

**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. 10669
Order No. R-9875**

**APPLICATION OF COLUMBIA GAS
DEVELOPMENT CORPORATION FOR
POOL CREATION, SPECIAL POOL
RULES AND A DISCOVERY ALLOWABLE,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of April, 1993, 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 this cause and the subject matter thereof.

(2) The applicant, Columbia Gas Development Corporation, seeks the creation of a new pool for the production of oil from the Wolfcamp formation comprising the NW/4 of Section 34, Township 14 South, Range 38 East, NMPM, Lea County, New Mexico, and the promulgation of special rules and regulations therefor including a provision for 160-acre spacing and proration units and designated well location requirements.

(3) Pursuant to Division General Rule No. 509, the applicant further seeks the assignment of an oil discovery allowable to its McMillan "34" Well No. 1 located 400 feet from the North line and 1980 feet from the West line (Unit C) of Section 34.

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(4) At the time of the hearing, the applicant requested that the portion of the application requesting the assignment of a discovery allowable to its McMillan "34" Well No. 1 be dismissed.

(5) The McMillan "34" Well No. 1 was completed during May, 1992 in the Wolfcamp formation through perforations from 9,345 feet to 10,009 feet at an initial producing rate of 227 barrels of oil and 40 barrels of water per day.

(6) Division records indicate that the subject well and proposed proration unit are located within one mile of the outer boundary of the Pollack-Wolfcamp Pool which currently comprises the SW/4 of Section 33, Township 14 South, Range 38 East, NMPM, and which is currently subject to General Statewide Rules and Regulations including 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(7) The evidence presently available indicates that the aforesaid McMillan "34" Well No. 1 has discovered a separate common source of supply in the Wolfcamp formation.

(8) Geologic evidence presented further indicates that the subject reservoir or structure is very limited in extent and may comprise only a portion of the NW/4 of Section 34 and a portion of the SW/4 of Section 27, Township 14 South, Range 38 East, NMPM.

(9) The preliminary engineering evidence indicates that the McMillan "34" Well No. 1 should be capable of draining 160 acres.

(10) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(11) 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, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the proposed pool.

(12) The applicant requested 330 foot well setback requirements in order to provide maximum flexibility in locating wells to penetrate the Wolfcamp structure underlying Sections 27 and 34.

(13) The proposed setback requirements are not in conformance with standard setback requirements for 160-acre pools and will not serve to protect correlative rights. In addition, Division General Rule No. 104 provides the mechanism and the opportunity for operators to apply for unorthodox oil well locations on a case by case basis.

(14) The temporary special rules and regulations should provide for designated well locations such that a well cannot be located closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary in order to assure orderly development of the pool and protect correlative rights.

(15) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a period of eighteen months in order to allow the operators in the subject pool the opportunity to gather sufficient reservoir information to show that a 160-acre unit in the area can be efficiently and economically drained and developed by one well.

(16) A new pool classified as an oil pool for Wolfcamp production should be created and designated the Northeast Pollack-Wolfcamp Pool, with vertical limits to include the Wolfcamp formation and the horizontal limits comprising the NW/4 of Section 34, Township 14 South, Range 38 East, NMPM, Lea County, New Mexico.

(17) This case should be reopened at an examiner hearing in September, 1994, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules and Regulations for the Northeast Pollack-Wolfcamp Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Columbia Gas Development Corporation, a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production is hereby created and designated the Northeast Pollack-Wolfcamp Pool, with vertical limits comprising the Wolfcamp formation, and the horizontal limits comprising the NW/4 of Section 34, Township 14 South, Range 38 East, NMPM.

(2) Temporary Special Rules and Regulations for the Northeast Pollack-Wolfcamp Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
NORTHEAST POLLACK-WOLFCAMP POOL**

RULE 1. Each well completed in or recompleted in the Northeast Pollack-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp oil pool shall be spaced, drilled, operated, and produced in accordance with the Special Rules 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 Lands 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 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 30 days after the Director has received the 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 20 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 515 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 from the wells on 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.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Northeast Pollack-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

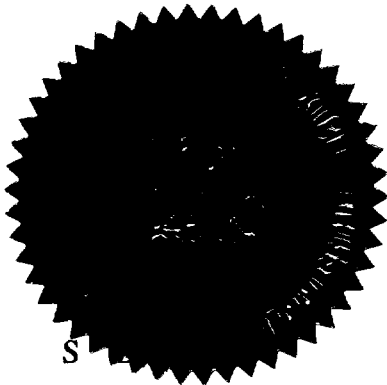
(4) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Northeast Pollack-Wolfcamp Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18,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

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 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Northeast Pollack-Wolfcamp Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, or within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

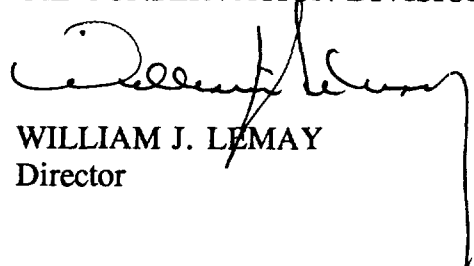
(5) This case shall be reopened at an examiner hearing in September, 1994, at which time the operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Northeast Pollack-Wolfcamp Pool promulgated herein should not be rescinded.

(6) 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


WILLIAM J. LEMAY
Director