

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 1933
Order No. R-1650

APPLICATION OF AMBASSADOR OIL
CORPORATION FOR A SPECIAL ALLOW-
ABLE ON A TEMPORARY BASIS FOR
ONE WELL IN THE CAPROCK-QUEEN
POOL, LEA AND CHAVES COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 6, 1960, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 13th day of April, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Ambassador Oil Corporation, is the owner and operator of the State "C" Well No. 1, located in the SW/4 SW/4 of Section 36, Township 12 South, Range 31 East, NMPM, Chaves County, New Mexico, which 40-acre tract is included within the horizontal limits of the Pebble Queen Unit and is adjacent to the North Caprock-Queen Unit, in each of which units a waterflood project has previously been authorized by the Commission.

(3) That the applicant seeks a special allowable for the subject well on a temporary basis for the following reasons:

(a) The subject well has received a substantial response from the injection of water in the offsetting North Caprock-Queen Waterflood Project No. 2.

(b) The applicant objects to the participation

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formula in the Pebble Queen Unit and has thus far declined to commit the well to said Pebble Queen Unit.

(c) The applicant has thus far been unable to commit this well to the North Caprock-Queen Unit inasmuch as one or more working interest owners in said Unit have declined to give approval.

(d) All other acreage offsetting the 40-acre tract on which the subject well is located is undeveloped and may be uneconomical to develop.

(4) That in every waterflood project, prorated or otherwise, allowables may be transferred from well to well and the project allowable may be produced from any well or wells in the project in any proportion, thereby providing what the Commission deems adequate flexibility. But in this case, the applicant owns only a single 40-acre tract and production from the subject well is thus limited to normal unit allowable.

(5) That accordingly, there is a reasonable probability that to restrict the production from the subject well to normal unit allowable might cause the ultimate loss of oil, since a portion of the oil underlying the subject 40-acre tract might be pushed to the undeveloped acreage to the North and Northwest, which acreage may never be developed, and even if developed, a portion of the oil might never be recovered.

(6) That there are avenues open to the applicant which will prevent this possible loss of oil, but they involve further consultation and negotiation with operators in adjacent unit waterflood projects which will take a certain amount of time.

(7) That the Commission is of the opinion, and the applicant concurs, that a 90-day period is sufficient to complete all negotiations leading to commitment of the subject well to either the North Caprock-Queen Unit or the Pebble Queen Unit, or to transfer it to an operator who will commit it to one of these Units.

(8) That the testimony establishes that a special allowable in the maximum amount of 75 barrels of oil per day for the subject well on a temporary basis is justified. However, since the applicant and adjacent owners have it within their power to make reasonable arrangements which will prevent the pushing of oil from the subject tract to undeveloped acreage of questionable commercial value, in no event should the special allowable be assigned for more than a 90-day period.

IT IS THEREFORE ORDERED:

(1) That a special allowable not to exceed 75 barrels of oil per day, be and the same is hereby assigned to the

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Ambassador State "C" Well No. 1, located in the SW/4 SW/4 of Section 36, Township 12 South, Range 31 East, NMPM, Chaves County, New Mexico, for a maximum period of 90 days.

(2) That during the 90-day period, the applicant shall keep the Commission advised of its progress leading toward commitment of the subject well to an adjacent unit.


(3) That the special allowable hereby assigned to the said Ambassador State "C" Well No. 1 shall terminate 90 days from the date of this order, or on the date that the well is committed to the Pebble Queen Unit or the North Caprock-Queen Unit, whichever date is prior in time.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


A. L. PORTER, Jr., Member & Secretary

