

**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. 12778 (Reopened)
ORDER NO. R-8170-Q**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. TO
ABOLISH THE SPECIAL RULES AND REGULATIONS FOR THE BUFFALO
VALLEY-PENNSYLVANIAN GAS POOL AND TO TERMINATE GAS
PRORATIONING WITHIN THIS POOL, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 10 and May 2, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of August, 2002, 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, Devon Energy Production Company, L.P. ("Devon"), seeks:

- (a) to abolish the "*Special Rules and Regulations for the Buffalo Valley-Pennsylvanian Gas Pool*," Chaves County, New Mexico, as established by Division Order No. R-8170, as amended, which require standard 320-acre gas spacing and proration units with wells to be located in the northwest quarter or the southeast quarter of the section no closer than 990 feet to the outer boundary of the quarter section nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary;

- (b) to terminate gas prorationing in the Buffalo Valley-Pennsylvanian Gas Pool, which was instituted in the pool effective May 1, 1969; and
- (c) to have the Buffalo Valley-Pennsylvanian Gas Pool hereinafter governed by the provisions of Division Rule No. 104.(C), which requires standard 320-acre gas spacing and proration units and which further provides that (i) no more than 2 wells shall be drilled on a standard gas proration unit, provided that the infill well is not located in the same quarter section as the original well; and (ii) the initial and infill well shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(3) This case was originally heard on January 10, 2002. At that time, Devon presented evidence to support its request to abolish the special pool rules for the Buffalo Valley-Pennsylvanian Gas Pool, and the case was then taken under advisement. Subsequent to the hearing, the Division determined that in its initial application, Devon neglected to address the issue of gas prorationing in the pool. The case was reopened and Devon appeared at the May 2, 2002 hearing and presented additional evidence to support its supplemental request to terminate gas prorationing in the pool.

(4) Yates Petroleum Corporation ("Yates"), an operator within the Buffalo Valley-Pennsylvanian Gas Pool, appeared at the hearing on January 10, 2002 and presented evidence to support Devon's application. Yates also appeared at the May 2, 2002 hearing to support Devon's supplemental request to terminate gas prorationing in the pool.

(5) The Buffalo Valley-Pennsylvanian Gas Pool currently comprises all or portions of Sections 25, 26, 35 and 36, Township 14 South, Range 27 East, all of Section 31, Township 14 South, Range 28 East, all or portions of Sections 1, 2, 3, 4, 11, 12, 13, 14, 15, 22, 23, 24, 25 and 26, Township 15 South, Range 27 East, and all or portions of Sections 6, 7, 8, 16, 17, 18, 20 and 21, Township 15 South, Range 28 East, NMPM, Chaves County, New Mexico.

(6) The southern boundary of the Buffalo Valley-Pennsylvanian Gas Pool is contiguous with the northern boundary of the Diamond Mound-Morrow Gas Pool. The Diamond Mound-Morrow Gas Pool is currently governed by Division Rule No. 104.(C).

(7) There are currently thirty-seven (37) active producing wells in the Buffalo Valley-Pennsylvanian Gas Pool operated by nine different operators. Devon does not currently own acreage nor operate any wells within the pool, but is proposing to drill two wells within one mile of the pool in Sections 15 and 22, Township 15 South, Range 28 East, NMPM.

(8) Devon presented geologic evidence that demonstrates:

- (a) the vertical limits of the Buffalo Valley-Pennsylvanian Gas Pool comprise the entire Pennsylvanian formation. The Morrow interval is the predominant producing interval within the pool; however, certain wells within the pool also produce from the Atoka interval;
- (b) the producing Morrow sand intervals within the Buffalo Valley-Pennsylvanian Gas Pool are laterally discontinuous; and
- (c) the producing Morrow sand intervals within the Buffalo Valley-Pennsylvanian Gas Pool are the equivalent age of those Morrow intervals being produced within the Diamond Mound-Morrow Gas Pool, and there do not appear to be significant differences in the characteristics of these Morrow sands.

(9) Devon presented engineering evidence that demonstrates:

- (a) the Buffalo Valley-Pennsylvanian Gas Pool was discovered in 1962 by the Cities Service Beatza Well No. 1 located in Section 35, Township 14 South, Range 27 East, NMPM;
- (b) to date, approximately fifty-two (52) wells have been drilled and completed in the pool;

- (c) the cumulative production for wells in this pool ranges from 14,000 MCF to 11.5 BCF of gas; and
- (d) the drainage area for wells in this pool ranges from 3 to 780 acres.

(10) As part of its engineering analysis, Devon examined the cumulative production and drainage data for wells producing from the Diamond Mound-Morrow Gas Pool. The results of this analysis show that the cumulative production for wells in the Diamond Mound-Morrow Gas Pool ranges from 1,000 MCF to 7.1 BCF of gas, while the drainage area ranges from 1 to 630 acres.

(11) Pursuant to the current special pool rules, operators within the Buffalo Valley-Pennsylvanian Gas Pool are precluded, without first obtaining an exception, from drilling infill wells and from drilling wells within the NE/4 and SW/4 of a governmental section.

(12) Yates presented geologic evidence that demonstrates that there are numerous instances within the Buffalo Valley-Pennsylvanian Gas Pool where the Morrow sands are thickest within the SW/4 of the governmental section. This geologic evidence demonstrates that within certain existing spacing units, there appears to be potential for increasing gas recovery from the Buffalo Valley-Pennsylvanian Gas Pool by drilling additional infill wells.

(13) The geologic and engineering data presented at the hearing demonstrates that:

- (a) there does not appear to be any geologic or engineering reason why the Buffalo Valley-Pennsylvanian Gas Pool should be developed in a different manner than the Diamond Mound-Morrow Gas Pool; and
- (b) allowing infill drilling within the Buffalo Valley-Pennsylvanian Gas Pool should increase the ultimate recovery of gas from the pool, thereby preventing waste.

(14) In support of its request to abolish gas prorationing within the Buffalo Valley-Pennsylvanian Gas Pool, Devon presented evidence that demonstrates:

- (a) pursuant to Division Order No. R-11350 dated March 24, 2000, the current gas allowable for the Buffalo Valley-Pennsylvanian Gas Pool is approximately 1,100 MCF gas per day for a standard, non-marginal spacing unit;
- (b) the average daily producing rate for the thirty-seven (37) active wells in the pool as of November 30, 2001 was approximately 189 MCF gas per day;
- (c) the Read & Stevens Inc. Harris Federal Well No. 9 located in Section 23, Township 15 South, Range 27 East, NMPM, is currently the most prolific producing well in the pool. As of November 30, 2001, this well was producing at a rate of approximately 714 MCF gas per day;
- (d) there are no non-marginal wells in the Buffalo Valley-Pennsylvanian Gas Pool at the present time;
- (e) the current market demand for gas is such that all gas currently being produced from the pool is sold; and
- (f) all operators of wells within the Buffalo Valley-Pennsylvanian Gas Pool were notified of the application in this case.

(15) No operator appeared at the hearing to oppose the abolishment of the special pool rules for the Buffalo Valley-Pennsylvanian Gas Pool, nor to oppose the termination of gas prorationing within the pool.

(16) The geologic and engineering evidence presented demonstrates that gas prorationing within the Buffalo Valley-Pennsylvanian Gas Pool currently serves no purpose and is not necessary to protect the correlative rights of the operators in the pool nor to prevent waste.

(17) Approval of the application will provide the operators in the Buffalo Valley-Pennsylvanian Gas Pool the opportunity to drill additional wells to increase the gas recovery from the pool, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Devon Energy Production Company, L.P., the "*Special Rules and Regulations for the Buffalo Valley-Pennsylvanian Gas Pool*," Chaves County, New Mexico, as established by Division Order No. R-8170, as amended, are hereby abolished.

(2) Gas prorationing, which was instituted in the Buffalo Valley-Pennsylvanian Gas Pool on May 1, 1969, is hereby terminated.

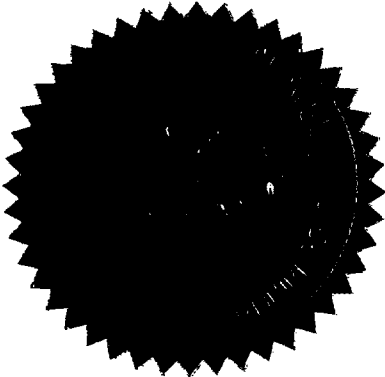
(3) The Buffalo Valley-Pennsylvanian Gas Pool shall hereinafter be governed by Division Rule 104.(C).

(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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