

**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. 12367
ORDER NO. R-11396**

**APPLICATION OF SANTA FE SNYDER CORPORATION FOR POOL
CREATION, SPECIAL POOL RULES, AND AN UNORTHODOX OIL WELL
LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 4, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of June, 2000, 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, Santa Fe Snyder Corporation ("Santa Fe"), seeks:
 - (a) the creation a new pool for the production of oil from the Wolfcamp formation comprising the NW/4 of Section 27, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico;
 - (b) the promulgation of special pool rules including provisions for 160-acre spacing and proration units with wells to be located no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary;

- (c) an effective date of February 1, 2000 for the special pool rules; and
 - (d) an exception to the proposed rules for an unorthodox well location for its Weems Well No. 1 (**API No. 30-015-24827**) located 990 feet from the North line and 1330 feet from the West line (Unit C) of Section 27.
- (3) Harold J. Grandi, Elizabeth Ann Grandi Revocable Trust, Enea Maurice Grandi, Jr., Iris Jeannie Grandi, Charlotte Louise Bingman, Raymond Henry Grandi and Norma Jean Kelly (collectively referred to as the "Grandi Group"), all interest owners within the NW/4 of Section 27, appeared at the hearing through legal counsel.
- (4) Division records indicate that the Weems Well No. 1 was originally drilled in 1984 at an unorthodox gas well location approved by Division Order No. NSL-1798. The well subsequently produced from the Carlsbad-Strawn Gas Pool, the South Carlsbad-Morrow Gas Pool and the Otis-Atoka Gas Pool. On or about February 6, 2000, Santa Fe recompleted the well to the Wolfcamp formation through perforations from 9,062 feet to 9,114 feet. The well IP'd at a rate of 347 BOPD and 485 MCFGPD.
- (5) Pursuant to Division rules, the Weems Well No. 1 has been classified as an oil well.
- (6) The Weems Well No. 1 is located within one mile of both the Cass Draw-Wolfcamp and East Carlsbad-Wolfcamp Gas Pools. There are no Wolfcamp oil pools within one mile of the Weems Well No. 1.
- (7) The applicant's evidence demonstrates that there are approximately six separate fee leases within the NW/4 of Section 27 and the interest ownership within these leases is very complex.
- (8) The applicant's geologic evidence demonstrates that:
- (a) the Weems Well No. 1 is producing from an oil-productive Upper-Wolfcamp interval that is stratigraphically higher than the Wolfcamp intervals being produced in the Cass Draw-Wolfcamp and East Carlsbad-Wolfcamp Gas Pools;

- (b) the entire NW/4 of Section 27 should be productive from this Upper-Wolfcamp interval; and
 - (c) the Weems Well No. 1 appears to have penetrated this Upper-Wolfcamp interval in the area of greatest carbonate thickness.
- (9) The applicant's engineering evidence demonstrates that:
 - (a) the Weems Well No. 1 is currently producing at a rate of approximately 50 BOPD and 80 MCFGPD. The well should ultimately recover approximately 39 MBO and 117 MMCFG;
 - (b) the Weems Well No. 1 should ultimately drain an area of approximately 118 acres;
 - (c) due to its location, the Weems Well No. 1 should drain Upper-Wolfcamp oil and gas reserves from all four quarter-quarter sections within the NW/4 of Section 27; and
 - (d) due to projected low recoveries, it is uneconomic to drill additional wells to recover Upper-Wolfcamp oil and gas reserves within the NW/4 of Section 27.
- (10) The Grandi Group expressed some concern over the proposed 160-acre spacing; however, it did not present any evidence to contest Santa Fe's application.
- (11) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.
- (12) The evidence presented demonstrates that the Weems Well No. 1 has discovered a new common source of supply in the Wolfcamp formation.
- (13) A new pool for the production of oil from the Wolfcamp formation should be created and designated the North Cass Draw-Wolfcamp Pool with vertical limits comprising the Wolfcamp formation and horizontal limits comprising the NW/4 of Section 27, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

(14) In order to prevent waste and protect correlative rights, special pool rules providing for 160-acre spacing and proration units should be established for the North Cass Draw-Wolfcamp Pool.

(15) The special pool rules should provide for designated well locations such that a well shall be located no closer than 660 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.

(16) In order to allow all interest owners within the NW/4 of Section 27 to share in production from the Weems Well No. 1 from the date of first production, the special pool rules for the North Cass Draw-Wolfcamp Pool should be made effective February 1, 2000.

(17) Approval of the unorthodox well location will afford Santa Fe the opportunity to produce its just and equitable share of the oil underlying the NW/4 of Section 27 and will otherwise prevent waste and protect correlative rights.

(18) Pursuant to Division Rules No. 505.A. and 506.A., the subject pool should be assigned a depth bracket allowable of 515 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Santa Fe, a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production is hereby created and designated the North Cass Draw-Wolfcamp Pool, with vertical limits comprising the Wolfcamp formation and horizontal limits comprising the following described area:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 27: NW/4

(2) Special pool rules for the North Cass Draw-Wolfcamp Pool are hereby adopted as follows:

**SPECIAL POOL RULES FOR THE
NORTH CASS DRAW-WOLFCAMP POOL**

RULE 1. Each well completed in or recompleted in the North Cass Draw-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to

or within the limits of another designated Wolfcamp pool, shall be spaced, drilled, operated and produced in accordance with these rules.

RULE 2. Each well completed or recompleted in the North Cass Draw-Wolfcamp Pool shall be located on a unit containing 160 acres, more or less, which consists of the NE/4, SE/4, SW/4 or NW/4 of a single governmental section.

RULE 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 20 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 660 feet to any outer boundary of a proration unit and no closer than 330 feet to any 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 filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard 160-acre oil proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 515 BOPD with a limiting GOR 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 160 acres.

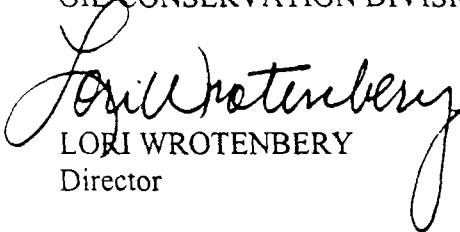
IT IS FURTHER ORDERED THAT:

(3) An unorthodox oil well location for the Weems Well No. 1 (API No. 30-015-24827) located 990 feet from the North line and 1330 feet from the West line (Unit C) of Section 27 in the North Cass Draw-Wolfcamp Pool is hereby approved.

(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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