

**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. 16278
ORDER NO. R-14850**

**APPLICATION OF M & M ENERGY, LLC FOR POOL CREATION, A
DISCOVERY ALLOWABLE, AND SPECIAL POOL RULES, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 12, 2018, at Santa Fe, New Mexico before Examiner Michael A. McMillan.

NOW, on this 4th day of September 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) M & M Energy, LLC ("M & M Energy" or "Applicant"), seeks (i) creation of a new oil pool to be named the North Urssey Tank, Yates-Seven Rivers Pool for production of oil and gas from the Yates and Seven Rivers formations, (ii) to establish special pool rules retroactive to May 1, 2018, and (iii) approval of a discovery allowable. The requested Special Rule would allow monthly production of up to 1200 barrels of oil per day per each standard 40-acre oil spacing and proration unit.

(3) The discovery well for the North Urssey Tank, Yates-Seven Rivers Pool is the Applicant's State 26 Well No. 1 ("Subject Well"; API No. 30-025-41431), located at a standard oil well location 601 feet from the North line and 2018 feet from the East line (Unit B) of Section 26, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico. The well was vertically drilled and completed on April 22, 2014 and the well completion was placed in the Eumont; Yates-7 Rvrs-Queen (Oil) Pool.

(4) Applicant asks the horizontal limits for this pool to comprise the following lands in Lea County, New Mexico:

Township 21 South, Range 35 East, NMPM

Section 26: NE/4

(5) All working interest owners and all operators of wells producing from the Yates-7 Rvrs-Queen formations within the Eumont; Yates-7 Rvrs-Queen (Oil) Pool and all operators and working interest owners within one mile of the proposed new pool boundaries were notified of this application within the Yates-Seven Rivers formations. No objections were received and no other party entered an appearance in this case.

(6) M & M Energy presented testimony showing the following.

- (a) M & M Energy spud the State 26 Well No. 1 (API No. 30-025-41431) on February 7, 2014, located 601 feet from the North line and 2018 feet from the East line (Unit B) of Section 26, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico and drilled and completed the well as a vertical producer within the Eumont; Yates-7 Rvrs-Queen (Oil) Pool with perforations from 4044 feet to 4052 feet.
- (b) The Subject Well was recently recompleted with perforations from 3936 feet to 4006 feet by placing a bridge plug over the existing perforations;
- (c) Applicant notified affected parties pursuant to Division Rule 19.15.4.12 (4)
- (d) Applicant requested an oil discovery allowable of five barrels for each foot of depth of the well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher, pursuant to Division Rule 19.15.20.16 (A).
- (e) Applicant requested an oil allowable of 1200 barrels of oil per day (bopd) in the North Ursey Tank-Yates Seven Rivers Pool;
- (f) Applicant provided geological and geophysical testimony that the Subject Well is a new common source of supply.
- (g) Most of the wells in the Eumont; Yates-7 Rvrs-Queen (Oil) Pool have been Plugged and Abandoned;
- (h) From June 23, 2018 through July 9, 2018 the Subject well has produced 14, 446 barrels of oil, averaging 963 bopd;

- (i) Applicant had met with the Hobbs District Office, and they supported this application;
- (j) The production plot presented by M & M Energy, indicates that no water was produced. The reservoir drive mechanism is likely “side water drive” and bottom water coning is not expected to be a concern. Damage to this well or to this reservoir will not occur if the well is produced at a rate above the current [80-bopd] depth bracket allowable.

The Division concludes as follows:

(7) M & M Energy has shown that an increase in the depth bracket allowable from 80 to 1200 bopd per standard 40-acre spacing and proration unit is necessary to protect correlative rights, will not cause waste, and should be granted retroactive to May 1, 2018.

(8) The requested increase in the depth bracket allowable should be limited to vertically drilled and completed wells and should not be made temporary or require subsequent appearance and justification before the Division.

(9) The State 26 Well No. 1 has overproduced during July and August 2018. Applicant provided proper notice to the affected parties and showed good faith effort by presenting testimony that the increase in oil and gas production did not and will not cause waste.

(10) To match the Division designated method for pool nomenclature, the pool should be named the Ursey Tank; Seven Rivers, North Pool.

(11) The State 26 Well No. 1 is a bona fide discovery well in a new common source of supply, based on geological, geophysical, and oil and gas production, pursuant to Division Rule 19.15.20.16 and should be granted a discovery allowable, providing Applicant should follow all provisions of Division Rule 19.15.20.16 NMAC for petition to the Hobbs District Office and Engineering Bureau of the Division for an Oil Discovery Allowable. If these provisions are not met, the Oil Discovery Allowable should not be granted.

IT IS THEREFORE ORDERED THAT

(1) Pursuant to the application of M & M Energy, LLC (“M & M Energy,”), a new pool in Lea County, New Mexico classified as an oil pool for production from the Yates and Seven Rivers formations is hereby created and designated as the Ursey Tank; Seven Rivers, North Pool (Pool Code 98291), consisting of the following described lands:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM

Section 26: NE/4

- (2) The requested Special Pool Rules are hereby established as follows:

Special Rules for the Urssey Tank; Seven Rivers, North Pool

Rule 1: Each vertical well completed or recompleted in the Urssey Tank; Seven Rivers, North Pool (Pool Code 98291) or within 1 mile thereof and not nearer to or within the limits of another Yates Seven Rivers oil pool, shall be produced in accordance with the Special Rules hereinafter set forth.

Rule 2: The allowable for a standard 40-acre oil spacing and proration unit shall be 1200 barrels of oil per day retroactive to May 1, 2018.

Rule 3: All other rules shall conform to the Division's statewide rules.

IT IS FURTHER ORDERED THAT:

(3) An operator of any well in this pool shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that well or to obtain a non-standard unit approved by the Division. 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 that 60-day period shall subject the well to cancellation of allowable.

(4) The effective date of this order shall be September 1, 2018.

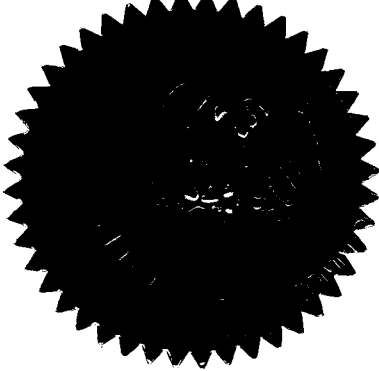
(5) All operators in this pool shall correct previously submitted production reports to reflect oil, gas, and water production as originating from the new pool after the date May 1, 2018.

(6) The Hobbs District Office and the Santa Fe Engineering Bureau of the Division may grant a properly submitted application for discovery allowable for the State 26 Well No.1 (API 30-025-41431), located 601 feet from the North line and 2018 from the East line (Unit B) of Section 26, Township 21 South, Range 35 East.

(7) Applicant shall meet all of the requirements of Findings paragraph (13). If the requirements are not satisfactorily met, the order shall be null and void.


(8) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


HEATHER RILEY
Director