

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. 11504
ORDER NO. R-10597

**APPLICATION OF MANZANO OIL CORPORATION FOR POOL CREATION
AND SPECIAL POOL RULES, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 4, 1996 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of May, 1996 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) The applicant, Manzano Oil Corporation ("Manzano"), seeks the creation of a new pool in Chaves County, New Mexico for the production of oil from the Bough "C" member of the Cisco formation (Upper Pennsylvanian) to comprise the following described area:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM

Section 16: E/2 SW/4.

(3) The applicant further seeks the promulgation of special pool rules therefor including provisions for 80-acre spacing and designated well location requirements whereby each 80-acre tract would be restricted to only one well and that such well would be located no closer than 330 feet to any quarter-quarter section line.

(4) Julian Ard of Fort Worth, Texas, who owns the off set mineral interest in the 40-acre tract comprising the SW/4 SW/4 of said Section 16 and who has staked its Ard State Well No. 1 (API No. 30-005-21141) at a standard oil well location 330 feet from the South line and 990 feet from the West line of said Section 16 to test for oil in the corresponding interval, appeared through legal counsel at the time of the hearing in opposition to the subject application. No other offset operator or interested party appeared at the hearing in opposition to this application.

(5) Manzano drilled (October/November, 1995) and completed (January 15, 1996) its "SV" Vest State Well No. 1 (API No. 30-005-21138), located at a standard oil well location 330 feet from the South line and 1650 feet from the West line (Unit N) of said Section 16, which is capable of producing hydrocarbons in commercial quantities from the Bough "C" member of the Cisco formation (Upper Pennsylvanian) through the perforated intervals from 8,316 feet to 8,319 feet and from 8,327 feet to 8,338 feet.

(6) Evidence presented at the time of the hearing and Division records indicate that the "SV" Vest State Well No. 1 is located more than a mile from any current established pool for this production.

(7) Evidence further indicates that the newly discovered reservoir is similar in nature to other Bough "C" (Upper Pennsylvanian Pool) producing oil pools in southeast New Mexico that exhibit similar drainage characteristics from a high permeable zone where wells are capable of draining an area in excess of 40 acres.

(8) In order to: (i) assure orderly development of the proposed pool, (ii) prevent the economic loss caused by the drilling of unnecessary wells, (iii) avoid the augmentation of risk arising from the drilling of an excessive number of wells, (iv) prevent reduced recovery which might result from the drilling of too few wells, and (v) to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units along with the proposed well location restrictions should be promulgated for the proposed pool.

(9) The applicant did not propose a pool-name designation for the above-described pool. In keeping with the Division's long-standing policy of referencing nearby geographical place names and/or utilizing existing names of pools in other formations within the immediate area of a new pool, this pool should be designated the Vest Ranch-Upper Pennsylvanian Pool.

(10) Further, this newly designated pool should be established for a temporary two-year period in order to allow the operators in the subject pool to gather sufficient

reservoir information to determine that an 80-acre unit within this area can be sufficiently and economically drained and developed by one well.

(11) This case should therefore be reopened at an examiner hearing in May, 1998, 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 Vest Ranch-Upper Pennsylvanian Pool should not be rescinded and to show cause why said pool should not be developed either on statewide 40-acre spacing or with an optional second well on each 80-acre unit.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico, classified as an oil pool for Upper Pennsylvanian production is hereby created and designated the Vest Ranch-Upper Pennsylvanian Pool, with vertical limits comprising the entire Cisco and Canyon formations and the horizontal limits comprising the following described area:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM

Section 16: E/2 SW/4.

(2) The Temporary Special Rules and Regulations for the Vest Ranch-Upper Pennsylvanian Pool are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
VEST RANCH UPPER-PENNSYLVANIAN POOL**

RULE 1: Each well completed or recompleted in the Vest Ranch-Upper Pennsylvanian Pool or in the Cisco and Canyon formations within one mile thereof, and not nearer to or within the limits of another Upper Pennsylvanian 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.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Division Director", may grant an exception to the requirements of Rule 2 without notice and hearing when an

application has been duly filed under the provisions of **Rule 104.d(2)** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

RULE 4: Only one well per 80-acre unit shall be permitted and the location of such well shall be located no closer than 330 feet to any quarter-quarter section line.

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 **Rule 104.F** of said General Rules and Regulations of the Division.

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 310 barrels of oil per day. 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.

(3) The locations of all wells presently drilling to or completed in the Vest Ranch-Upper Pennsylvanian Pool or in the Cisco or Canyon formations within one mile thereof 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 within thirty days from the date of this order.

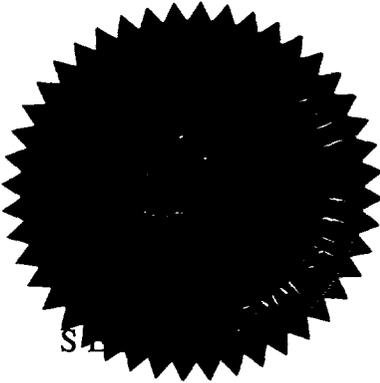
(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Vest Ranch-Upper Pennsylvanian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing 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 Vest Ranch-Upper Pennsylvanian Pool or in the Cisco and/or Canyon formations within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

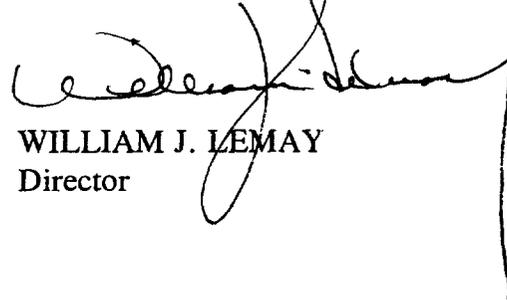
(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in May, 1998, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Vest Ranch-Upper Pennsylvanian Pool should not be rescinded and said pool not be developed either on statewide 40-acre spacing or with an optional second well on each 80-acre unit.

(6) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director