

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. 9037
Order No. R-8364
NOMENCLATURE

APPLICATION OF MERIDIAN OIL
INC. FOR SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 19, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of December, 1986, 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, Meridian Oil Inc., seeks the promulgation of special pool rules for the Air Strip-Bone Spring Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.

(3) By Order No. R-6005, dated May 15, 1979, the Division created and defined the Air Strip-Bone Spring Pool, Lea County, New Mexico.

(4) By Order No. R-6255, dated January 16, 1980, the Division redesignated the Air Strip-Bone Spring Pool as the Air Strip-Upper Bone Spring Pool and further created and defined the Air Strip-Lower Bone Spring Pool.

(5) By Order No. R-6255-A, the Division reconsolidated the aforesaid Upper and Lower Bone Spring Pools redesignating the pool as the Air Strip-Bone Spring Pool with said pool being governed by statewide rules and regulations including 40-acre spacing and proration units.

(6) The applicant has recently completed the Tonto "14" State Well No. 1 located in Unit I of Section 15 and the Tonto "14" State Well No. 2 located in Unit K of Section 14, both in Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, both in the Air Strip-Bone Spring Pool.

(7) The applicant presented evidence at the hearing that showed that the above-described wells are capable of draining an area in excess of 40 acres.

(8) The majority of the wells producing from the Bone Spring formation within said pool are located in Sections 25, 26, 35, and 36, Township 18 South, Range 34 East, NMPM, and are located at least one mile Southeast of the two wells operated by the applicant.

(9) Testimony by the applicant indicated that the wells located in Sections 25, 26, 35, and 36 are in an advanced state of depletion.

(10) The applicant presented no evidence at the hearing as to the drainage capability of the majority of the wells in the pool located in the area described by Finding No. (8).

(11) Examination of the evidence presented in this case leads to the conclusion that applicant's wells in said Sections 14 and 15 are not in effective communication with the older wells in the pool and rather than adoption of special rules for the Air Strip-Bone Spring Pool, a new pool should be created with the requested special rules.

(12) A new pool for the production of oil from the Bone Spring formation should be created and designated the North Air Strip-Bone Spring Pool with horizontal limits comprising the SW/4 of Section 14 and the SE/4 of Section 15, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

(13) The horizontal limits of the Air Strip-Bone Spring Pool should be contracted by the deletion therefrom of the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 14: SW/4
Section 15: SE/4
Section 22: E/2
Section 23: SW/4

(14) 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, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the North Air Strip-Bone Spring Pool.

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

(16) Temporary special rules and regulations should be established for an 18-month period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(17) This case should be reopened at an examiner hearing in July, 1988, at which time the operators in the subject pool should be prepared to appear and show cause why the North Air Strip-Bone Spring Pool should not be developed on 40-acre spacing and proration units.

IT IS THEREFORE ORDERED THAT:

(1) The Air Strip-Bone Spring Pool as heretofore defined and described in Lea County, New Mexico, is hereby contracted by the deletion therefrom of the following acreage:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 14: SW/4
Section 15: SE/4
Section 22: E/2
Section 23: SW/4

(2) A new pool for Bone Spring production is hereby created and designated as the North Air Strip-Bone Spring Pool in Lea County with horizontal limits comprising the following described acreage:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 14: SW/4
Section 15: SE/4

(3) Effective the date of this order, temporary rules for the North Air Strip-Bone Spring Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES FOR THE NORTH
AIR STRIP-BONE SPRING POOL

RULE 1. Each well completed or recompleted in the North Air Strip-Bone Spring Pool or in the Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Bone Spring oil 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 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a 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. For good cause shown, the Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot. 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 Director 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 North Air Strip-Bone Spring Pool as the acreage in such non-standard unit bears to 80 acres.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division 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 topographic conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 355 barrels per day, and in the event there is more than one well on an 80-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 80 acres.

IT IS FURTHER ORDERED THAT:

(1) The locations of all wells presently drilling to or completed in the North Air Strip-Bone Spring Pool or in the Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Bone Spring pool, are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before February 1, 1987.

(2) Pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well which, by virtue of this order, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well, or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within the said 60-day period shall subject the well to cancellation of allowable.

(3) This case shall be reopened at an examiner hearing in July, 1988, at which time the operators in the subject pool may appear and show cause why the North Air Strip-Bone Spring Pool should not be developed on 40-acre spacing units.

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

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Case No. 9037

Order No. R-8364

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS
Director

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