

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. 12179
Order No. R-11208

APPLICATION OF ENERQUEST RESOURCES, L.L.C. TO AMEND THE
SPECIAL POOL RULES FOR THE EAST HOBBS-SAN ANDRES POOL, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 13, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of June, 1999, 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) By Order No. R-7511, entered in Case No. 8130 on April 20, 1984, the Division, upon application of Martindale Petroleum Corporation, established a limiting gas-oil ratio in the East Hobbs-San Andres Pool, Lea County, New Mexico, of 5,000 cubic feet of gas per barrel of oil.

(3) The applicant, Enerquest Resources, L.L.C. (Enerquest), seeks to amend the special rules for the East Hobbs-San Andres Pool to include the assignment of a special depth bracket allowable, pursuant to Division Rule No. 505.D., of 160 barrels of oil per day.

(4) According to Division records, the East Hobbs-San Andres Pool currently comprises the following described acreage in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 25: SE/4

TOWNSHIP 18 SOUTH, RANGE 39 EAST, NMPM

- Section 29: All
- Section 30: All
- Section 31: N/2 N/2
- Section 32: Lot 1, N/2 NW/4

(5) The current oil allowable for the East Hobbs-San Andres Pool pursuant to Division Rule 505.A. is 80 barrels of oil per day.

(6) The applicant presented testimony indicating that:

- a) approximately 77% of the acreage within the East Hobbs-San Andres Pool is operated by Enerquest;
- b) Enerquest currently operates seventeen (17) of the twenty (20) wells currently producing from the East Hobbs-San Andres Pool. The remaining wells are operated by David H. Arrington Oil & Gas Inc. and Lynx Energy Company, Inc.;
- c) both David H. Arrington Oil & Gas Inc. and Lynx Energy Company, Inc. were notified of the application; and
- d) Lynx Energy Company, Inc. appeared at the hearing through legal counsel but offered no objection to the application. David H. Arrington Oil & Gas Inc. did not appear at the hearing.

(7) The applicant presented geologic evidence indicating that:

- a) the San Andres formation within the East Hobbs-San Andres Pool is comprised of at least four porosity zones designated (from shallowest to deepest) the P1, P2, P3 and P4 porosity zones;
- b) development of the East Hobbs-San Andres Pool, which commenced during the 1950's, has occurred primarily within the P1 porosity zone. Wells were typically drilled to a depth sufficient to penetrate the P1 porosity zone only. This zone is still being commercially produced from wells located at the top of the structure, which is centered on the SE/4 of Section 30. Wells on the flank of the P1 zone have watered out;
- c) production from the P2 through P4 porosity zones did not occur until the late 1960's, at which time several wells within the field were deepened to penetrate these zones;
- d) during 1997-98 the applicant deepened four wells and drilled three additional wells in the field to test the deeper P2 through P4 porosity zones;

- e) the P1 porosity zone appears to be vertically separate from the P2 through P4 porosity zones by a permeability barrier;
 - f) core data obtained from the Samuel Cain Well No. 5 located in Unit N of Section 30 shows an average of 704 porosity feet within the P1 zone and 2,187 porosity feet within the P2 through P4 zones; and
 - f) the P2 through P4 porosity zones are laterally continuous across the field and the potential for development of these zones is extensive.
- (8) The applicant presented engineering evidence indicating that:
- a) the P2 through P4 interval within the San Andres formation is a solution gas drive reservoir;
 - b) its Carrie O. Davis Well No. 5 and Laney "A" Well No. 1, located in Unit M of Section 29 and Unit J of Section 30, respectively, which were drilled in 1997-98, are currently capable of production in excess of the current top allowable for the East Hobbs-San Andres Pool;
 - c) preliminary production and test data performed on the Carrie O. Davis Well No. 5 and Laney "A" Well No. 1 indicate that these wells may be produced at a rate of 160 barrels of oil per day without harm to the reservoir; and
 - d) increasing the top allowable producing rate for the East Hobbs-San Andres Pool will also provide the allowable flexibility necessary to further develop those proration units within the pool that have existing producing wells dedicated thereto.
- (9) The applicant requested that the proposed top allowable producing rate for the East Hobbs-San Andres Pool be adopted for a temporary period of eighteen months in order to provide the applicant and other operators in the pool the opportunity to gather additional data to confirm that a top allowable producing rate of 160 barrels of oil per day should be permanently adopted.
- (10) No offset operator and/or interest owner appeared at the hearing in opposition to the application.
- (11) Approval of this application will provide the applicant the opportunity to economically develop the P2 through P4 San Andres reservoir within the East Hobbs-San Andres Pool, thereby preventing waste and will protect correlative rights.
- (12) A temporary top oil allowable of 160 barrels of oil per day for the East Hobbs-San Andres Pool should be established for a period of eighteen months.

(13) This case should be re-opened at an examiner hearing in December, 2000, at which time the operators in the pool should be prepared to appear and show cause why the top oil allowable rate of 160 barrels of oil per day for the East Hobbs-San Andres Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) The application of Enerquest Resources, L.L.C. to amend the special pool rules for the East Hobbs-San Andres Pool, Lea County, New Mexico set forth in Division Order No. R-7511 is hereby approved.

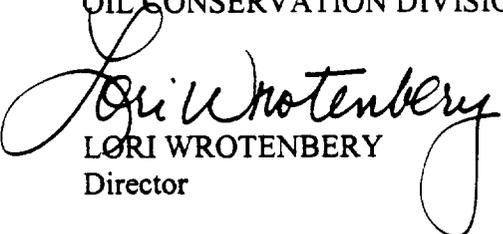
(2) The top allowable producing rate for the East Hobbs-San Andres Pool is hereby established at 160 barrels of oil per day for a temporary period of eighteen months.

(3) This case shall be re-opened at an examiner hearing in December, 2000, at which time the operators in the pool should be prepared to appear and show cause why the top oil allowable rate of 160 barrels of oil per day for the East Hobbs-San Andres Pool should not be rescinded.

(4) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

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