

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. 10308
Order No. R-9514

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION,
SPECIAL POOL RULES AND A DISCOVERY
ALLOWABLE, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of May, 1991, 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, Stevens Operating Corporation, seeks the creation of a new oil pool for Devonian production comprising the NE/4 of Section 28, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico, and the promulgation of special rules therefor including provisions for 160-acre spacing and designated well location requirements whereby wells would be no closer than 330 feet to the outer boundary of a spacing unit.

(3) Applicant further seeks the assignment of a discovery allowable for its McClellan Federal Well No. 1 located 2190 feet from the North line and 1990 feet from the East line (Unit H) of said Section 28, as provided by Division General Rule No. 509.

(4) Evidence presented at the hearing indicates that the McClellan Federal Well No. 1 is actually located 2190 feet from the North line and 990 feet from the East line (Unit H) of said Section 28.

(5) The subject well was spudded March 9, 1991, drilled to a total depth of 9,848 feet, and successfully tested in the Devonian formation.

(6) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Devonian formation from 9,842 feet to 9,848 feet.

(7) Geologic evidence presented further indicates that the subject reservoir or structure may be very limited in extent and may comprise only portions of Sections 21, 22, 27 and 28, Township 13 South, Range 29 East, NMPM.

(8) The McClellan Federal Well No. 1 should be assigned a discovery allowable in the amount of 49,210 barrels of oil to be produced in accordance with the provisions of Division General Rule No. 509.

(9) The preliminary evidence currently available indicates that the McClellan Federal Well No. 1 should be capable of draining 160 acres.

(10) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, 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 160-acre spacing units should be promulgated for the proposed pool.

(11) The applicant requested 330 foot well setback requirements in order to provide operators in the subject pool maximum flexibility in locating wells which will penetrate the Devonian structure underlying their respective proration units.

(12) The proposed setback requirements are not in conformance with standard setback requirements for 160-acre pools and will not serve to protect correlative rights. In addition, Division General Rule No. 104 provides the mechanism and the opportunity for operators to apply for unorthodox oil well locations on a case by case basis.

(13) The temporary special rules and regulations should provide for designated well locations such that a well cannot be located closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary in order to assure orderly development of the pool and protect correlative rights.

(14) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a one year period in order to allow the operators in the subject pool the opportunity to gather sufficient reservoir information to show that a 160-acre unit in the area can be efficiently and economically drained and developed by one well.

(15) At the time of the hearing, the applicant requested that the proposed pool be designated the McClellan-Devonian Pool; however, such designation does not conform to standard Division nomenclature.

(16) A new pool classified as an oil pool for Devonian production should be created and designated the South Lone Wolf-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the NE/4 of Section 28, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico.

(17) This case should be reopened at an examiner hearing in May, 1992, at which time the operators in the subject pool should be prepared to appear and show cause why the South Lone Wolf-Devonian Pool temporary rules promulgated herein should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Stevens Operating Corporation, a new pool in Chaves County, New Mexico, classified as an oil pool for Devonian production is hereby created and designated the South Lone Wolf-Devonian Pool, with vertical limits comprising the Devonian formation, and the horizontal limits comprising the following described area:

TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

Section 28: NE/4

(2) Temporary Special Rules and Regulations for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH LONE WOLF-DEVONIAN POOL

RULE 1. Each well completed in or recompleted in the South Lone Wolf-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian oil pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules 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 governmental quarter-section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division" 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 Lands Survey. 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 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 Director has received the application.

RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting 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 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 Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 515 barrels of oil per day, 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. 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.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the South Lone Wolf-Devonian Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the South Lone Wolf-Devonian Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the South Lone Wolf-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, or within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

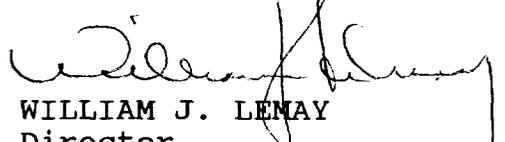
(5) The McClellan Federal Well No. 1 located 2190 feet from the North line and 990 feet from the East line (Unit H) of Section 28, Township 13 South, Range 29 East, NMPM, is hereby assigned a discovery allowable of 49,210 barrels of oil, said allowable to be produced in accordance with the provisions of Division General Rule No. 509.

(6) This case shall be reopened at an examiner hearing in May, 1992, at which time the operators in the subject pool may appear and show cause why the South Lone Wolf-Devonian Pool temporary rules promulgated herein should not be rescinded.

(7) Jurisdiction is hereby 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



WILLIAM J. LENAY
Director

S E A L