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July 25, 1994

HAND DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

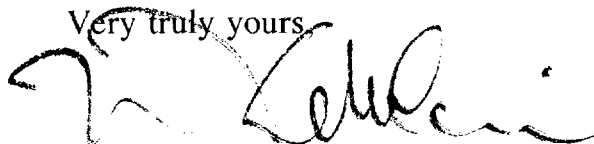
Re: NMOCD Cases 11016, 11017 and 11018
Applications of Texaco Exploration and
Production, Inc. to create certain Pools
with Special Rules, Lea County, New Mexico.

Dear Mr. Catanach:

On July 19, 1994 I delivered to you suggested draft orders in the three referenced cases. Mr. Todd Moehlenbrock, Texaco's petroleum engineering witness, has reviewed my drafts and informs me of certain clerical errors in the drafts I submitted to you.

Please find enclosed copies of those orders on which I have highlighted the clerical errors. I would appreciate you considering these changes. Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

cc: Texaco Exploration and Production, Inc.
Mr. Todd W. Moehlenbrock

JUL 19 1994

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. 11016
ORDER NO. R-5353-P

APPLICATION OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR POOL CREATION AND
SPECIAL POOL RULES INCLUDING THE
CLASSIFICATION OF THIS POOL AS AN
ASSOCIATED OIL AND GAS POOL,
LEA COUNTY, NEW MEXICO

TEXACO EXPLORATION AND PRODUCTION INC.'S
PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 7, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of July, 1994, 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) On June 29, 1994, Texaco Exploration and Production Inc. ("Texaco") completed its B. F. Harrison "B" Well No. 25 located in Unit C of Section 9, T23S, R37E, NMPM, in the Tubb formation.

(3) The applicant, Texaco, seeks the creation of a new associated pool for the production of oil and gas from the Tubb formation comprising the NW/4 of Section 9, T23S, R37E, NMPM, Lea County, New Mexico and to be designated as the North Teague Tubb Associated Pool ("Pool").

(4) Texaco further seeks the adoption of temporary special rules and regulations in accordance with the Division's General Rules and Regulations for Associated Oil and Gas Pool as promulgated by Order No. R-5353, including provisions for 40-acre oil and 160-acre gas spacing and proration units and a special limiting gas-oil ratio of 6000 cubic feet of gas per barrel of oil.

(5) Texaco proposes that the vertical limits of the Pool be from the top of the Tubb formation to the base of the Tubb formation as identified being 6080 feet and 6362 feet, respectively, on the log of the B. F. Harrison "B" Well No. 5.

(6) Texaco was only interested party to appear and provide technical geologic and engineering testimony concerning the reservoir and its classification.

(7) Texaco is the only operator in the proposed pool and currently all categories of owners in the pool have common ownership.

(8) Texaco's proposed plan of development for the Pool is in conjunction with the Lower Paddock-Blinbry formations (NMOCD Case 11017) and the Drinkard and Abo formations (NMOCD Case 11018)

whereby Texaco will drill or has drilled a Drinkard-Abo formation well in each 40-acre tract and then intends to dually produced that production so that within a 160-tract, two wells are dually with Tubb formation production and the remaining two wells are dually with Paddock-Blinbry production in a checkerboard pattern.

(9) Texaco presented geologic and petroleum engineering evidence which demonstrates that The Pool is:

(a) a circular shaped feature draped over a structure high centered approximately in the NW/4 of Section 9, is of limited extent. The trap of the reservoir is formed by a down structural limit of effective porosity within the Tubb formation;

(b) a single structure feature geologically separated from the Teague Tubb Oil Pool which is located to the south of the Pool;

(c) a single source of common supply ("reservoir") separated from and not in communication with any other Tubb pool in this area;

(10) Texaco presented geological and engineering data and conclusions to demonstrate that:

(a) the B. F. Harrison "B" Well No. 25 has production test indications of being a high GOR oil well similar to the oil wells in the proposed North Teague Lower Paddock-Blinbry Associated Pool;

(b) the B. F. Harrison "B" Well No. 25 located at the highest point of its structure feature and there is no indication that a gas cap exists or is being formed up-structure to any oil column;

(c) the occurrence of increased volumes of gas production in the Pool is attributed to the presence of small higher porosity stringers in the Tubb which are both laterally and horizontally discontinuous;

(11) Based upon the present evidence and testimony as to the nature of the reservoir with regards to the creation of a new pool and the proper classification of that pool as either oil or gas, Texaco's engineering evidence indicates that this is likely a high GOR oil pool; that while this is a complex reservoir with limited data, there is a reasonable engineering probability that the behavior of the Tubb wells will be similar to the established behavior of the gas and oil wells in the North Teague Lower Paddock-Blinebry Associated Pool;

(12) Preliminary evidence indicates that the Tubb formation should be managed with rules similar to those to be adopted for the North Teague Lower Paddock-Blinebry Associated Pool by making the Pool subject to the General Rules and Regulations for the "associated" oil and gas pools pursuant to Order R-5353, as modified herein.

(13) That the evidence indicates that 40-acre oil well spacing and 160-acre gas well spacing is the appropriate spacing patterns to adopt for this pool.

(14) That there was no evidence or testimony presented upon which to base a denial of this application.

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

(16) Approval of Texaco's request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pool, will not reduce ultimate recovery from the subject pool, and will not violate correlative rights.

(17) This case should be reopened at an examiner hearing in January, 1996, at which time the operators in the Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to making these rules permanent.

IT IS THEREFORE ORDERED THAT:

(1) A new associated pool for the production of oil and gas from the Tubb formation is hereby created and designated the North Teague Tubb Associated Pool with horizontal limits comprising the NW/2 Section 9, T23S, R37E, NMPM, Lea County, New Mexico.

(2) The vertical limits of the Pool shall be the Tubb formation, the top and bottom of said pool being defined at 6080 feet and 6362 feet, respectively, on the log of the B. F. Harrison "B" Well No. ~~25~~ (Unit ~~C~~) of Section 9, T23S, R37E, NMPM. 5 E

(3) The North Teague Tubb Associated Pool is hereby classified as an associated oil and gas pool and shall be operated in accordance with the Division's General Rules and Regulations for Associated Oil and Gas Pool as promulgated by Order No. R-5353, insofar as said General Rules and Regulations are not inconsistent with the Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules shall apply.

(4) Temporary Special Rules and Regulations for the North Teague Tubb Associated Pool shall be effective on July 1, 1994 and are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH TEAGUE TUBB ASSOCIATED POOL

Rule 2. (a) A standard oil proration unit shall be 40-acres. A standard gas proration unit shall be 160-acres.

Rule 6. That the limiting gas-oil ratio shall be 6,000 cubic feet of gas for each barrel of oil.

IT IS FURTHER ORDERED THAT:

(5) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), existing oil wells in the Pool shall have dedicated thereto 40-acre and existing gas wells shall have dedicated thereto 160-acre 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 administratively by the Division and dedicated thereto.

(6) Failure to file a new Form C-102 with the Division dedicating the appropriate acreage 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 drill to or completed in the Pool or in its corresponding vertical limits or within one mile thereof shall receive no more than a 40-acre allowable for the pool

(7) The special rules and regulations for this pool established herein shall remain in effect for a temporary period until such time as the Division has entered further orders in this matter.

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(8) This case shall be reopened at an Examiner hearing in January, 1996, at which time the operators in the Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to making these rules permanent.

(9) 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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