

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. 10329
ORDER NO. R-9554

**APPLICATION OF MEWBOURNE OIL COMPANY
FOR POOL CREATION AND SPECIAL POOL
RULES, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 13, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of July, 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, Mewbourne Oil Company, seeks the creation of a new pool for the production of oil from the Strawn formation comprising the S/2 SW/4 of Section 2, Township 18 South, Range 30 East, and the promulgation of special rules therefor including provisions for 80-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) Subsequent to the hearing in this case the Division, by Order No. R-9545, dated July 1, 1991, in part, created and defined the Cedar Lake-Strawn Pool for the production of oil from the Strawn formation, with horizontal limits consisting of the SW/4 of Section 2, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(4) The applicant is the owner and operator of the discovery well for said pool, the Loco Hills State Well No. 1, located 990 feet from the South line and 660 feet from the West line (Unit M) of said Section 2. Said discovery well was completed on February 18, 1991 as a wildcat Strawn oil well producing from perforations between 10,614 feet and 10,620 feet.

(5) The portion of this application seeking pool creation is unnecessary at this time and should therefore be dismissed; however, all provisions of said Order No. R-9545 related to the creation of said Cedar Lake-Strawn Pool should remain in full force and effect.

(6) Evidence presented by the applicant at the hearing indicates that the Strawn formation encountered in the above-described well is of high permeability and is capable of draining an area in excess of 40 acres.

(7) 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 80-acre spacing units should be promulgated for said pool.

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

(9) The proposed setback requirements are not in conformance with standard setback requirements for 80-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.

(10) The temporary special rules and regulations should provide for designated well locations such that a well be located within 150 feet of the center of either governmental quarter-quarter section or lot in order to assure orderly development of the pool and protect correlative rights.

(11) 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 to gather sufficient reservoir information to show that an 80-acre unit in the area can be efficiently and economically drained and developed by one well.

(12) This case should therefore be reopened at an examiner hearing in July, 1992, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Cedar Lake-Strawn Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) The portion of this application of Mewbourne Oil Company for pool creation is hereby dismissed.

(2) Temporary Special Rules and Regulations for the Cedar Lake-Strawn Pool, Eddy County, New Mexico, as previously defined and described by Division Order No. R-9545, dated July 1, 1991, are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
CEDAR LAKE-STRAWN POOL

RULE 1: Each well completed or recompleted in the Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another Strawn 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 that unit.

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 comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land

Surveys. 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 thirty days after the Director has received an application.

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 hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another 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 twenty days after the Director has received the application.

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 400 barrels of oil per day. 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.

(3) The locations of all wells presently drilling to or completed in the Cedar Lake-Strawn Pool or in the Strawn 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 thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Cedar Lake-Strawn Pool shall have dedicated thereto 80 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 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in July, 1992, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Cedar Lake-Strawn Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

(6) 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



WILLIAM J. LEMAY
Director

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