilla "H" Well No. 7A located in Unit D of Section 1, Township 26 North, Range 3 West, NMPM, run on July 15, 1976.

(9) That the Mesaverde formation underlying the above-described lands has been penetrated by numerous wells at least 69 of which produce or have produced gas therefrom.

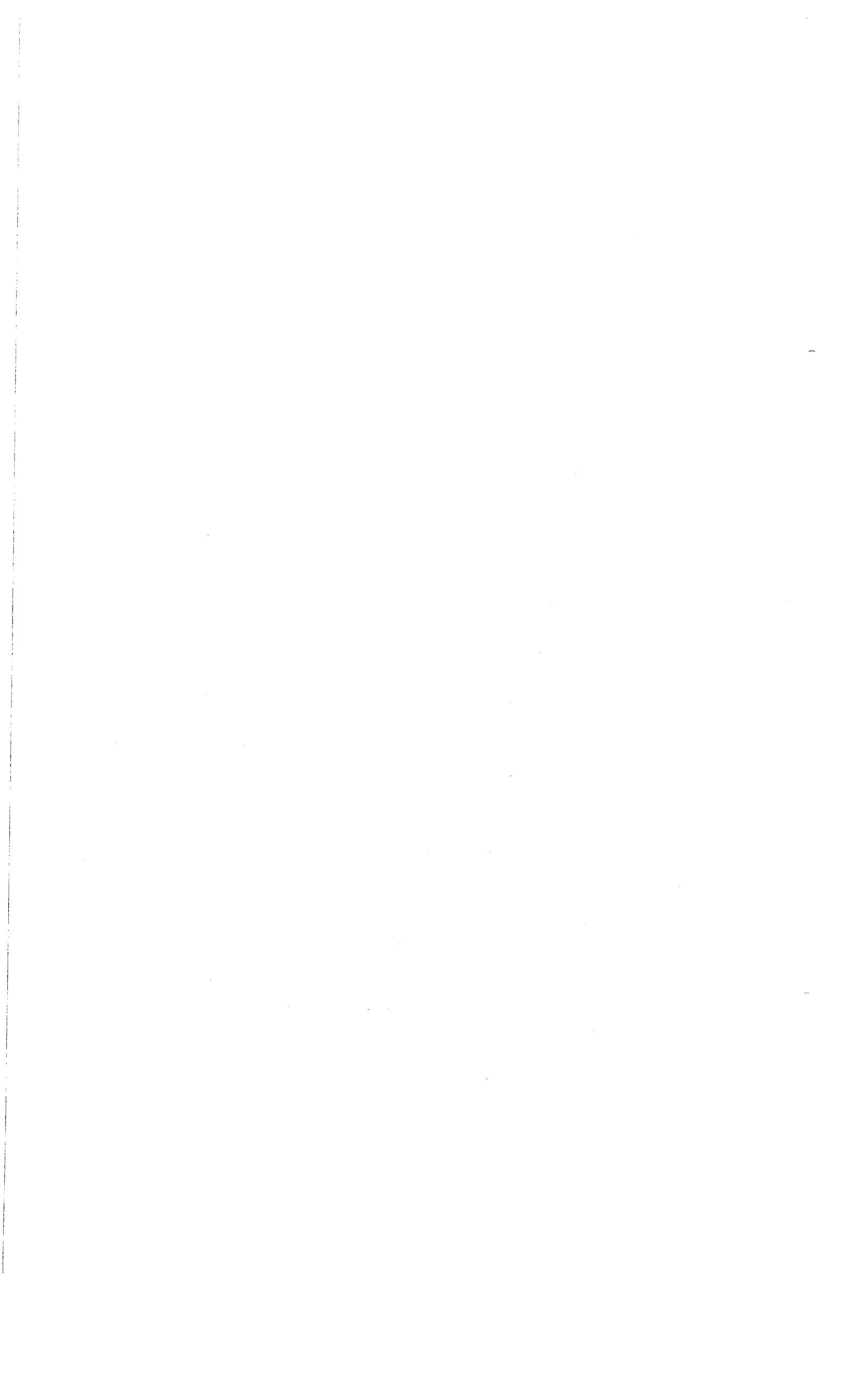
(10) That 24 infill wells have been drilled to the Mesaverde formation underlying the above-described lands 22 of which are or were producers therefrom.

(11) That the designation of a tight formation is not necessary for development of those proration units already fully developed by successful infill drilling.

(12) That any tight formation recommendation in this case should apply only to proration units not developed and/or not developed by an infill well capable of production on or before February 11, 1981, such acreage being as described on Exhibit "A" attached hereto.

(13) That the evidence presented in this case demonstrated that the predominant percentage of wells which may be completed in the Mesaverde formation within the undeveloped areas of the proposed tight formation may reasonably be presumed to exhibit permeability, gas productivity, or crude oil productivity not in excess of the following parameters:

- (a) average in situ gas permeability throughout the pay section of 0.1 millidarcy; and
- (b) stabilized production rates, without stimulation, against atmospheric pressure, as found in the table set out in 18 C.F.R. §271.703(c)(2)(B) of the regulations; and
- (c) production of more than five barrels of crude oil per day.



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(14) That the evidence presented in this case demonstrated that the application of incentive pricing is reasonably necessary to stimulate further development in that portion of the proposed tight formation area described on Exhibit "A" to this order.

(15) That existing State of New Mexico and Federal Regulations relating to casing and cementing of wells will assure that development of the Mesaverde formation will not adversely affect any overlying aquifers.

(16) That the Mesaverde formation within the area described on Exhibit "A" to this order should be recommended to the Federal Energy Regulatory Commission for designation as a tight formation.

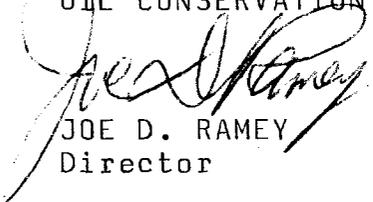
IT IS THEREFORE ORDERED:

(1) That it be and hereby is recommended to the Federal Energy Regulatory Commission pursuant to Section 107 of the Natural Gas Policy Act of 1978, and 18 C.F.R. §271.703 of the regulations that the Mesaverde formation underlying those lands in Rio Arriba County, New Mexico, described on Exhibit "A" to this order, be designated as a tight formation.

(2) That 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


JOE D. RAMEY
Director

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CASE NO. 7154
ORDER NO. R-6678
EXHIBIT "A"

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM

Sections 6 and 7: All
Section 17: E/2
Sections 18 and 19: All

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Section 3: E/2
Section 10: E/2
Section 12: E/2
Sections 13 and 14: All
Section 15: E/2
Sections 23 and 24: All

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Section 9: All
Sections 11 through 13: All
Section 14: E/2
Section 15: S/2
Section 16: E/2
Section 24: All
Section 25: E/2
Section 28: E/2
Section 34: E/2
Section 36: S/2