

3152

PROFITABILITY ANALYSIS
 Jake L. Hamon and Perry R. Bass
 State "E-8321" No. 1
 Section 4, T-21-S, R-35-E
 Lea County, New Mexico

1000-1700
 WC 7 1/2%
 22-35 1/2%
 1.05 ft
 57-11 1/2%
 8 1/2%
 20-25 1/2%
 50 BO
 50 BO
 1.05
 S. J. ...
 2750

PARAMETERS:

- Item
- (1) Cost to drill and complete dual discovery well to 11,529
 - (2) Estimated subsequent dual well costs, to tanks:
 - (3) Estimated recovery per acre foot, Wolfcamp:
 - (4) Estimated recovery per acre foot, Strawn:
 - (5) Net Wolfcamp pay thickness: 47 feet
 - (6) Net Strawn pay thickness: 18 feet
 - (7) Per acre recovery, Wolfcamp (Item 3 x Item 5): 2350 BO
 - (8) Per acre recovery, Strawn (Item 4 x Item 6): 900 BO
 - (9) Estimated oil price per barrel (after lifting costs): \$2.00

\$280,000
 \$240,000
 50 BO
 50 BO

WOLFCAMP ANALYSIS

- (A) 80 Acre Spacing (assigning 1/2 dual well costs to this reservoir):
- | | |
|--|------------|
| Estimated recovery = 80 acres x Item (7) | 188,000 BO |
| Gross income = Item (9) x 188,000 | \$ 376,000 |
| Net income = \$376,000 - 1/2 Item (1) = | 376,000 |
| | - 140,000 |
| | \$ 236,000 |
- Net income on 80 acre spacing =
- (B) 40 Acre Spacing (assigning 1/2 estimated cost of two dual wells to this reservoir):
- | | |
|---|------------|
| Estimated two well recovery = | 188,000 BO |
| Estimated two well cost = 1/2 Item (1) + 1/2 Item (2) = | \$ 260,000 |
| Net income = Gross - Cost = | 376,000 |
| | -260,000 |
| | \$ 116,000 |
- Net income 40 acre spacing =

STRAWN ANALYSIS

- (A) 80 Acre Spacing (assigning 1/2 dual well cost to this reservoir):
- | | |
|--|------------|
| Estimated recovery = 80 acres x Item (8) = | 72,000 BO |
| Gross income = Item (9) x 72,000 BO = | \$ 144,000 |
| Net income = \$144,000 - 1/2 Item (1) = | 144,000 |
| | -140,000 |
| | \$ 4,000 |
- Net income on 80 acre spacing =
- (B) 40 Acre Spacing (assigning 1/2 estimated cost of two dual wells to this reservoir):
- | | |
|---|------------|
| Estimated two well recovery = | 72,000 BO |
| Estimated two well cost = 1/2 Item (1) + 1/2 Item (2) = | \$ 260,000 |
| Net income = Gross - Cost = | 144,000 |
| | -260,000 |
| | \$ 116,000 |
- Net loss on 40 acre spacing =

DUAL WELL ANALYSIS (WOLFCAMP AND STRAWN)

- (A) 80 Acre Spacing:
- | | |
|-----------------------|-----------|
| Net income Wolfcamp = | \$236,000 |
| Net income Strawn = | 4,000 |
| Net income dual well | \$240,000 |
- (B) 40 Acre Spacing:
- | | |
|-------------------------------|------------|
| Net income, two wells = | \$ 240,000 |
| Estimated second well costs = | 240,000 |
| Net income two dual wells = | \$ 000,000 |

**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. 3152
Order No. R-2821-A**

**APPLICATION OF JAKE L. HAMON
FOR THE CREATION OF A NEW OIL
POOL AND SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 5, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Matter.

NOW, on this 13th day of January, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 by Order No. R-2821, dated December 2, 1964, temporary Special Rules and Regulations were promulgated for the Osudo-Wolfcamp Pool, Lea County, New Mexico.

(3) That pursuant to the provisions of Order No. R-2821, this case was reopened to allow the operators in the subject pool to appear and show cause why the Osudo-Wolfcamp Pool should not be developed on 40-acre spacing units.

(4) That the operators in the subject pool do not anticipate the drilling of additional wells.

-2-

CASE No. 3152

Order No. R-2821-A

(5) That the operators in the subject pool have not established that one well can efficiently and economically drain and develop 80 acres.

(6) That no necessity exists for the continuation of the Special Rules and Regulations promulgated by Order No. R-2821 and that said rules should therefore be abolished.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the Oundo-Wolfcamp Pool promulgated by Order No. R-2821 are hereby abolished.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

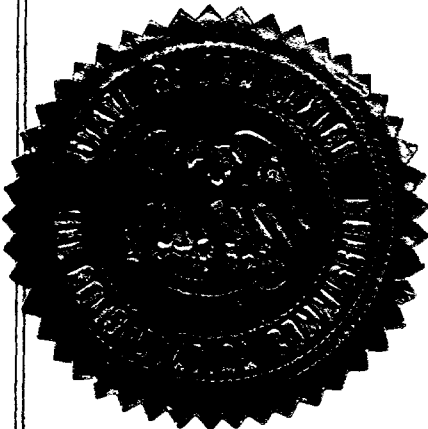
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell
JACK M. CAMPBELL, Chairman

Guyton B. Hays
GUYTON B. HAYS, Member

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



esr/

**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. 3152
Order No. R-2821**

NOMENCLATURE

**APPLICATION OF JAKE L. HAMON
FOR THE CREATION OF A NEW OIL
POOL AND SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 24, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 2nd day of December, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Jake L. Hamon, seeks the creation of a new oil pool for Wolfcamp production and the promulgation of temporary special rules and regulations governing said pool, including a provision for 80-acre spacing.

(3) That the State E-8321 Well No. 1, located in Unit L of Section 4, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the Osudo-Wolfcamp Pool; that the vertical limits of said pool should be the zone encountered in said well between 10,140 and 10,390 feet; and that the horizontal limits of said pool should be Lots 5, 6, 11, 12, 13, and 14 of Section 4, and Lots 8, 9, and 16 of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

CASE No. 3152
Order No. R-2821

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the Osudo-Wolfcamp Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(7) That this case should be reopened at an examiner hearing in January, 1966, at which time the operators in the subject pool should be prepared to appear and show cause why the Osudo-Wolfcamp Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production, is hereby created and designated the Osudo-Wolfcamp Pool, with vertical limits comprising the zone encountered between 10,140 and 10,390 feet in the Jake L. Hamon State E-8321 Well No. 1 located in Unit L of Section 4, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, and horizontal limits comprising Lots 5, 6, 11, 12, 13, and 14 of Section 4, and Lots 8, 9, and 16 of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) That temporary Special Rules and Regulations for the Osudo-Wolfcamp Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
OSUDO-WOLFCAMP POOL**

RULE 1. Each well completed or recompleted in the Osudo-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated

-3-

CASE No. 3152

Order No. R-2821

Wolfcamp oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot. 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 Secretary-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 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-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 unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (79 through 81) acres shall be assigned an 80-acre proportional factor of 5.67 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

-4-

CASE No. 3152

Order No. R-2821

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 80 acres.

IT IS FURTHER ORDERED:

(1) That any well presently drilling to or completed in the Osudo-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof that will not comply with the well location requirements of Rule 4 is hereby granted an exception to the requirements of said rule. The operator shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before January 1, 1965.

(2) That each well presently drilling to or completed in the Osudo-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof shall receive a 40-acre allowable until a Form C-128 dedicating 80 acres to the well has been filed with the Commission.

(3) That this case shall be reopened at an examiner hearing in January, 1966, at which time the operators in the subject pool may appear and show cause why the Osudo-Wolfcamp Pool should not be developed on 40-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

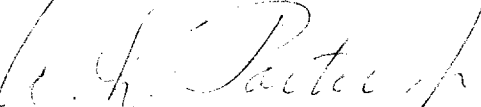
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



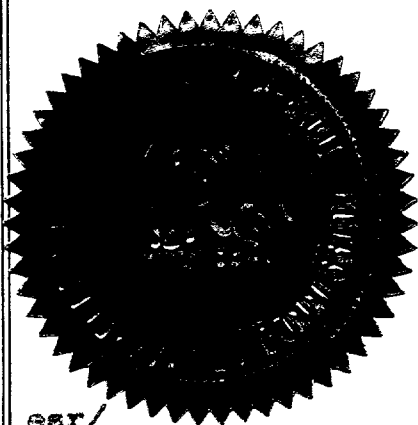
JACK M. CAMPBELL, Chairman



E. S. WALKER, Member



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



esr/