

**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:**

**NOMENCLATURE
CASE NO. 13125
ORDER NO. R-12069**

**APPLICATION OF PECOS PRODUCTION COMPANY FOR POOL CREATION
AND THE PROMULGATION OF 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 August 7, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 14th day of January, 2004, 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) The applicant, Pecos Production Company ("Pecos"), seeks the creation of a new pool for the production of oil from the Wolfcamp formation underlying the SW/4 of Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to be designated the **East Dean-Wolfcamp Pool**, with special pool rules including provisions for 80-acre spacing and proration units.

(3) The testimony presented by the applicant and Division records indicate that Pecos's Overland Well No. 1 (API No. 30-025-36259), located 1276 feet from the South line and 1724 feet from the West line, SE/4 SW/4 (Unit V) of irregular Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, was drilled to a total depth of 11,300 feet and completed in June, 2003, in the Wolfcamp formation. During initial potential testing, this interval flowed at a rate of 136 barrels of oil per day, zero barrels of water per day, and 302 thousand cubic feet of gas per day. Under Division Rule 7.G (5), the well should be classified as an oil well.

(4) The location of the Overland Well No. 1 is nonstandard in that it encroaches on the North boundary of the standard 40-acre SE/4 SW/4 Wolfcamp spacing unit. Administrative Order NSL-4861, dated April 21, 2003, authorized this nonstandard location based on the location being optimal to test the limited structure.

(5) With approval of this application and adoption of the proposed special pool rules, Pecos intends to dedicate its Overland Well No. 1 to an E/2 SW/4, standup, 80-acre spacing and proration unit.

(6) Pecos provided testimony on land issues showing that:

- (a) the S/2 of Section 2 is comprised of one uniformly owned fee lease with many working, mineral, and overriding royalty interest owners; and
- (b) the Pecos Petroleum Corporation is leasehold operator of the S/2 of Section 2.

(7) Pecos provided testimony on geology and engineering issues, which demonstrates that:

- (a) the discovery well is located on the crest of a Wolfcamp pinnacle reef feature, which is sharply defined but limited in areal extent;
- (b) the productive portions of this feature are further limited by high water saturation in the main Wolfcamp interval;
- (c) the discovery well, as located, will drain both halves of this E/2 SW/4 proposed 80-acre spacing and proration unit;
- (d) this Wolfcamp reservoir is separate and distinct from other Wolfcamp reservoirs in this area; and
- (e) due to projected low well recoveries, it is uneconomic at this time to drill additional wells to recover Wolfcamp oil and gas reserves within the E/2 SW/4 of Section 2.

(8) The Applicant provided notice in accordance with Division Rule 1207.A (4). No other operator and/or mineral interest owner appeared at the hearing in opposition to this application.

(9) The evidence presented demonstrates that the Overland Well No. 1 has discovered a new common source of supply in the Wolfcamp formation.

(10) A new pool for the production of oil from the Wolfcamp formation should be created and designated the *East Dean-Wolfcamp Pool*, with vertical limits comprising the Wolfcamp formation and horizontal limits comprising the SW/4 of Section 2, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(11) This pool creation should be made effective retroactive to the first day of production of the discovery well.

(12) In order to prevent waste and protect correlative rights, temporary special pool rules should be established for the East Dean-Wolfcamp Pool providing 80-acre well spacing and proration units, with wells located no closer than 330 feet to any outer boundary of a spacing and proration unit, and no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(13) Pursuant to Division Rules No. 505.A. and 506.A., the proposed pool should be assigned a depth bracket allowable of 400 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(14) This case should be reopened at an examiner hearing in December, 2004, to allow the operators in the pool the opportunity to appear and show cause why the temporary special pool rules for this pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Pecos Production Company, a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production is hereby created and designated the *East Dean-Wolfcamp Pool*, with vertical limits comprising the Wolfcamp formation and horizontal limits comprising the following-described area:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 2: SW/4.

(2) The temporary special rules for the East Dean-Wolfcamp Pool are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
EAST DEAN-WOLFCAMP POOL**

RULE 1: Each well completed or recompleted in the East Dean-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another Wolfcamp pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

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.

RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2).

RULE 4: Each well shall be located no closer than 330 feet to the outer boundary of a spacing and proration unit nor closer than 330 feet to any interior quarter-quarter section line or subdivision inner boundary.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 6: The allowable for a standard 80-acre oil proration unit shall be based on a depth bracket allowable of 400 barrels of oil per day with a limiting gas oil ratio of 2000 cubic feet of gas per barrel of oil. 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:

(3) The location of any well presently drilling to or completed in the East Dean-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof is hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 20 days from the date of this order.

(4) Existing oil wells in the East Dean-Wolfcamp Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, existing oil 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 60 days from the date of this order shall subject the well to cancellation of allowable.

(5) Unless called earlier by the motion of the Division, this case shall be reopened at an examiner hearing in December, 2004, at which time the operator(s) in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the East Dean-Wolfcamp Pool should not be rescinded and the pool not be developed on statewide 40-acre spacing.

(6) The effective date of this order shall be made retroactive to June 1, 2003.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenberg
LORI WROTENBERY
Director