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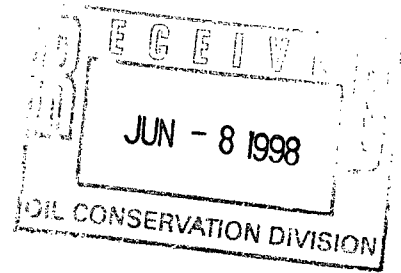
FAX (915) 686-0302

COLLINS & WARE, INC.508 WEST WALL AVENUE, SUITE 1200
MIDLAND, TEXAS 79701-5076

(915) 687-3435

SD-98.C+W

June 4, 1998



Mike Stogner
State Of New Mexico
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505-5472

Re: Simultaneous Dedication - Hobbs Drinkard, Hobbs L. Blinebry
State "A" Well No. 4 (API 30-025-23076)
660' FNL & 2130' FEL, UL B, Sec 32, T-18S, R-38E
State "A" Well No. 5 (API 30-025-)
660' FNL & 660' FEL, UL A, Sec 32, T-18S, R-38E
Lea County, New Mexico

Dear Mr. Stogner:

Collins & Ware, Inc. respectfully requests Administrative Approval for Simultaneous Dedication of the State "A" No. 4 with the State "A" No. 5 for the Hobbs Drinkard and Hobbs L. Blinebry pools.

Currently, the State "A" No. 4 is temporarily abandoned and the State "A" No. 5 is dually completed (two tubing strings) in the Hobbs Drinkard and Hobbs L. Blinebry. We propose to re-enter the State "A" No. 4 and deepen in order to test the Drinkard, Tubb, and L. Blinebry

The State "A" Lease consists of 80 acres and the State "A" No. 5 is currently holding this 80-acre standard oil spacing and proration unit ("OPU") comprised of the N/2 of NE/4 of Section 32, T-18S, R-38E.

We anticipate testing the Hobbs Drinkard pool, an 80 acre OPU, first and will produce simultaneously with the State "A" No. 5 Hobbs Drinkard pool. If this pool proves uneconomical, we will plugback and test the Tubb pool, which is a 40 acre OPU. Again, if this pool proves uneconomical, we will plugback and test the Hobbs L. Blinebry pool, an 80 acre OPU. If this pool is productive, we will produce simultaneously with the State "A" No. 5 Hobbs L. Blinebry pool.

A copy of the lease plat has been enclosed for your reference.

Thank you for your consideration regarding this request. If you have any questions or need additional data, please do not hesitate to give me a call at (915) 686-4313.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dianne Sumrall".

Dianne Sumrall
Production Administrator

:ds
enclosures
cc

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-128
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

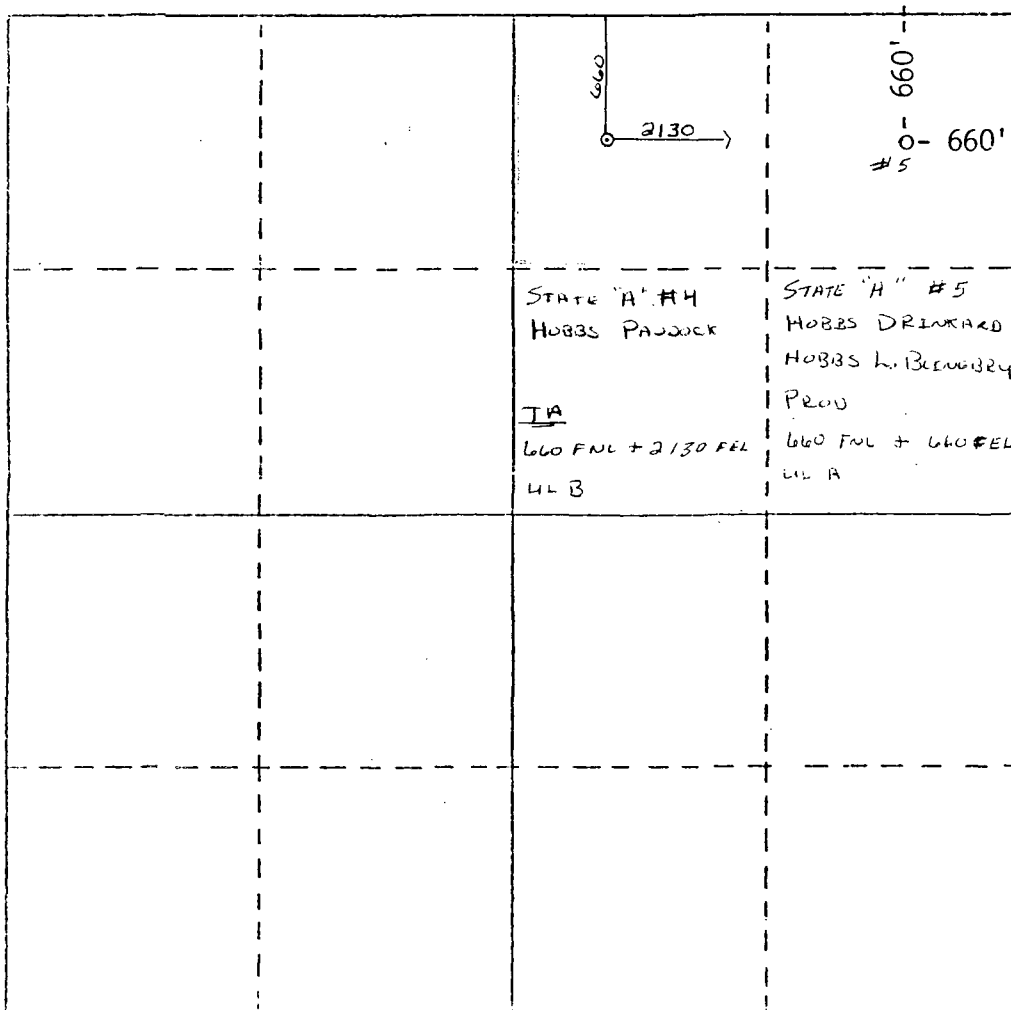
| | | | | | |
|----------------------------------|---------------------|----------|-------------------|--------|----------|
| Operator | | | Lease | | Well No. |
| Unit Letter | Section | Township | Range | County | |
| | 32 | 18S | 38E | Lea | |
| Actual Postage Location of Well: | | | | | |
| feet from the | | line and | feet from the | | line |
| Ground Level Elev. | Producing Formation | Feet | Dedicated Acreage | | |

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name E. H. Fisher
Position Supv. Adm. Ser.
Company Amerada Hess Corporation
Date 2-19-85

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed _____
Registered Professional Engineer and/or Land Surveyor _____
Certificate No. _____

0 360 660 960 1260 1560 1860 2160 2460 2760 3060 3360 3600

(WILSON YATES-SEVEN RIVERS ASSOCIATED (FORMERLY WILSON YATES-SEVEN RIVERS) POOL - Cont'd.)

(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 Wilson Yates-Seven Rivers Associated Pool shall have dedicated thereto 40 acres and existing gas wells 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 the appropriate acreage 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 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 Wilson Yates-Seven Rivers Associated Pool or in the Yates-Seven Rivers formation within one mile thereof shall receive no more than a 40-acre allowable for the pool.

(5) The applicant's request to include a provision for administrative approval of non-standard proration units at the district office level is hereby denied.

(6) Division Order No. R-199 is hereby superseded by this order.

(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.

HOBBS-LOWER BLINEBRY POOL
Lea County, New Mexico

Order No. R-9696, Adopting Temporary Operating Rules for the Hobbs-Lower Blinebry Pool, Lea County, New Mexico, June 1, 1992.

Order No. R-9696-A, effective September 21, 1994, continues in full force and effect the temporary rules adopted in Order No. R-9696.

Application of Amerada Hess Corporation for Pool Creation, Special Pool Rules and the Contraction of the Vertical Limits of the Hobbs-Blinebry Pool, Lea County, New Mexico.

CASE NO. 10444
Order No. R-9696

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on February 20, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of July, 1992 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) By Division Order No. R-3530, dated October 22, 1968 and made effective November 1, 1968, the Division created and defined the Hobbs-Blinebry Pool for the production of oil from the Blinebry formation. The

horizontal limits for said pool, as currently defined, include the following described lands in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 19: S/2
Section 28: SW/4
Section 29: W/2 and SE/4
Section 30: E/2
Section 31: NE/4
Section 32: All
Section 33: N/2 and SW/4
Section 34: W/2

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 3: NW/4

(3) The Hobbs-Blinebry Pool is currently governed by the General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 107 barrels of oil per day and a limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 214 MCF per day.

(4) The applicant in this matter, Amerada Hess Corporation ("Amerada") is an interest owner in the Hobbs-Blinebry Pool and operates one well therein; the State "A" Well No. 5 located in Unit A of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

(5) At this time, Amerada seeks the contraction of the vertical limits of said Hobbs-Blinebry Pool in conjunction with the concomitant creation of a new pool for the production of oil from the Lower Blinebry formation within the existing horizontal limits of the Hobbs-Blinebry Pool, as described above. The applicant further seeks the promulgation of special rules for the proposed "Lower Blinebry" pool including provisions for 80-acre oil spacing and proration units, designated well location requirements and for a special gas/oil ratio limitation of 10,000 cubic feet of gas per barrel of oil.

(6) Although said State "A" Well No. 5 is located within the Hobbs-Blinebry Pool, the geological evidence presented at the hearing demonstrates that said well, which is currently completed and producing from the Blinebry formation through the perforated intervals at 6204 feet to 6210 feet, 6212 feet to 6214 feet and 6269 feet to 6274 feet, has tapped into a previously unproduced common source of supply within the Blinebry formation which exhibits reservoir characteristics that differ somewhat from the upper producing interval of the Blinebry formation found in the other wells completed throughout the pool.

(7) Three other wells within the Hobbs-Blinebry Pool have tested this lower interval of the Blinebry formation whereby it can be established that the reservoir characteristics between the lower and upper Blinebry zones are not the same over the entire pool.

(8) A new oil pool should therefore be created with the vertical limits to include the lower Blinebry formation from a gamma ray marker consisting of a shale bed found at a depth of 6203 feet on the Gamma Ray-Neutron Log dated May 28, 1969 for the State "A" Well No. 5, as described above, to the base of the Blinebry formation. Further, the vertical limits of the Hobbs-Blinebry Pool should be concomitantly contracted to include the top of the Blinebry formation to the above-described "shale marker." The horizontal limits of both zones should comprise the area described in Finding Paragraph No. (2) of this order.

(9) The new "Lower Blinebry" Pool should be designated the Hobbs-Lower Blinebry Pool and the Hobbs-Blinebry Pool should be redesignated the Hobbs-Upper Blinebry Pool.

(10) There is ample evidence in the record of this case to justify the establishment of 80-acre spacing and proration units for the proposed Lower Blinebry Pool on a temporary basis of twenty-four months. Said temporary rules should provide for well locations to be within 150 feet of the center of a governmental quarter-quarter section, so as to promote orderly development of said new pool.

(HOBBS-LOWER BLINEBRY POOL - Cont'd.)

(11) Subpart A of Section 70-2-3 NMSA 1978 of the "Oil and Gas Act", defines waste as including: "the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool."

(12) Section 70-2-12.B. (4) and (9), respectively, gives the New Mexico Oil Conservation Division authority to make and enforce rules and regulations:

"(4) To prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas or both such oil and gas, from any pool."

"(9) To require the operation of wells with efficient gas-oil ratios and to fix such ratios."

(13) The immediate two statutory paragraphs above dictate the Division's obligations in the prevention of waste with respect to the production and/or handling of oil and natural gas including the conservation of energy within the reservoir.

(14) Therefore, upon the discovery of a reservoir, the manner in which it will ultimately perform will depend upon the operating principles which are applied and the operating practices imposed. Essentially, the technology applying to petroleum reservoirs is a recognition of the fact that operating practices must be such as to utilize efficiently the energy of production, whatever the type be, in order that the greatest and most economic recovery of petroleum be had. This constitutes the fundamental bases for conservation measures designed to prevent waste.

(15) The New Mexico Oil Conservancy first addressed the assignments of gas/oil ratios to certain pools in Lea County in Case No. 19 which resulted in the issuance of the following four orders:

Order No. 236, dated January 13, 1940;
Order No. 237, dated January 13, 1940;
Order No. 238, dated January 13, 1940; and
Order No. 250, dated March 27, 1940.

(16) In July, 1943, by Order No. 545 issued in Case No. 42, the Oil Conservancy established a limiting gas/oil ratio factor of 2,000 cubic feet of gas per barrel of oil for all new and undesignated pools. This limiting factor has remained in effect since that time and is currently administered under the provisions of Division General Rule 506.

(17) The Division has granted numerous exceptions over the years to the basic 2,000 to 1 gas/oil ratio (of the seventeen Blinebry pools, nine have a 2,000 to 1 ratio, two have 4,000 to 1, two have 6,000 to 1, two have 7,000 to 1, and two are unrestricted due to low production rates and low gas/oil ratio); however, adequate information concerning the particular reservoir and its characteristics were presented, in detail, before such exception was granted.

(18) The applicant in this instance presented insufficient evidence concerning the reservoir characteristics and essential production data to support the establishment of the requested 10,000 to 1 limiting gas/oil ratio factor for the new pool. Therefore, the portion of this application requesting a special gas/oil ratio should not be approved at this time. However, Amerada Hess is encouraged to present any available data to support its request should it still desire a special gas/oil ratio for the newly formed Hobbs-Lower Blinebry Pool.

(19) During the twenty-four month period in which this order is in effect, the applicant, along with the operators in both the upper and lower pools should gather all available information relating to drainage and recoverable reserves in the subject pools.

(20) This case should be reopened at an examiner hearing in June 1994, at which time the operators in the lower pool should appear and show cause why the Hobbs-Lower Blinebry Pool should not be developed on 40-acre spacing and proration units and why both upper and lower pools formed by this order should not be rejoined and redesignated the Hobbs-Blinebry Pool.

IT IS THEREFORE ORDERED THAT:

(1) At the request of the applicant, Amerada Hess Corporation, a new pool for lower Blinebry oil production is hereby created and designated the Hobbs-Lower Blinebry Pool with upper and lower limits defined as the top of the shale bed marker found at a depth of 6203 feet on the Gamma Ray-Neutron Log run May 29, 1969 from a kelly bushing elevation of 3661 feet in the State "A" Well No. 5 located in Unit A of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico to the base of the Blinebry formation and comprising the following described acreage in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 19: S/2
Section 28: SW/4
Section 29: W/2 and SE/4
Section 30: E/2
Section 31: NE/4
Section 32: All
Section 33: N/2 and SW/4
Section 34: W/2

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM

Section 3: NW/4

(2) The vertical limits of the Hobbs-Blinebry Pool is hereby contracted by the deletion of the lower portion of the Blinebry formation which will consist of the newly formed Hobbs-Lower Blinebry Pool as described above. Further, the Hobbs-Blinebry Pool is hereby designated the Hobbs-Upper Blinebry Pool.

(3) The redesignation and vertical contraction of the Hobbs-Blinebry Pool and the concomitant creation of the Hobbs-Lower Blinebry Pool shall become effective June 1, 1992.

(4) Temporary special rules and regulations for the newly formed Hobbs-Lower Blinebry Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
HOBBS-LOWER BLINEBRY POOL

RULE 1. Each well completed or recompleted in the Hobbs-Lower Blinebry Pool or within one mile thereof, and not nearer to or within the limits of another Blinebry 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-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

(HOBBS-LOWER BLINEBRY POOL - Cont'd.)

for a non-standard unit comprising a single 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. The allowable for a standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 222 barrels of oil per day and a limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 444 MCF per day. 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:

(5) The applicant's request for a special gas/oil ratio limitation factor of 10,000 cubic feet of gas per barrel of oil for the newly formed Hobbs-Lower Blinebry Pool is hereby denied.

(6) The locations of any other wells presently drilling to or completed in the Hobbs-Lower Blinebry Pool or in the Blinebry formation within one mile thereof, and not nearer to or within the limits of another designated Blinebry 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 August 1, 1992.

(7) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the newly formed Hobbs-Lower Blinebry 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 Hobbs-Lower Blinebry Pool or in its corresponding vertical limits as described in Decretory Paragraph No. (1), above, or within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(8) This case shall be reopened at an examiner hearing in June, 1994, 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 Hobbs-Lower Blinebry Pool should not be rescinded and said pool not be developed on 40-acre spacing units and why both the upper and lower Blinebry pools formed by this order should not be rejoined and redesignated the Hobbs-Blinebry Pool.

(9) 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.

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2130

(NORTHWEST NEW MEXICO (GAS WELL TESTING RULES AND PROCEDURES) - Cont'd.)

filed and in the Summary portion of that form, all zones will indicate the same data for line h, P_c , Q , P_w , and P_d . The value shown for Deliverability (D) will be that percentage of the total deliverability of the well that is applicable to this zone. A note shall be placed in the remarks column that indicates the percentage of deliverability to be allocated to this zone of the well.

Any test prescribed herein will be considered acceptable if the average flow rate for the final 7-day or 8-day deliverability test is not more than ten percent in excess of any consecutive 7-day or 8-day average of the preceding two weeks. A deliverability test not meeting this requirement may be declared invalid, requiring the well to be re-tested.

All charts relative to initial, annual, or biennial deliverability tests or copies thereof shall be made available to the Division upon its request.

All testing agencies, whether individuals, companies, pipeline companies, or operators, shall maintain a log of all tests accomplished by them, including all field test data. The operator shall maintain the above data for a period of not less than two (2) years plus the current test year.

All forms heretofore mentioned are hereby adopted for use in the northwest New Mexico Area in open form subject to such modification as experience may indicate desirable or necessary.

Initial and Annual or Biennial Deliverability and Shut-In Pressure Tests for gas wells in all formations shall be conducted and reported in accordance with these rules and procedures. Provided however, these rules shall be subject to any specific modification or change contained in Special Pool Rules adopted for any pool after notice and hearing.

CHAPTER III. INFORMATIONAL TESTS

A. A one-point back pressure test may be taken on newly completed wells before their connection or reconnection to a gas transportation facility. This test shall not be a required official test but may be taken for informational purposes at the option of the operator. When taken, this test must be taken and reported as prescribed below:

ONE-POINT BACK PRESSURE POTENTIAL TEST PROCEDURE

1. This test shall be accomplished after a minimum shut-in of seven days. The shut-in pressure shall be measured with a deadweight gauge or other method approved by the Division.

2. The flow rate shall be that rate in Mcf/d measured at the end of a three hour test flow period. The flow from the well shall be for three hours through a positive choke, which has a 3/4-inch orifice.

3. A 2-inch nipple which provides a mechanical means of accurately measuring the pressure and temperature of the flowing gas shall be installed immediately upstream from the positive choke.

4. The absolute open flow shall be calculated using the conventional back pressure formula as shown in this manual or the New Mexico Oil Conservation Division "Back Pressure Test Manual."

5. The observed data and flow calculations shall be reported in duplicate on Form C-122, "Multi-Point Back Pressure Test for Gas Wells."

6. Non-critical flow shall be considered to exist when the choke pressure is 13 psig or less. When this condition exists the flow rate shall be measured with a pitot tube and nipple as specified in this manual or in the Division's Manual of "Tables and Procedure for Pitot Tests." The pitot test nipple shall be installed immediately downstream from the 3/4-inch positive choke.

7. Any well completed with 2-inch nominal size tubing (1.995-inch ID) or larger shall be tested through the tubing.

B. Other tests for informational purposes may be conducted prior to obtaining a pipeline connection for a newly completed well upon receiving specific approval therefor from the Division's Aztec office. Approval of these tests shall be based primarily upon the volume of gas to be vented.

CHAPTER IV. TYPE OF TESTS REQUIRED FOR WELLS COMPLETED IN NON-PRORATED POOLS**SECTION 1: Initial Shut-In Pressure Tests for Newly Completed Wells**

A. (Same as Chapter I, Section 1, A)

SECTION 2: Biennial Shut-In Pressure Tests

A. Non-prorated wells will be tested biennially as required by the District Office except as follows:

1. Wells which meet the "exempt" qualification as shown in Chapter I, Section 2, paragraph A-2 of these rules shall also be exempt from shut-in test requirements.

2. Wells classified as "hardship" wells during the test year shall also be exempt from shut-in test requirements.

B. All shut-in tests required by these rules must be filed with the Division's Aztec office by January 31 of the following year. Failure to file the test will subject the well to being shut-in one day for each day the test is late.

SECTION 3: Scheduling Tests

A. By September 1 of each year, the District Supervisor of the Aztec District Office of the Division shall by memorandum notify each gas transportation facility and each operator of the pools which are to be scheduled for biennial shut-in pressure testing during the following testing period from January 1 through the last day of December of that test year. The District Supervisor will also provide a list of "exempt" wells.

Any well scheduled for testing during its test year may have the test flow period, and some of the seven day shut-in period conducted in December of the previous year. The earliest date that a well could be scheduled for Biennial Shut-In Pressure Test would be such that the Test Flow Period would end on December 25 of the previous year.

Downhole commingled wells are to be scheduled for tests on dates for pool of lowermost completion of well.

SECTION 4: Test Procedure

A. To obtain the shut-in pressure of a well under test, the well shall be shut-in some time during the current testing season for a period of seven to fourteen consecutive days, which have been preceded by a minimum of seven days of uninterrupted production. Such shut-in pressure shall be measured by deadweight gauge or other method approved by the Division on the seventh to fourteenth day of shut-in of the well. The shut-in pressure shall be measured on both the tubing and the casing when communication exists between the two strings. The higher of such pressures shall be reported as the shut-in pressure of the well.

SECTION 5: Filing of Shut-In Pressure Data

The result of this test shall be reported in the last column of Division Form C-125 showing the pressure in psia and shall be filed in triplicate with the Aztec District Office of the Division.

HOBBS-DRINKARD POOL
Lea County, New Mexico

Order No. R-3811, Adopting Temporary Operating Rules for the Hobbs-Drinkard Pool, Lea County, New Mexico, August 14, 1969, as Amended by Order No. R-3811-B, November 10, 1970, and Order No. R-3811-C, December 1, 1972.

Order No. R-3811-A, July 15, 1970, extends to October, 1970, the rules adopted in Order No. R-3811.

Order No. R-3811-B, November 10, 1970, makes permanent the rules adopted in Order No. R-3811, as amended.

Application of Amerada Hess Corporation for Special Pool Rules and Pool Extension, Lea County, New Mexico.

CASE NO. 4173
Order No. R-3811

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.

(HOBBS-DRINKARD POOL - Cont'd.)

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 4000 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.

(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 State-wide 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. (As Amended by Order No. R-3811-B, November 10, 1970, and Order No. R-3811-C, December 1, 1972.) The limiting gas-oil ratio shall be 5000 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.

(HOBBS-DRINKARD POOL - Cont'd.)**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.

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

NORTH VACUUM-MORROW GAS POOL
Lea County, New Mexico

Order No. R-3792, Abolishing Operating Rules Adopted by Order No. R-3084, and Reclassifying as Gas and Adopting Operating Rules for the North Vacuum-Morrow Gas Pool, Lea County, New Mexico, July 15, 1969.

Application of Mobil Oil Corporation for Pool
Reclassification, Lea County, New Mexico.

CASE NO. 4147
Order No. R-3792

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on June 4, 1969, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on the 15th day of July, 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 by Order No. R-3084, dated June 30, 1966, the Commission created the North Vacuum-Morrow Pool, classified as an oil pool for Morrow production, and promulgated Special Rules and Regulations governing said pool.

(3) That the applicant, Mobil Oil Corporation, now seeks to have the subject pool classified from an oil pool to a gas pool.

(4) That while said North Vacuum-Morrow Pool is presently classified as an oil pool, the evidence adduced indicates that it is in fact a "dew point" or retrograde gas condensate.

(5) That the North Vacuum-Morrow Pool should be reclassified as a gas pool and redesignated the North Vacuum-Morrow Gas Pool.

(6) That said North Vacuum-Morrow Gas Pool should be governed by all Commission Rules and Regulations applicable to gas pools in Lea, Chaves, Eddy, and Roosevelt Counties of Pennsylvanian age or older.

(7) That the Special Rules and Regulations for the North Vacuum-Morrow Pool promulgated by Order No. R-3084 should be abolished.

IT IS THEREFORE ORDERED:

(1) That the North Vacuum-Morrow Pool is hereby reclassified as a gas pool for Morrow production and is hereby redesignated the North Vacuum-Morrow Gas Pool.

(2) That the horizontal limits of the North Vacuum-Morrow Gas Pool are hereby established as follows:

NORTH VACUUM-MORROW GAS POOL
LEA COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 11: All

(3) That effective immediately, the North Vacuum-Morrow Gas Pool, Lea County, New Mexico, shall be governed by all Commission Rules and Regulations applicable to gas pools in Lea, Chaves, Eddy, and Roosevelt Counties of Pennsylvanian age or older including the provision for 320-acre spacing of such wells.

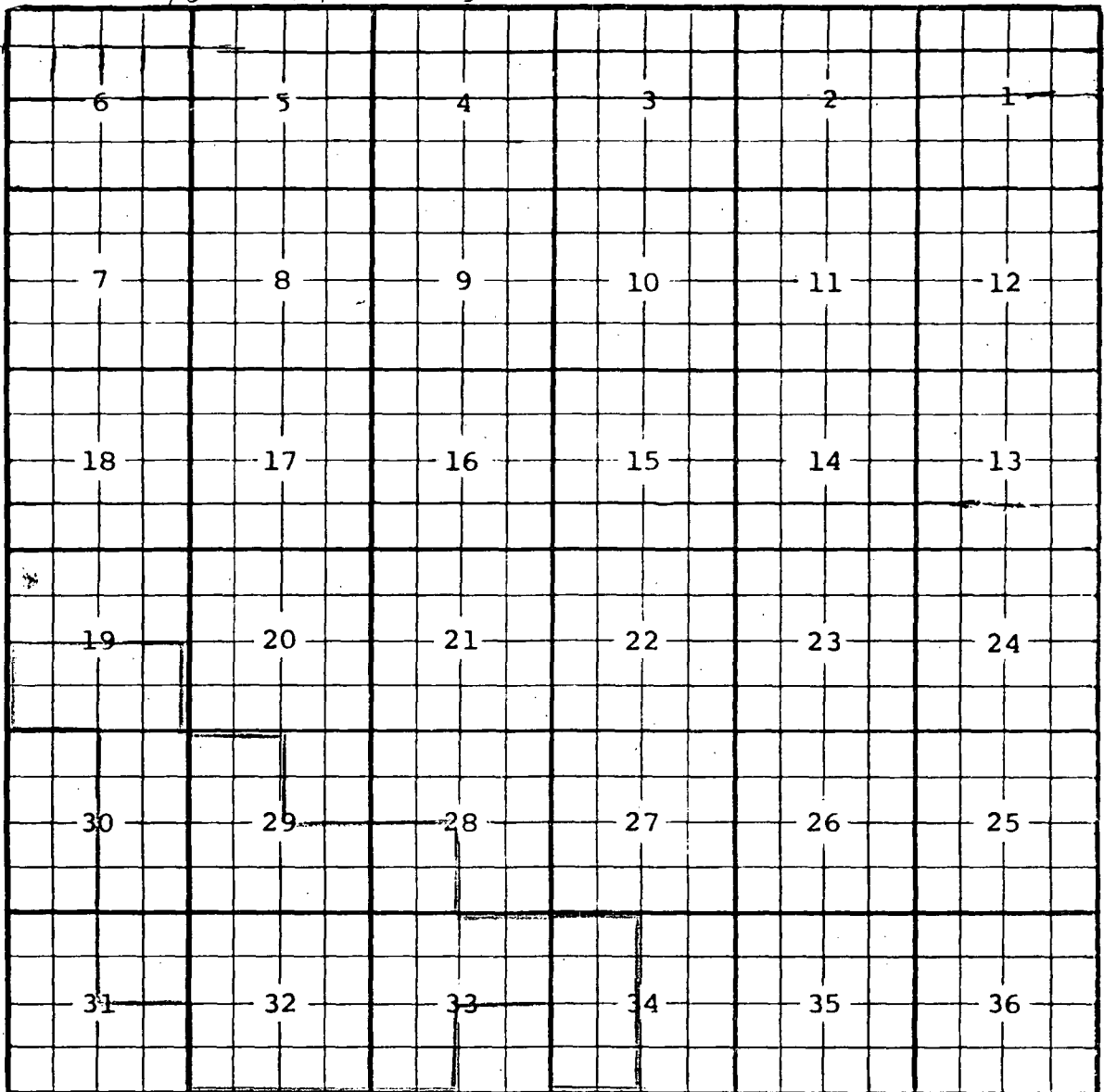
(4) That the locations of all wells presently drilling to or completed in the North Vacuum-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing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

(5) That the Special Rules and Regulations for the North Vacuum-Morrow Pool, Lea County, New Mexico, promulgated by Order No. R-3084, are hereby abolished.

(6) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the North Vacuum-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with Rule 104C of the Commission Rules and Regulations; 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.

County Lea Pool Hobbs-Lower Blinebry

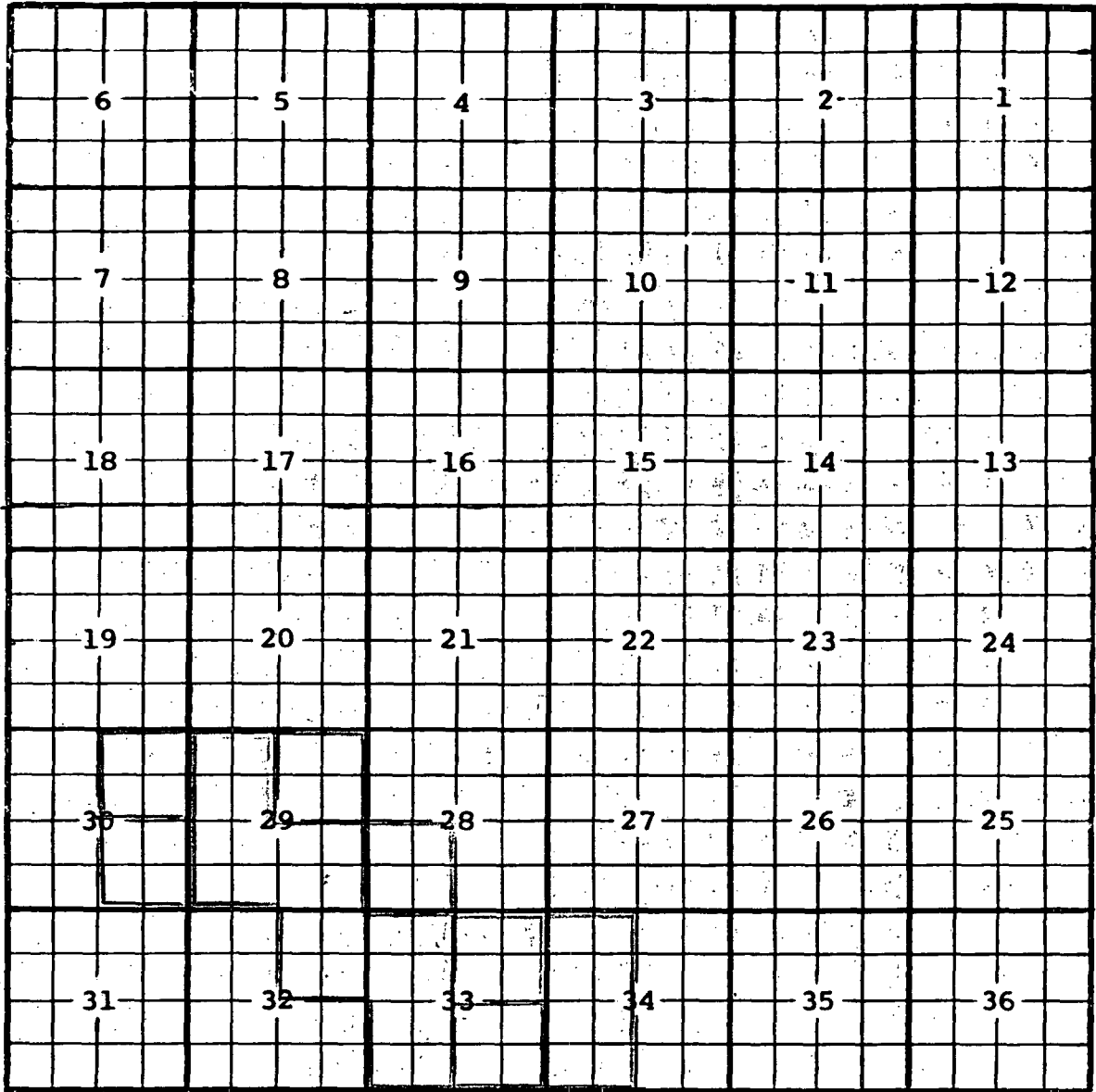
TOWNSHIP 18 South Range 38 East NMPM



Description: $S\frac{1}{2}$ Sec. 19, $SW\frac{1}{4}$ Sec. 28, $W\frac{1}{2}$ and $SE\frac{1}{4}$ Sec. 29, $E\frac{1}{2}$ Sec. 30, $NE\frac{1}{4}$ Sec. 31, All Sec. 32, $N\frac{1}{2}$ and $SW\frac{1}{4}$ Sec. 33, $W\frac{1}{2}$ Sec. 34 (R-9696, 7-17-92)

COUNTY LeaPOOL Hobbs - DrinkardTOWNSHIP 18 SouthRANGE 38 East

NMPM



Ext: $\frac{NW}{4}$ $\frac{S}{2}$ Sec. 29; $\frac{NE}{4}$ Sec. 32; $\frac{W}{2}$ Sec. 33 (R-3811, 8-14-69)
- $\frac{SW}{4}$ Sec. 28; $\frac{NE}{4}$ Sec. 30 (R-3872, 12-1-69) - $\frac{NE}{4}$ Sec. 29 (R-4119, 4-1-71)
- $\frac{SE}{4}$ Sec. 33 (R-4291, 5-1-72) Ext: $\frac{NE}{4}$ Sec. 33 (R-4995, 5-1-75)
Ext: $\frac{W}{2}$ Sec. 34 (R-6328, 5-1-80) Ext: $\frac{SE}{4}$ Sec. 30 (R-7602, 7-22-84)