

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4173
Order No. R-3811
NOMENCLATURE

APPLICATION OF AMERADA HESS CORPORATION
FOR SPECIAL POOL RULES AND POOL EXTEN-
SION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 23, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 14th day of August, 1969, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Amerada Hess Corporation, seeks the
extension of the horizontal limits of the Hobbs-Drinkard Pool,
Lea County, New Mexico, to include the following-described area:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 28: SW/4

Section 29: S/2

Section 32: All

Section 33: W/2

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM

Section 5: N/2

(3) That the horizontal limits of the subject pool should be extended to include only the following-described area:

LEA COUNTY, NEW MEXICO
TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
Section 29: NW/4 and S/2
Section 32: NE/4
Section 33: W/2

(4) That the applicant also seeks the promulgation of special rules and regulations for the Hobbs-Drinkard Pool, including provisions for 80-acre oil proration units and exemption of said pool from any gas-oil ratio limitation.

(5) That producing the subject pool without any gas-oil ratio limitation may result in the waste of reservoir energy and a violation of correlative rights.

(6) That the establishment of a special gas-oil ratio limitation of 4,000 cubic feet of gas for each barrel of oil will afford to the owner of each property in the subject pool the opportunity to produce his just and equitable share of the oil and gas and will not cause waste nor violate correlative rights, provided the flaring or venting of gas in the pool is prohibited.

(7) That 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 Hobbs-Drinkard Pool.

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

(9) That the temporary special rules and regulations should be established for a one-year 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.

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(10) That this case should be reopened at an examiner hearing in July, 1970, at which time the operators in the subject pool should be prepared to appear and show cause why the Hobbs-Drinkard Pool should not be developed on 40-acre spacing units and why the limiting gas-oil ratio should not revert to the Statewide limit of 2000 to one.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the Hobbs-Drinkard Pool in Lea County, New Mexico, are hereby extended to include the following-described area:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 29: NW/4 and S/2

Section 32: NE/4

Section 33: W/2

(2) That temporary Special Rules and Regulations for the Hobbs-Drinkard Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
HOBBS-DRINKARD POOL

RULE 1. Each well completed or recompleted in the Hobbs-Drinkard Pool or in the Drinkard formation within one mile thereof, and not nearer to or within the limits of another designated Drinkard 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. The Secretary-Director of the Commission 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 Secretary-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 Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of either quarter-quarter section in the 80-acre unit.

RULE 5. The Secretary-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 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 Secretary-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 Secretary-Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 2.77 for allowable purposes, 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.

RULE 7. The limiting gas-oil ratio shall be 4000 cubic feet of gas for each barrel of oil produced.

RULE 8. No gas shall be flared or vented on or after the effective date of this order; provided however, that any well completed in the subject pool after the effective date of this order shall be given 30 days in which to make beneficial use of the produced casinghead gas.

RULE 9. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 8 without notice and hearing when an application has been filed setting forth the facts and circumstances justifying the exception and he determines such action is necessary to prevent waste or protect correlative rights.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Hobbs-Drinkard Pool or in the Drinkard formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before September 1, 1969.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Hobbs-Drinkard Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 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 60-day limitation, each well presently drilling to or completed in the Hobbs-Drinkard Pool or in the Drinkard formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in July, 1970, at which time the operators in the subject pool may appear and show cause why the Hobbs-Drinkard Pool should not be developed on 40-acre spacing units and why the limiting gas-oil ratio should not revert to 2000 to one.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

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