

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Friday, November 02, 2012 12:19 PM
To: Brooks, David K., EMNRD
Cc: Sanchez, Daniel J., EMNRD; Sharp, Karen, EMNRD; Shapard, Craig, EMNRD; Dade, Randy, EMNRD
Subject: Case 14899 Mewbourne NSP/CP Santo Nino; Bone Spring Pool (54600) Special Rules: R-8546 Rule 2

David,

We heard this one yesterday and I wanted to write it up, but have some notice concerns – and other interesting items. There were no other appearances at the hearing.

As part of the NSP requirements for putting together multi-spacing units for a horizontal well, they provided notice to offset operators (exhibit 7). Apparently the proposed horizontal well is to go through acreage with producing existing wells in the same pool operated by others. And these operators were not noticed as part of the NSP notice. There are two vertical oil wells operated by Chevron U S A, Inc. in unit letters G and H in this same pool. In addition, Manzano LLC operates an oil well in this pool located just north in Unit letter C and was not noticed. Chevron operates a well in Unit letter B and was not noticed.

Another wrinkle is this pool is spaced on 80 acres and the existing vertical wells have not declared the orientation of the spacing units (nothing in any of the OCD well files) and I cannot find there were any 40 acre NSP permits issued. Mewbourne did not cover this at the hearing - make any attempt to show the existing producing wells or the orientation of the spacing units. In its defense, it did apply to pool 40 or 80 acre units within this proposed project area.

Applicant's exhibit 2 shows a breakdown of 100 percent leasehold interests, but this breakdown does not include the operator (Chevron) of the two wells in this Bone Spring pool already producing vertical wells in Unit letters G and H.

So this may be a voluntary "multi-operator" situation – the NSP/CP hearing did not mention it or indicate any dissent from existing operators. I can see there would be no need to mention a voluntary multioperator situation to the hearing examiners and maybe the dedicated acreage overlap would cue some computer program with the OCD into watching for overproduction situations?

Maybe this should be reopened and notice provided to Chevron and Manzano?

Should we alert the district office or Daniel to ask the vertical well operators in this Pool to declare orientation of 80-acre spacing units or obtain NSP permits? It seems they are in violation of R-8546.

Will