

**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. 11872
Order No. R-10918**

**APPLICATION OF ME-TEX OIL & GAS
INC. FOR POOL CONTRACTION, POOL
CREATION AND SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 6, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of November, 1997, 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, Me-Tex Oil & Gas Inc., seeks the contraction of the Skaggs-Drinkard Pool by the deletion therefrom of the E/2 of Section 3, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, and the concomitant creation of a new oil pool for the production of oil and gas from the Drinkard formation, said pool to comprise the E/2 NE/4 of said Section 3.

(3) The applicant further seeks the promulgation of special rules and regulations for the new Drinkard pool including a provision for a gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil.

(4) According to Division records, the Skaggs-Drinkard Pool currently comprises the following described acreage in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 1: E/2
Section 2: SE/4
Section 3: E/2
Section 10: N/2
Section 11: N/2, SE/4
Section 12: All
Section 13: N/2
Section 14: NE/4

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 8: SW/4
Section 17: NW/4
Section 18: All
Section 19: E/2
Section 20: W/2

(5) Division records further indicate that the Skaggs-Drinkard Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-7020 dated July 2, 1982, including a provision for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(6) Applicant's evidence and testimony indicates that it has recently drilled its State "H" Well No. 2 located 560 feet from the North line and 990 feet from the East line (Lot 1) of Section 3 to test the Drinkard formation. The well was perforated from 6,775 feet to 6,847 feet in the Drinkard formation and IP'd at a rate of approximately 3.4 MMCF gas per day and 163 barrels of oil per day.

(7) The applicant also currently operates the State "H" Well No. 1 located 1800 feet from the North line and 990 feet from the East line (Unit H) of Section 3, which well is also completed in and producing from the Drinkard formation through perforations from 6,632 feet to 6,697 feet.

(8) According to Division records, there are currently no other wells within the E/2 of Section 3 producing from the Drinkard formation

(9) The applicant's geologic and engineering evidence and testimony indicates that the State "H" Well Nos. 1 and 2 have discovered a separate source of supply in the Drinkard formation which is not in communication with the Skaggs-Drinkard Pool.

(10) A new oil pool for the production of oil and gas from the Drinkard formation should be created and designated the Northwest Skaggs-Drinkard Pool. The vertical limits should include the Drinkard formation and the horizontal limits should initially include the E/2 NE/4 of Section 3.

(11) The Skaggs-Drinkard Pool should be contracted by the deletion therefrom of the E/2 of Section 3.

(12) Preliminary engineering data presented by the applicant indicates that the Northwest Skaggs-Drinkard Pool is a solution gas drive reservoir which can be produced more efficiently at a gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil.

(13) Preliminary engineering data further indicates that the establishment of a gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil for the Northwest Skaggs-Drinkard Pool should not result in excessive dissipation of reservoir energy, thereby causing waste, and should allow the operators in the pool the opportunity to economically recover the oil and gas reserves from the Drinkard formation, and will otherwise protect correlative rights.

(14) Chevron U.S.A. Inc., an offset operator, appeared at the hearing and expressed its support for the application.

(15) The applicant has also been in contact with Arco Oil & Gas Company who is currently drilling a Drinkard well within the SE/4 of Section 34, Township 19 South, Range 37 East, which, if productive, will presumably be located within the Northwest Skaggs-Drinkard Pool. Applicant testified that Arco Oil & Gas Company also supports its application in this case.

(16) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(17) The special rules and regulations for the Northwest Skaggs-Drinkard Pool promulgated herein should remain in effect for a temporary period of one year in order to allow the operators in the pool additional time to gather geologic and engineering data necessary in order to promulgate permanent rules and regulations.

(18) This case should be reopened at an Examiner hearing in November, 1998, at which time the operators in the Northwest Skaggs-Drinkard Pool should appear and present geologic and engineering evidence and testimony relative to the promulgation of permanent rules and regulations.

IT IS THEREFORE ORDERED THAT:

(1) A new pool for the production of oil from the Drinkard formation is hereby created and designated the Northwest Skaggs-Drinkard Pool. The vertical limits of the pool shall comprise the Drinkard formation and the horizontal limits of the pool shall comprise the following described acreage in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 3: E/2 NE/4

(2) The Skaggs-Drinkard Pool is hereby contracted by the deletion therefrom of the following described acreage in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 3: E/2

(3) Pursuant to the application of Me-Tex Oil & Gas, Inc., Temporary Special Rules and Regulations for the Northwest Skaggs-Drinkard Pool are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
NORTHWEST SKAGGS-DRINKARD POOL

RULE 1. The limiting gas-oil ratio for the Northwest Skaggs-Drinkard Pool shall be 20,000 cubic feet of gas per barrel of oil.

(4) This case shall be reopened at an Examiner hearing in November, 1998, at which time the operators in the Northwest Skaggs-Drinkard Pool shall appear and present geologic and engineering evidence and testimony relative to the promulgation of permanent rules and regulations.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 11872

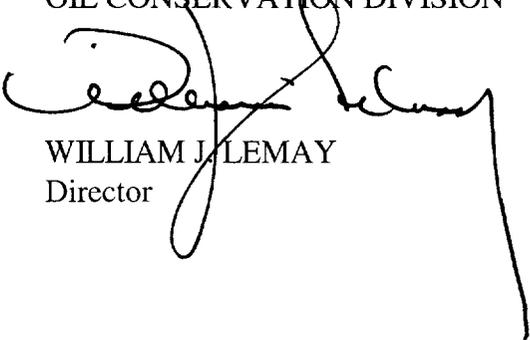
Nomenclature

Order No. R-10918

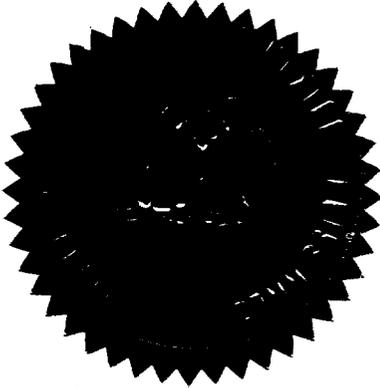
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director



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