

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. 10518

**APPLICATION OF MEWBOURNE OIL COMPANY FOR THE AMENDMENT OF
DIVISION ORDER NO. R-9554, EDDY COUNTY, NEW MEXICO; AND**

REOPENED
CASE NO. 10329

**IN THE MATTER OF CASE NO. 10329 BEING REOPENED PURSUANT TO THE
PROVISIONS OF DIVISION ORDER NO. R-9554, WHICH PROMULGATED
SPECIAL RULES AND REGULATIONS FOR THE CEDAR LAKE-STRAWN POOL,
EDDY COUNTY, NEW MEXICO.**

ORDER NO. R-9554-A

ORDER OF THE DIVISION

BY THE DIVISION:

Both causes came on for hearing at 8:15 a.m. on August 6, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of November, 1992 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of each cause and the subject matter thereof.
- (2) The Division, by Order No. R-9545, dated July 1, 1991, in part, created and defined the Cedar Lake-Strawn Pool for the production of oil from the Strawn formation, with horizontal limits consisting of the SW/4 of Section 2, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) By Division Order No. R-9609, dated November 7, 1991, the horizontal limits of the subject pool were extended to include the NW/4 equivalent of said Section 2. Therefore, the current boundary of the Cedar Lake-Strawn Pool comprises the W/2 equivalent of said Section 2.

(4) By Division Order No. R-9554, issued in Case No. 10329 and dated July 31, 1991, temporary Special Rules and Regulations were promulgated for the Cedar Lake-Strawn Pool for a one-year period establishing 80-acre oil spacing units and designated well location requirements.

(5) Pursuant to the provisions of said Order No. R-9554, Case No. 10329 is being reopened at this time to allow the operators in the subject pool to appear and show cause why the temporary Special Rules and Regulations for the Cedar Lake-Strawn Pool should not be rescinded and said pool not be developed on 40-acre oil spacing units.

(6) Also, the applicant in Case No. 10518 and the original applicant in said Case No. 10329, Mewbourne Oil Company, (Mewbourne) seeks the amendment of said Special Rules and Regulations for the Cedar Lake-Strawn Pool, as promulgated by said Order No. R-9554, by providing for 160-acre spacing instead of the current 80-acre spacing, corresponding well location requirements, and a limiting gas/oil ratio of 4000 cubic feet of gas per barrel of oil.

(7) At the time of the hearing, both Case No. 10518 and Reopened Case No. 10329 were consolidated for purposes of testimony.

(8) Mewbourne currently operates the only two producing Strawn wells in the subject pool; the Loco Hills State Well No. 1 located 990 feet from the South line and 660 feet from the West line (Unit M) and the State "CE" Well No. 1 located 1980 feet from the North line and 1880 feet from the West line (Unit F), both in said Section 2.

(9) Within the twelve-month period that said Order No. R-9554 granted the operators in said pool to accumulate additional production and technical data to qualify continuation of the special pool rules, Mewbourne presented its tabulation of said data which indicates that the reservoir has a higher permeability than originally demonstrated and is capable of draining an area in excess of 80 acres.

(10) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the existing special rules and regulations providing for 80-acre spacing units should be amended to provide for 160-acre spacing units.

(11) In order to promote the continued systematic development of this pool with the proposed changes, the applicant requests setback location requirements that have been traditionally accepted by the Division when spacing oil pools on 160 acres. The existing Rule 4 of said Order No. R-9554 should be amended to read:

"RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary."

(12) Further, evidence was submitted on the reservoir characteristics of the subject pool which justifies the establishment of a gas/oil ratio limitation of 4,000 cubic feet of gas per barrel of liquid hydrocarbons.

(13) Such changes and additions to the existing special rules and regulations promulgated by said Order No. R-9554 should afford the owner of each property in the pool the opportunity to produce his just and equitable share of the hydrocarbons in the pool.

(14) The applicant made an extensive effort to notify all working, royalty and overriding royalty interest owners within the subject pool boundary and within a one-mile radius of said boundary that would be affected by this order. No such interest owner or affected party appeared at the hearing in objection to the proposed rule changes.

(15) The applicant's final request to make such changes and amendments permanent is in the best interest of conservation and will serve to promote the orderly development of said pool.

(16) Since the proposed changes and amendments are somewhat extensive, the existing rules should be recodified to minimize any confusion that might be interpreted between the two orders.

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-9554, issued in Case No. 10329 and dated July 31, 1991, is hereby superseded by this order.

(2) The following Special Rules and Regulations for the Cedar Lake-Strawn Pool, currently comprising the W/2 equivalent of Section 2, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, as previously defined and described by Division Order No. R-9545 and R-9609, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
CEDAR LAKE-STRAWN POOL**

RULE 1: Each well completed or recompleted in the Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another Strawn 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 160 acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Land Survey.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Division", 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 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 Land Surveys. 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 thirty days after the Director has received an application.

RULE 4: Each well shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental 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 twenty days after the Director has received the application.

RULE 6: The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 560 barrels of oil per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit in any proportion. 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.

RULE 7: The limiting gas/oil ratio for said Cedar Lake-Strawn Pool shall be 4,000 cubic feet of gas per barrel of oil produced.

(3) The locations of all wells presently drilling to or completed in the Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

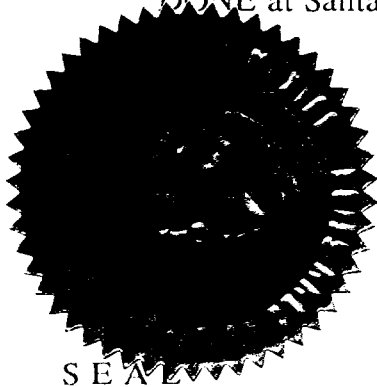
(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Cedar Lake-Strawn Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

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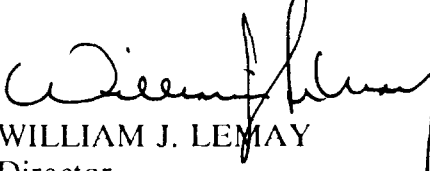
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the Cedar Lake-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Jurisdiction of this cause is 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


WILLIAM J. LEMAY
Director

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