

McElvain Exhibit 1
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE 9430
Order No. R-8734

APPLICATION OF MOBIL EXPLORATION AND
PRODUCING U.S. INC. FOR COMPULSORY
POOLING OR IN THE ALTERNATIVE FOR
APPROVAL OF A NON-STANDARD GAS PRORATION
UNIT IN THE SOUTH SHOE BAR-ATOKA GAS
POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on July 14, 1988, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 19th day of September, 1988, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of hearing Cases 9331, 9429 and 9430, involving the same land and subject matter, were consolidated for purposes of hearing.

(3) Applicant Phillips Petroleum Company (Phillips), in Case 9331 sought, and was denied by Order R-8644, approval of non-standard location 660 feet from the North and West lines of Section 22, Township 17 South, Range 35 East for a well to be drilled to the South Shoe Bar-Atoka Gas Pool and to assign to said well a non-standard proration unit of either 80 acres or 160 acres. Said case was presented at this hearing, de novo.

(4) Applicant Phillips in Case 9429 seeks to force-pool either the N/2 or W/2 of Section 22 to form a standard 320-acre gas spacing and proration unit and to reform administrative order NSP-1470-(L) covering the NE/4 and E/2 NW/4, which is

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Case 9430

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dedicated to an existing well, the T. H. McElvain New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East line (Unit H) of said Section 22; whereby Phillips would either participate in McElvain's well if the N/2 is force-pooled or would drill a second well in the section if the W/2 is force-pooled.

(5) Applicant Mobil Producing Texas and New Mexico Inc. (Mobil), in Case 9430, seeks the force-pooling of the E/2 of Section 22, or alternatively to force pool the S/2 of said section, so as to allow their lease in the SE/4 of said section to participate in a standard gas spacing unit, or to approve a non-standard gas spacing and proration unit comprised of SE/4 and S/2 SW/4 of said section.

(6) T. H. McElvain protests any action of the Commission which would change the size of his present proration unit, penalize his production or force pool interests into his producing well.

(7) All parties agreed that wells completed in the Atoka Sand Reservoir would drain in excess of 320 acres.

(8) Sun Exploration and Production (Sun), owner and operator of the Shoe Bar State Well No. 1 located at a standard location in the SE/4 SW/4 (Unit N) of Section 15, Township 17 South, Range 35 East protests the excess drainage that would occur on their acreage in Section 15 from two additional wells drilled and completed from the Atoka Sand Reservoir in Section 22 caused by the Commission approving unorthodox spacing units without penalizing production rates.

(9) Testimony introduced by all of the parties confirmed the attempts to reach voluntary agreements which have failed.

(10) Unprorated gas pools have rules which establish standard proration unit size and shape with minimum distances a well may be drilled from the boundary of the unit assigned to it. Such rules prevent waste from drilling unnecessary wells and protect correlative rights by limiting encroachment and equalizing the amount of dedicated acreage to a proration unit.

(11) The McElvain well was a re-entry of the Humble State "AC" No. 1 which was located on a standard unit for oil production but a non-standard location for Atoka gas. Approval of a 240-acre non-standard unit was granted by Administrative Order NSP-1470(L) after notice was given to both Phillips and Mobil, as offset operators, and neither party objected.

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Case 9430
Order No. R-8734

(12) Since McElvain secured approval of his unit and the well location as required by the rules, and has drilled and completed his well, the Commission is reluctant to redistribute equity in that producing gas proration unit; however, the Commission must address the well density issue in Section 22 by applying appropriate penalties to non-standard units and locations in order to protect the correlative rights of all parties.

(13) No party has requested proration be instituted in these pools.

(14) Phillips' reservoir engineer requested a 160-acre non-standard unit with a 50% penalty factor (160/320) assessed against ratable take determinations by the gas purchaser. This is not possible in today's gas marketing environment where there may be purchasers outside the jurisdiction of the Oil Conservation Division and there may not be a common purchaser to implement ratable take penalties.

(15) Under cross examination of the Phillips' reservoir engineer, it was suggested that penalty be assessed against deliverability. Since operators in non-prorated gas pools have the opportunity to sell maximum deliverability from their gas wells, a penalty assessed against deliverability will protect the correlative rights of all gas producers in the pool.

(16) There was no direct correlation between deliverability and data presented at the hearing. In the absence of such, deliverability must be defined as the maximum recorded flow rate.

(17) During 1986 and 1987 maximum flow rates for the wells on which data was presented at the hearing were approximately 6000 Mcf/day and this is hereby found to be the maximum flow rate for wells subject to being penalized by this order.

(18) Data presented at the hearing did not address declining deliverability but 10% per year decline is considered reasonable and represents average performance in this type of reservoir.

(19) The McElvain well location was not objected to and should not be penalized, however; the spacing unit is non-standard and should be allowed 240/320 or 75% of the maximum flow rate described in Finding No. (18) hereinabove.

(20) Mobil, if unable to negotiate for a standard unit should be permitted a non-standard unit comprised of the SE/4

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Case 9430
Order No. R-8734

and S/2 SW/4 and, if the well is located not less than 660 feet to the outer boundary of the unit should be limited to 75% (240/320) of the maximum flow rate as described in Finding No. (18) hereinabove. Further encroachment toward the outer boundary will be cause for an additional penalty which would be the subject of a new hearing.

IT IS THEREFORE ORDERED THAT:

(1) T. H. McElvain's New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East lines of Section 22, Township 17 South, Range 35 East, Lea County, New Mexico is hereby restricted in its daily producing rate to 4,500,000 cubic feet of gas from the South Shoe Bar-Atoka Gas Pool.

(2) Mobil's application for a non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool consisting of the SE/4 and S/2 SW/4 of said Section 22 is hereby approved.

PROVIDED, HOWEVER, that said well shall be restricted in its daily producing rate to 4,500,000 cubic feet of gas on condition the well is located no nearer than 660 feet to the outer boundary of the unit. If encroachment toward the outer boundary of the unit is greater, the Commission will impose an additional penalty after notice and hearing.

IT IS FURTHER ORDERED THAT:

(3) In regard to the restrictions imposed in decretory Paragraphs (1) and (2) above, production during any month at a rate less than the limitation described shall not be carried forward as underproduction into succeeding months, but overproduction of such limitation during any month shall be made up in the next succeeding month or months by shut-in or reduced rate as required by the District Supervisor of the Division.

(4) Beginning January 1, 1990, the maximum flow rate for wells subject to being penalized by this order shall be reduced 10% annually on January 1 of each successive year.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

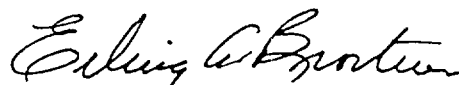
-5-
Case 9430
Order No. R-8734

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and
Secretary

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dr/

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASES NOS. 9331 (DE NOVO)
and 9429
Order No. R-8644-A

APPLICATION OF PHILLIPS PETROLEUM
CO. FOR NON-STANDARD UNIT AND NON-
STANDARD LOCATION OR, IN THE
ALTERNATIVE, FOR COMPULSORY POOLING
TO FORM A NEW STANDARD UNIT IN SECTION 22,
TOWNSHIP 17 SOUTH, RANGE 35 EAST,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on July 14, 1988, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 19th day of September, 1988, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of hearing Cases 9331, 9429 and 9430, involving the same land and subject matter, were consolidated for purposes of hearing.

(3) Applicant Phillips Petroleum Company (Phillips), in Case 9331 sought, and was denied by Order R-8644, approval of non-standard location 660 feet from the North and West lines of Section 22, Township 17 South, Range 35 East for a well to be drilled to the South Shoe Bar-Atoka Gas Pool and to assign to said well a non-standard proration unit of either 80 acres or 160 acres. Said case was presented at this hearing, de novo.

(4) Applicant Phillips in Case 9429 seeks to force-pool either the N/2 or W/2 of Section 22 to form a standard 320-acre

CASES NOS. 9331 (De Novo) and 9429
Order No. R-8644-A

gas spacing and proration unit and to reform administrative order NSP-1470-(L) covering the NE/4 and E/2 NW/4, which is dedicated to an existing well, the T. H. McElvain New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East line (Unit H) of said Section 22; whereby Phillips would either participate in McElvain's well if the N/2 is force-pooled or would drill a second well in the section if the W/2 is force-pooled.

(5) Applicant Mobil Producing Texas and New Mexico Inc. (Mobil), in Case 9430, seeks the force-pooling of the E/2 of Section 22, or alternatively to force pool the S/2 of said section, so as to allow their lease in the SE/4 of said section to participate in a standard gas spacing unit, or to approve a non-standard gas spacing and proration unit comprised of SE/4 and S/2 SW/4 of said section.

(6) T. H. McElvain protests any action of the Commission which would change the size of his present proration unit, penalize his production or force pool interests into his producing well.

(7) All parties agreed that wells completed in the Atoka Sand Reservoir would drain in excess of 320 acres.

(8) Sun Exploration and Production (Sun), owner and operator of the Shoe Bar State Well No. 1 located at a standard location in the SE/4 SW/4 (Unit N) of Section 15, Township 17 South, Range 35 East protests the excess drainage that would occur on their acreage in Section 15 from two additional wells drilled and completed from the Atoka Sand Reservoir in Section 22 caused by the Commission approving unorthodox spacing units without penalizing production rates.

(9) Testimony introduced by all of the parties confirmed the attempts to reach voluntary agreements which have failed.

(10) Unprorated gas pools have rules which establish standard proration unit size and shape with minimum distances a well may be drilled from the boundary of the unit assigned to it. Such rules prevent waste from drilling unnecessary wells and protect correlative rights by limiting encroachment and equalizing the amount of acreage dedicated to a proration unit.

(11) The McElvain well was a re-entry of the Humble State "AC" No. 1 which was located at a standard location for oil production but a non-standard location for Atoka gas. Approval of a 240-acre non-standard unit was granted by Administrative Order NSP-1470(L) after notice was given to both Phillips and Mobil, as offset operators, and neither party objected.

(12) Since McElvain secured approval of his unit and the well location as required by the rules, and has drilled and completed his well, the Commission is reluctant to redistribute equity in that producing gas proration unit; however, the Commission must address the well density issue in Section 22 by applying appropriate penalties to non-standard units and locations in order to protect the correlative rights of all parties.

(13) No party has requested proration be instituted in these pools.

(14) Phillips' reservoir engineer requested a 160-acre non-standard unit with a 50% penalty factor (160/320) assessed against ratable take determinations by the gas purchaser. This is not possible in today's gas marketing environment where there may be purchasers outside the jurisdiction of the Oil Conservation Division and there may not be a common purchaser to implement ratable take penalties.

(15) Under cross examination of the Phillips' reservoir engineer, it was suggested that the penalty be assessed against deliverability. Since operators in non-prorated gas pools have the opportunity to sell maximum deliverability from their gas wells, a penalty assessed against deliverability will protect the correlative rights of all gas producers in the pool.

(16) There was no direct correlation between deliverability and data presented at the hearing. In the absence of such, deliverability must be defined as the maximum recorded flow rate.

(17) During 1986 and 1987 maximum flow rates for the wells on which data was presented at the hearing were approximately 6000 Mcf/day and this is hereby found to be the maximum flow rate for wells subject to being penalized by this order.

(18) Data presented at the hearing did not address declining deliverability but 10% per year decline is considered reasonable and represents average performance in this type of reservoir.

(19) The McElvain well location was not objected to and should not be penalized, however; the spacing unit is non-standard and should be allowed 240/320 or 75% of the maximum flow rate described in Finding No. (18) hereinabove.

(20) Phillips, if unable to negotiate for a standard unit should be permitted a non-standard unit comprised of the W/2

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CASES NOS. 9331 (De Novo) and 9429
Order No. R-8644-A

NW/4 and N/2 SW/4 and, if the well is located not less than 660 feet to the outer boundary of the unit should be limited to one-half (160/320) the maximum flow rate as described in Finding No. (18) hereinabove. Further encroachment toward the outer boundary will be cause for an additional penalty which would be the subject of a new hearing.

IT IS THEREFORE ORDERED THAT:

(1) T. H. McElvain's New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East lines of Section 22, Township 17 South, Range 35 East, Lea County, New Mexico is hereby restricted in its daily producing rate to 4,500,000 cubic feet of gas from the South Shoe Bar-Atoka Gas Pool.

(2) Phillips Petroleum Co.'s application for a non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool consisting of the W/2 NW/4 and N/2 SW/4 of said Section 22 is hereby approved.

PROVIDED, HOWEVER, that said well shall be restricted in its daily producing rate to 3,000,000 cubic feet of gas on condition the well is located no nearer than 660 feet to the outer boundary of the unit. If encroachment toward the outer boundary of the unit is greater, the Commission will impose an additional penalty after notice and hearing.

IT IS FURTHER ORDERED THAT:

(3) In regard to the restrictions imposed in decretory Paragraphs (1) and (2) above, production during any month at a rate less than the limitation described shall not be carried forward as underproduction into succeeding months, but overproduction of such limitation during any month shall be made up in the next succeeding month or months by shut-in or reduced rate as required by the District Supervisor of the Division.

(4) Beginning January 1, 1990, the maximum flow rate for wells subject to being penalized by this order shall be reduced 10% annually on January 1 of each successive year.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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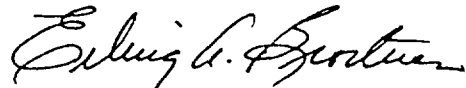
CASES NOS. 9331 (De Novo) and 9429
Order No. R-8644-A

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

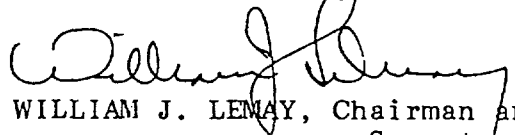
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and
Secretary

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Dockets Nos. 13-89 and 14-89 are tentatively set for April 26 and May 10, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 12, 1989

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stoger, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE: (1) Consideration of the allowable production of gas for May, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for May, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9610: (Continued from March 15, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Knights Bridge Petroleum Corporation and James Marchbanks and all other interested parties to appear and show cause why the Triple Crown Well No. 1 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 6, Township 9 North, Range 31 East, Quay County, New Mexico (being located approximately 7.75 miles northeast by north of Quay, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Additionally, the Division seeks an order directing the operator to pay the costs of such plugging and if the Operator fails to do so, ordering a forfeiture of the Operator's bond and authorizing the Director of the Division to make demand upon First National Bank of Tucumcari to pay to the Division so much of the funds of the certificate of deposit given as collateral for the bond as is necessary to pay the costs of plugging said well.

CASE 9643: Application of Steve Sell for directional drilling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill a well from a surface location 1400 feet from the South line and 1075 feet from the West line (Unit L) of Section 35, Township 21 South, Range 24 East to a bottomhole location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool within 50 feet of a point which is an unorthodox gas well location 1650 feet from the South line and 850 feet from the West line of said Section 35. All of said Section 35 to be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said pool. This unit is located approximately 14 miles west of Carlsbad, New Mexico.

CASE 9200: (Continued from March 29, 1989, Examiner Hearing.) (Reopened)

In the matter of Case 9200 being reopened pursuant to the provisions of Division Order No. R-8518, which promulgated temporary special rules and regulations for the South Shoe Bar-Upper Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre spacing units. Operators in the subject pool may appear and show cause why the South Shoe Bar-Upper Pennsylvanian Pool rules should not be rescinded.

CASE 9644: Application of Nearburg Producing Company for directional drilling and an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the UNC Texas, Inc. State "10" Well No. 1 from a surface location 660 feet from the North line and 1980 feet from the West line (Unit C), Section 10, Township 12 South, Range 38 East, and directionally drill as to test the Devonian formation (Undesignated Gladiola-Devonian Pool or Undesignated East Gladiola-Devonian Pool) to within 100 feet of an unorthodox bottomhole oil well location 1000 feet from the North line and 1100 feet from the West line (Unit D) of said Section 10. The NW/4 NW/4 of said Section 10 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit. Said well is located approximately 3.5 miles northwest by north of Bronco, Texas.

CASE 9645: Application of BP Exploration, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Atoka formation underlying the SE/4 SW/4 of Section 30, Township 17 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing (which presently includes but is not necessarily limited to the Undesignated Hobbs Channel-Bone Spring Pool, Undesignated Hobbs Channel-San Andres Pool, and the Undesignated Hobbs Channel-Wolfcamp Pool). Said unit to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 1.5 miles east of Humble City, New Mexico.

CASE 9636: (Continued from March 29, 1989, Examiner Hearing.)

Application of Grand Resources Inc. for statutory unitization, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Mesa-Gallup Oil Pool underlying 4800.00 acres, more or less, of Navajo Indian lands in all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West and Section 30, Township 32 North, Range 17 West, all as projected into the unsurveyed Navajo Indian Reservation. Said unit is to be designated the Mesa-Gallup Unit Area. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9637: (Continued from March 29, 1989, Examiner Hearing.)

Application of Grand Resources Inc. for a waterflood project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the designated and Undesignated Mesa-Gallup Oil Pool in its proposed Mesa-Gallup Unit Area (Division Case No. 9636) underlying all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West and Section 30, Township 32 North, Range 17 West, all as projected into the unsurveyed Navajo Indian Reservation. Said area is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9646: Application of Sun Exploration and Production Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Mobil "22" Federal Lease located in Section 22, Township 26, South, Range 29 East, by the injection of water into the Brushy Draw-Delaware Pool through its Mobil Federal "22" Well No. 5 located 990 feet from the South line and 2310 feet from the West line (Unit N) of said Section 22. Said well is located approximately 1.75 miles north of Mile Corner No. 53 plus 2640 feet on the Texas/New Mexico Stateline.

CASE 9647: Application of Parker & Parsley Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle oil production from the Undesignated East Loving-Delaware Pool and the South Culebra Bluff-Bone Spring Pool within the wellbore of its Pardue Farms "27" Btry. 1 Well No. 4, located 660 feet from the South and East lines (Unit P) of Section 27, Township 23 South, Range 28 East. Said well is located approximately 2 miles southeast by east of Loving, New Mexico.

CASE 9648: Application of Meridian Oil, Inc. to amend Division Order No. R-8868, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8868 to include authorization for a non-standard coal gas well location for the subject well of said order to be drilled 2200 feet from the North line and 1360 feet from the East line (Unit G) of Section 36, Township 30 North, Range 6 West, Basin-Fruitland Coal (Gas) Pool, Lots 1, 2, 3 and 4 and the W/2 E/2 of said Section 36 to be dedicated to said well forming a non-standard 230.24-acre spacing and proration unit for said pool. Said location is approximately 5.5 miles northwest by north of Gobernador, New Mexico.

CASE 9649: Application of Meridian Oil, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 790 feet from the North line and 1,165 feet from the West line (Unit D) of Section 16, Township 30 North, Range 8 West, Basin-Fruitland Coal Gas Pool, the W/2 of said Section 16 to be dedicated forming a standard 320-acre gas spacing and proration unit for said pool. Said location is approximately 4.25 miles west by north of the Navajo Reservoir Dam.

CASE 9572: (Continued from March 1, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 164.87-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising Lots 1 and 2 and the E/2 NW/4 of Section 31, Township 28 North, Range 10 West. Said unit is to be dedicated to its Knauff Well No. 1 which is presently completed in the Kutz-Fruitland Pool and is located at a previously authorized unorthodox coal gas well location (pursuant to Decretory Paragraph No. (4) of Division Order No. R-8768) 1015 feet from the North line and 1650 feet from the West line (Unit C) of said Section 31. This well is located approximately 6.5 miles south-southeast of Bloomfield, New Mexico.

CASE 9573: (Continued from March 1, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising the NE/4 of Section 18, Township 29 North, Range 11 West. Said unit is to be dedicated to its Hana Well No. 1 which is presently a dually completed gas well in the Fruitland formation and the Fulcher Kutz-Pictured Cliffs Pool and is located at a standard coal gas well location 790 feet from the North line and 1520 feet from the East line (Unit B) of said Section 18. This well is located approximately 2.5 miles west-northwest of Bloomfield, New Mexico.

CASE 9650: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order extending certain existing pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico.

- (a) EXTEND the Alamito-Gallup Oil Pool in Sandoval and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM
Section 28: S/2 SE/4
Section 33: N/2 NE/4

- (b) EXTEND the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico to include therein:

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM
Section 29: S/2 SW/4
Section 30: SE/4
Section 31: NE/4 and S/2 NW/4
Section 32: NW/4

TOWNSHIP 25 NORTH, RANGE 11 WEST, NMPM
Section 31: S/2 NE/4 and S/2

- (c) EXTEND the South Bisti-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM
Section 5: N/2 SE/4

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM
Section 36: S/2 SW/4 and SW/4 SE/4

- (d) EXTEND the Blanco-Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM
Sections 2 Thru 11: All
Sections 14 Thru 23: All

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
Sections 1 Thru 2: All
Sections 11 Thru 14: All
Section 15: S/2
Sections 22 Thru 24: All

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
Section 20: E/2
Section 21: All
Sections 28 and 29: All
Sections 32 Thru 35: All

- (e) EXTEND the Blanco-Pictured Cliffs Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM
Section 28: NW/4

- (f) EXTEND the East Blanco-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM
Section 5: NW/4

- (g) EXTEND the South Blanco-Pictured Cliffs Pool in Rio Arriba, Sandoval and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM
Section 19: SE/4

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM
Section 25: All
Section 36: All

- (h) EXTEND the South Gallegos Fruitland Sand-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM
Section 35: SW/4

- (i) EXTEND the Gavilan-Mancos Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
Sections 8 and 9: All
Section 16: All

- (j) EXTEND the Lybrook-Gallup Oil Pool in Rio Arriba, Sandoval and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM
Section 35: SW/4 NE/4, SE/4 NW/4, NE/4 SW/4, and W/2 SE/4

- (k) EXTEND the Regina-Gallup Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
Section 36: SE/4 NW/4 and NE/4 SE/4

- (l) EXTEND the Wildhorse-Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM
Section 20: NW/4

Docket 12-89

DOCKET: COMMISSION HEARING - MONDAY - APRIL 17, 1989

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 9543: (Continued from March 9, 1989, Commission Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 16, Township 32 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its EPNG Com C Well No. 100 to be drilled at a standard gas well location in the NE/4 SW/4 (Unit K) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.1 miles north of Cedar Hill, New Mexico. Upon application of Fina Oil and Chemical Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9544: (Continued from March 9, 1989, Commission Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 32 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Burroughs Com A Well No. 100 to be drilled at a standard gas well location in the SW/4 NE/4 (Unit G) of said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.1 miles north of Cedar Hill, New Mexico. Upon application of Fina Oil and Chemical Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9651: Application of Sun Exploration and Production Company for amendment of Division Orders Nos. R-8644-A and R-8734, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Orders Nos. R-8644-A and R-8734 by further restricting the production limitations assigned the three unorthodox gas proration units located in Section 22, Township 17 South, Range 35 East, South Shoe Bar-Atoka Gas Pool. This area is located approximately 3.75 miles east-northeast of Buckeye, New Mexico.

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 29, 1989

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED
MAR 29 1989
OIL CONSERVATION DIVISION

(Case 9-89)

Re: In the Matter of the Application of Sun Exploration and
Production Company for Amendment of Orders R-8644-A and
R-8734 to Establish New Production Limitation Factors for
Each Well to Which a Non-Standard Spacing or Proration
Unit is Dedicated in the South Shoe Bar-Atoka Gas Pool,
Lea County, New Mexico

Dear Mr. LeMay:

Enclosed please find an Application of Sun Exploration and
Production Company in the above-referenced case. Sun Exploration
and Production Company respectfully requests that this matter be
placed on the docket for the Commission hearings scheduled on April
17, 1989.

Very truly yours,


WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures: Mr. Charles A. Gray
W. Thomas Kellahin, Esq.
W. Perry Pearce, Esq.
A. J. Losee, Esq.
Larry Hastings

BEFORE THE

OIL CONSERVATION COMMISSION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF SUN EXPLORATION AND PRODUCTION
COMPANY FOR AMENDMENT OF ORDERS
R-8644-A AND R-8734 TO ESTABLISH
NEW PRODUCTION LIMITATION FACTORS
FOR EACH WELL TO WHICH A NON-
STANDARD SPACING OR PRORATION
UNIT IS DEDICATED IN THE SOUTH
SHOE BAR-ATOKA GAS POOL,
LEA COUNTY, NEW MEXICO.

RECEIVED

MAR 29 1984

OIL CONSERVATION DIVISION

CASE NO. 9651

APPLICATION

SUN EXPLORATION AND PRODUCTION COMPANY ("SUN"), by and through its undersigned attorneys, hereby makes application to the Oil Conservation Commission for an Order amending Division Orders R-8644-A and R-8734 to establish new production limitation factors for all wells located in Section 22, Township 17 South, Range 35 East, N.M.P.M., South Shoe Bar-Atoka Gas Pool, which have dedicated to them spacing or proration units which contain less than 320-acres, and in support thereof states:

1. Sun is the owner and operator of the S/2 of Section 15, Township 17 South, Range 35 East which acreage is dedicated to its Shoe Bar State Com No. 1 Well which produces from the South Shoe Bar-Atoka Gas Pool.

2. The South Shoe Bar-Atoka Gas Pool was created by the Oil Conservation Division Order No. R-7714 on November 1, 1984, and has been extended from time to time to include the following lands:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, N.M.P.M

Section 14: W/2
Section 15: S/2
Section 22: N/2
Section 23: NW/4

3. The South Shoe Bar-Atoka Gas Pool is currently developed with wells on spacing or proration units that vary in size from 160-acres to 320-acres.

4. In July 1988, the Commission heard the consolidated applications of Phillips Petroleum Corporation (Cases 9331 and 9429) and Mobil Exploration and Producing U.S. Inc. (Case 9430) in which Phillips and Mobil sought, among other things, the creation of certain non-standard proration units in Section 22, Township 17 South, Range 35 East, in the South Shoe Bar-Atoka Gas Pool.

5. By Order R-8644-A, the Commission approved Phillips application for a 160-acre non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool comprised of the W/2 NW/4 and the N/2 SW/4 of said Section 22, and restricted the producing rate of the well to be drilled thereon. This Order also restricted the producing rate of the T. H. McElvain New Mexico "AC" State No. 1 Well to which is dedicated a 240-acre non-standard gas proration unit comprised of the E/2 NW/4 and the NE/4 of said Section 22.

6. By Order R-8734 the Commission approved Mobil's application for a 240-acre non-standard gas proration unit comprised of the SE/4 and the S/2 SW/4 of said Section 22 and restricted the producing rate of the well to be drilled thereon.

7. The production limitations set by the Commission in

Orders R-8644-A and R-8734 have not worked to restrict the producing rate from any well and are permitting drainage of gas from Sun's 320-acre standard proration unit in the S/2 of Section 15, Township 17 South, Range 35 East, N.M.P.M. This drainage cannot be offset by counter drainage without the drilling of an additional well in the S/2 of said Section 15 which would be unnecessary and would cause waste.

8. The unlimited production rates of the wells located in said Section 22 from the South Shoe Bar-Atoka Gas Pool are impairing the correlative rights of Sun.

9. Orders R-8644-A and R-8734 should be amended to provide for meaningful limitations on production from the wells to which non-standard spacing or proration units are dedicated in said Section 22. These limitations should be determined by multiplying the deliverability of each well as determined by semi-annual deliverability tests by the number of acres dedicated to the well. More frequent deliverability tests should be required if requested by any operator in the pool.

10. Granting this application will be in the best interest of conservation, the prevention of waste and will protect correlative rights of all interest owners in the pool.

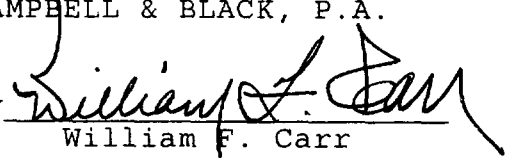
WHEREFORE, Applicant requests that this matter be set for hearing before the Oil Conservation Commission on April 17, 1989, and, after notice and hearing as required by law, the Commission enter its order granting the application of Sun Exploration and Production Company by amending Orders R-8644-A and R-8734 to impose

effective production limitations on each well located on a non-standard spacing or proration unit in Section 22, Township 17 South, Range 35 East, N.M.P.M., South Shoe Bar-Atoka Gas Pool, based on the ability of each well to produce, as determined by periodic deliverability tests, multiplied by the number of surface acres dedicated thereto.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, NM 87504-2208
(505) 988-4421

ATTORNEY FOR SUN EXPLORATION
AND PRODUCTION COMPANY

BEFORE THE

OIL CONSERVATION COMMISSION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF SUN EXPLORATION AND PRODUCTION
COMPANY FOR AMENDMENT OF ORDERS
R-8644-A AND R-8734 TO ESTABLISH
NEW PRODUCTION LIMITATION FACTORS
FOR EACH WELL TO WHICH A NON-
STANDARD SPACING OR PRORATION
UNIT IS DEDICATED IN THE SOUTH
SHOE BAR-ATOKA GAS POOL,
LEA COUNTY, NEW MEXICO.

RECEIVED

MAR 29 1984

OIL CONSERVATION DIVISION

CASE NO. 9651

APPLICATION

SUN EXPLORATION AND PRODUCTION COMPANY ("SUN"), by and through its undersigned attorneys, hereby makes application to the Oil Conservation Commission for an Order amending Division Orders R-8644-A and R-8734 to establish new production limitation factors for all wells located in Section 22, Township 17 South, Range 35 East, N.M.P.M., South Shoe Bar-Atoka Gas Pool, which have dedicated to them spacing or proration units which contain less than 320-acres, and in support thereof states:

1. Sun is the owner and operator of the S/2 of Section 15, Township 17 South, Range 35 East which acreage is dedicated to its Shoe Bar State Com No. 1 Well which produces from the South Shoe Bar-Atoka Gas Pool.

2. The South Shoe Bar-Atoka Gas Pool was created by the Oil Conservation Division Order No. R-7714 on November 1, 1984, and has been extended from time to time to include the following lands:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, N.M.P.M

Section 14: W/2
Section 15: S/2
Section 22: N/2
Section 23: NW/4

3. The South Shoe Bar-Atoka Gas Pool is currently developed with wells on spacing or proration units that vary in size from 160-acres to 320-acres.

4. In July 1988, the Commission heard the consolidated applications of Phillips Petroleum Corporation (Cases 9331 and 9429) and Mobil Exploration and Producing U.S. Inc. (Case 9430) in which Phillips and Mobil sought, among other things, the creation of certain non-standard proration units in Section 22, Township 17 South, Range 35 East, in the South Shoe Bar-Atoka Gas Pool.

5. By Order R-8644-A, the Commission approved Phillips application for a 160-acre non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool comprised of the W/2 NW/4 and the N/2 SW/4 of said Section 22, and restricted the producing rate of the well to be drilled thereon. This Order also restricted the producing rate of the T. H. McElvain New Mexico "AC" State No. 1 Well to which is dedicated a 240-acre non-standard gas proration unit comprised of the E/2 NW/4 and the NE/4 of said Section 22.

6. By Order R-8734 the Commission approved Mobil's application for a 240-acre non-standard gas proration unit comprised of the SE/4 and the S/2 SW/4 of said Section 22 and restricted the producing rate of the well to be drilled thereon.

7. The production limitations set by the Commission in

Orders R-8644-A and R-8734 have not worked to restrict the producing rate from any well and are permitting drainage of gas from Sun's 320-acre standard proration unit in the S/2 of Section 15, Township 17 South, Range 35 East, N.M.P.M. This drainage cannot be offset by counter drainage without the drilling of an additional well in the S/2 of said Section 15 which would be unnecessary and would cause waste.

8. The unlimited production rates of the wells located in said Section 22 from the South Shoe Bar-Atoka Gas Pool are impairing the correlative rights of Sun.

9. Orders R-8644-A and R-8734 should be amended to provide for meaningful limitations on production from the wells to which non-standard spacing or proration units are dedicated in said Section 22. These limitations should be determined by multiplying the deliverability of each well as determined by semi-annual deliverability tests by the number of acres dedicated to the well. More frequent deliverability tests should be required if requested by any operator in the pool.

10. Granting this application will be in the best interest of conservation, the prevention of waste and will protect correlative rights of all interest owners in the pool.

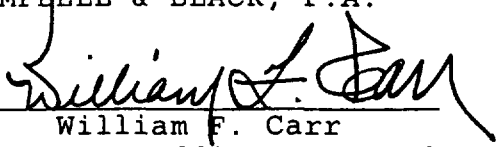
WHEREFORE, Applicant requests that this matter be set for hearing before the Oil Conservation Commission on April 17, 1989, and, after notice and hearing as required by law, the Commission enter its order granting the application of Sun Exploration and Production Company by amending Orders R-8644-A and R-8734 to impose

effective production limitations on each well located on a non-standard spacing or proration unit in Section 22, Township 17 South, Range 35 East, N.M.P.M., South Shoe Bar-Atoka Gas Pool, based on the ability of each well to produce, as determined by periodic deliverability tests, multiplied by the number of surface acres dedicated thereto.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, NM 87504-2208
(505) 988-4421

ATTORNEY FOR SUN EXPLORATION
AND PRODUCTION COMPANY

Case 9691

Application of Sun Exploration and Production Company for Amendment of Orders R-8644-A and R-8734 to limit production rates for wells to which is dedicated a non-standard spacing or proration unit in Section 22, Township 17 South, Range 35 East, N.M.P.M., South Shoe Bar-Atoka Gas Pool, Lea County, New Mexico. Applicant, in the above styled cause, seeks the establishment of maximum producing rates for wells to which is dedicated less than a standard spacing or proration unit based upon the deliverability of the well multiplied by the number of acres dedicated thereto. These wells are located approximately two miles North of Buckeye, New Mexico.

RECEIVED

MAR 7 1985

OIL CONSERVATION DIVISION

3/8/87

Vic & Bill

It appears that this matter
should be set to a Commission
Hearing and ~~it~~ not before a
Division Examiner Hearing

Case 9651

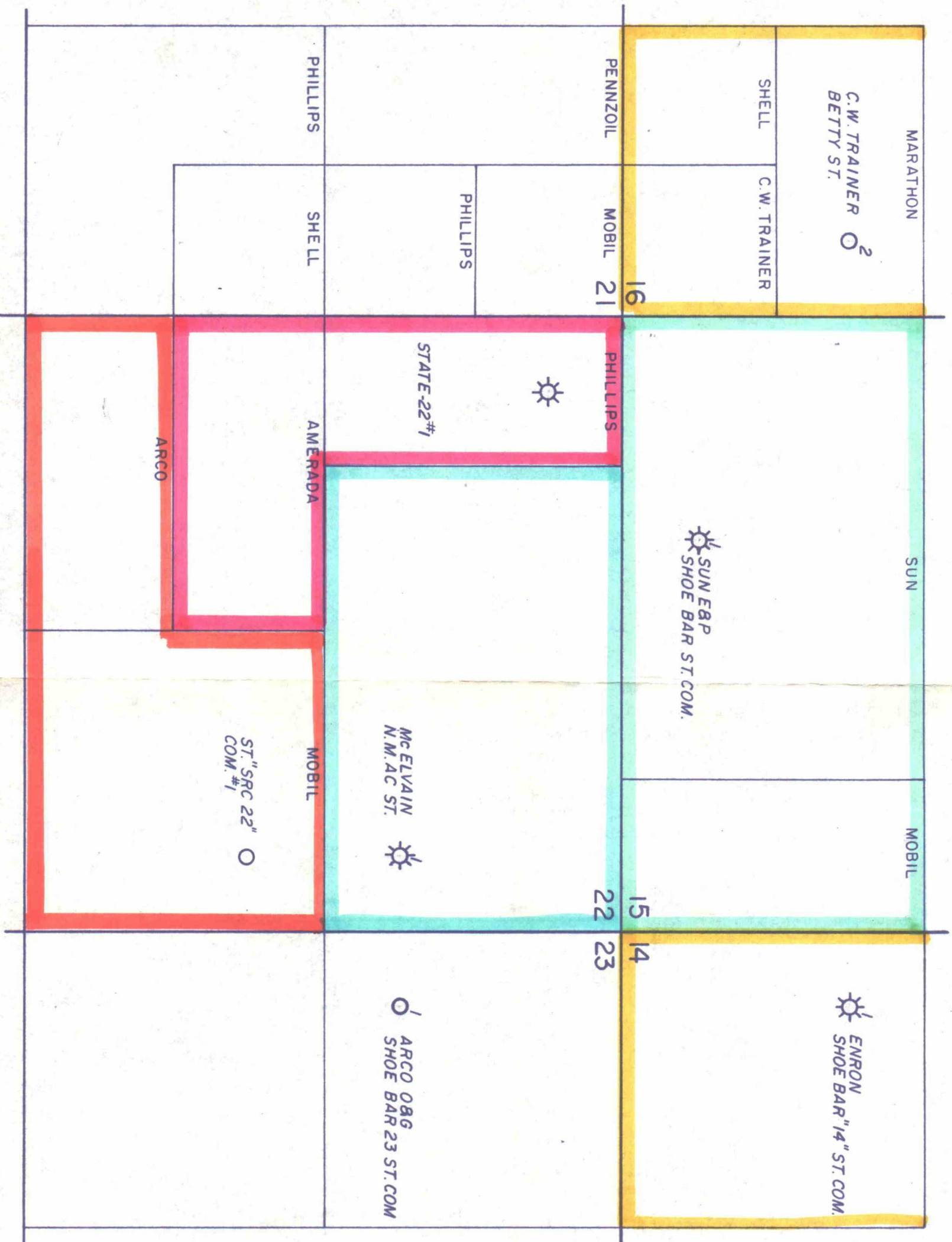
Application of Sun Exploration and Production Company for Amendment of Orders R-8644-A and R-8734 to limit production rates for wells to which is dedicated a non-standard spacing or proration unit in Section 22, Township 17 South, Range 35 East, N.M.P.M., South Shoe Bar-Atoka Gas Pool, Lea County, New Mexico. Applicant, in the above styled cause, seeks the establishment of new production limitations for wells to which is dedicated less than a standard spacing or proration unit based upon the deliverability of the well multiplied by the number of acres dedicated thereto. These wells are located approximately two miles North of Buckeye, New Mexico.

RECEIVED

MAR 7 1989

OIL CONSERVATION DIVISION

Phillips Exhibits 1 through 9
Complete Set



SOUTH SHOE BAR FIELD
T-17-S, R-35-E
Lea County, New Mexico

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 9655 Exhibit No. 1
 Submitted By: Phillips
 Hearing Date: 4-17-85

dsn=atokag2

Company & Well	Phillips W.I. %	1/88 MCFPM	2/88 MCFPM	3/88 MCFPM	4/88 MCFPM	5/88 MCFPM	6/88 MCFPM	7/88 MCFPM	8/88 MCFPM	9/88 MCFPM	10/88 MCFPM
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Shoe Bar Atoka, S. (Gas)

Enron - Shoe Bar 14 #1

McElvain - NM AC St #1

Sun - Shoe Bar St #1

Total		183,517	164,738	173,939	181,070	160,980	214,041	181,114	236,843	124,503	170,158
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Company & Well	Phillips W.I. %	11/88 MCFPM	12/88 MCFPM	ANNUAL MCF	GAS TRANSPORTER
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Shoe Bar Atoka, S. (Gas)

Enron - Shoe Bar 14 #1

McElvain - NM AC St #1

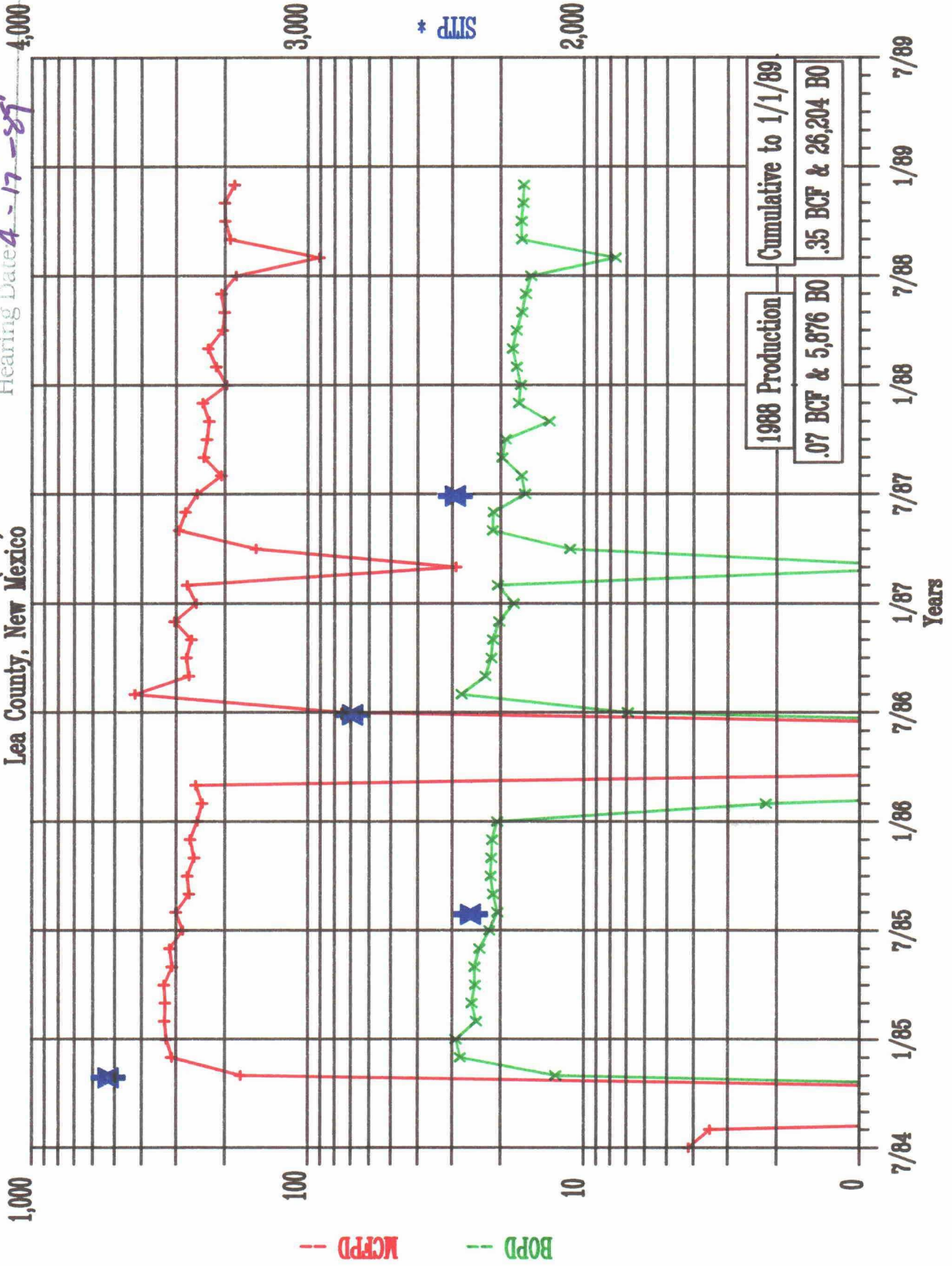
Sun - Shoe Bar St #1

Phillips - State-22 #1

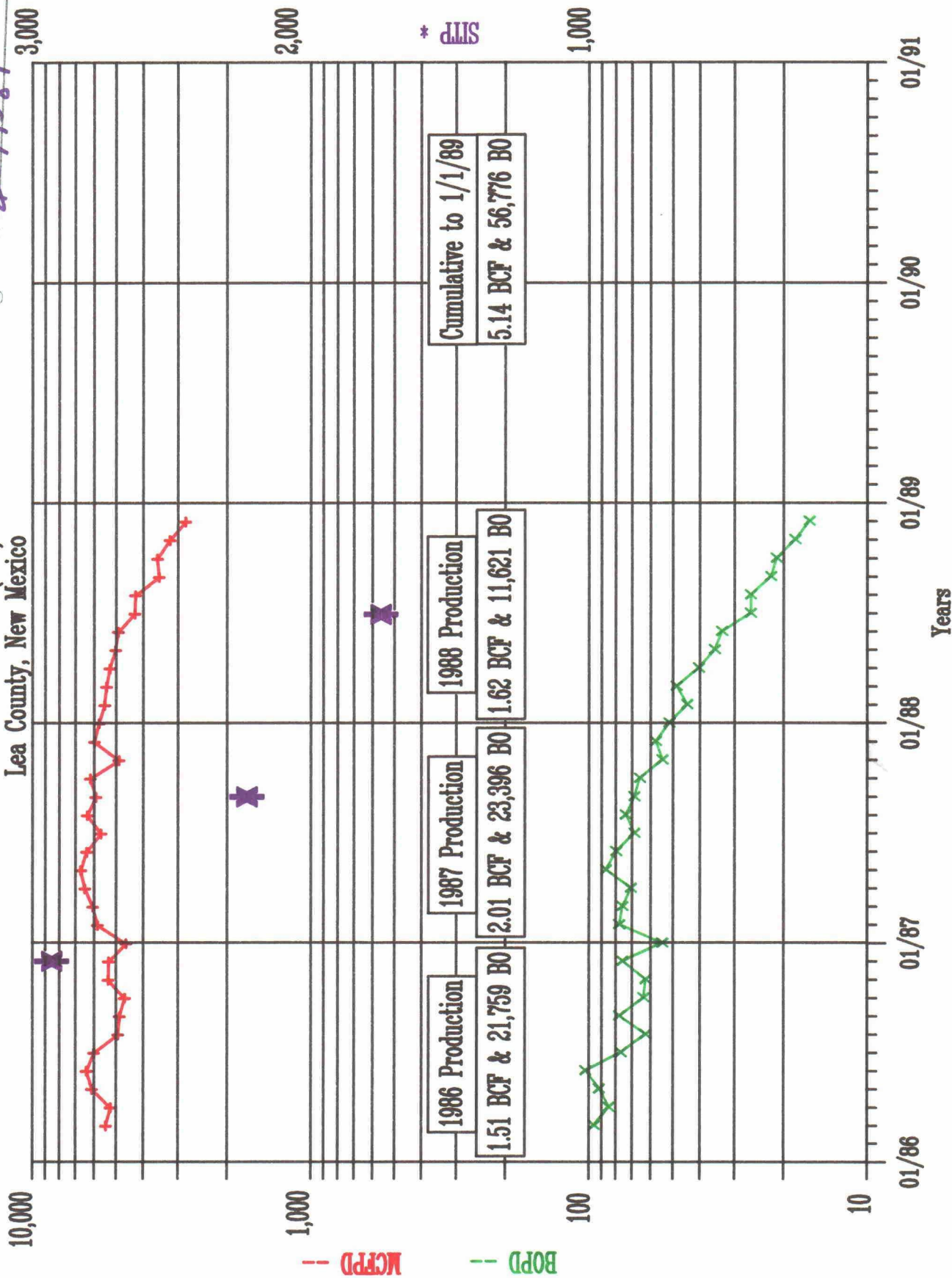
Total		185,474	168,952	2,145,329	
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OFFICE OF THE COMMISSIONER
SUNBELT ENERGY SERVICES, INC.
9657 Blue Bell
SUNBELT ENERGY SERVICES, INC.
Hearing Date: 8-17-85

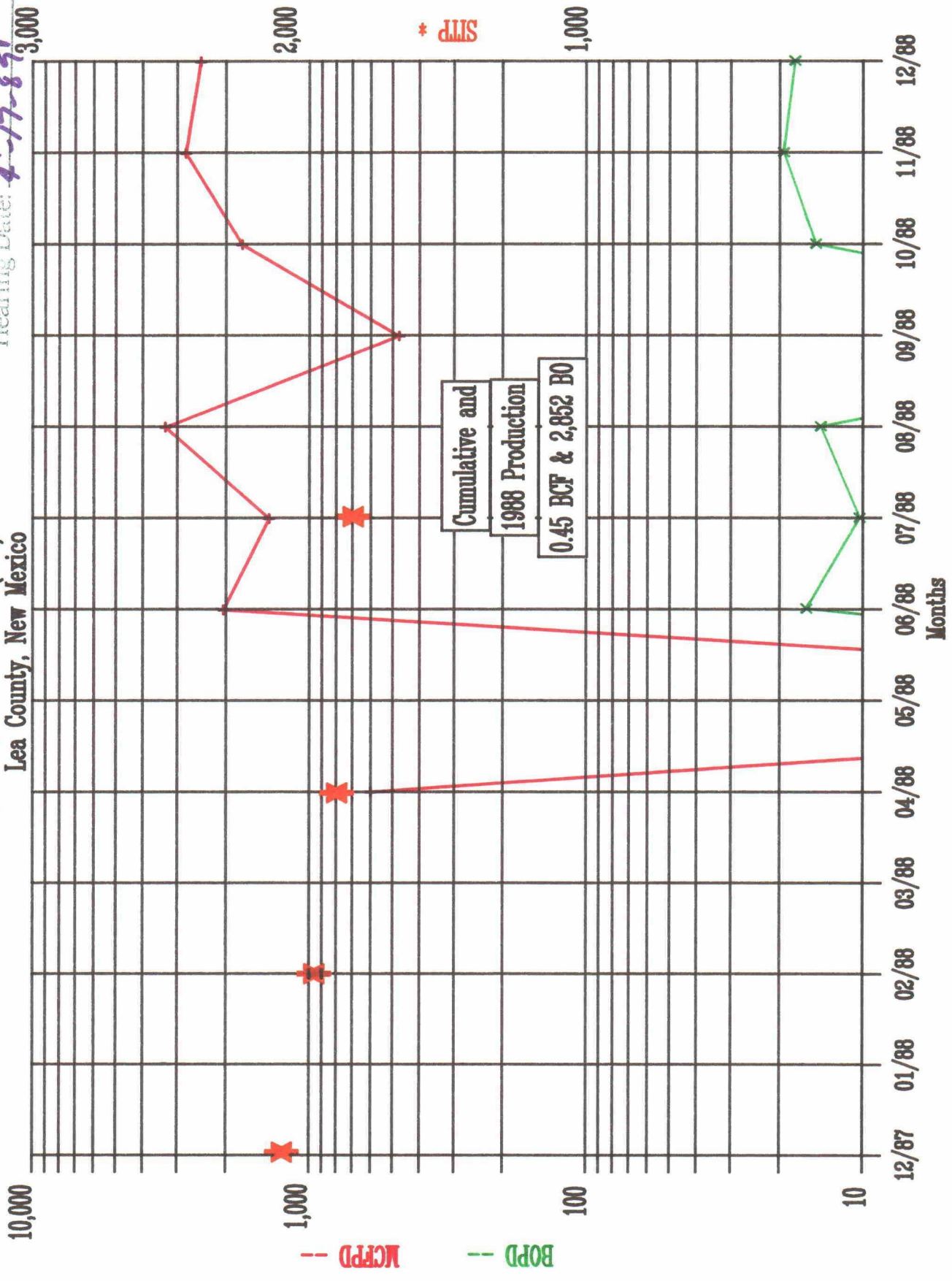
Enron Oil & Gas - Shoe Bar 14 State No. 1
South Shoe Bar Atoka (Gas) Pool
Lea County, New Mexico



T. H. McElvain - New Mexico AC State No. 1
South Shoe Bar Atoka (Gas) Pool
Lea County, New Mexico



Sun Exploration - Shoe Bar State Com No. 1
South Shoe Bar Atoka (Gas) Pool
Lea County, New Mexico



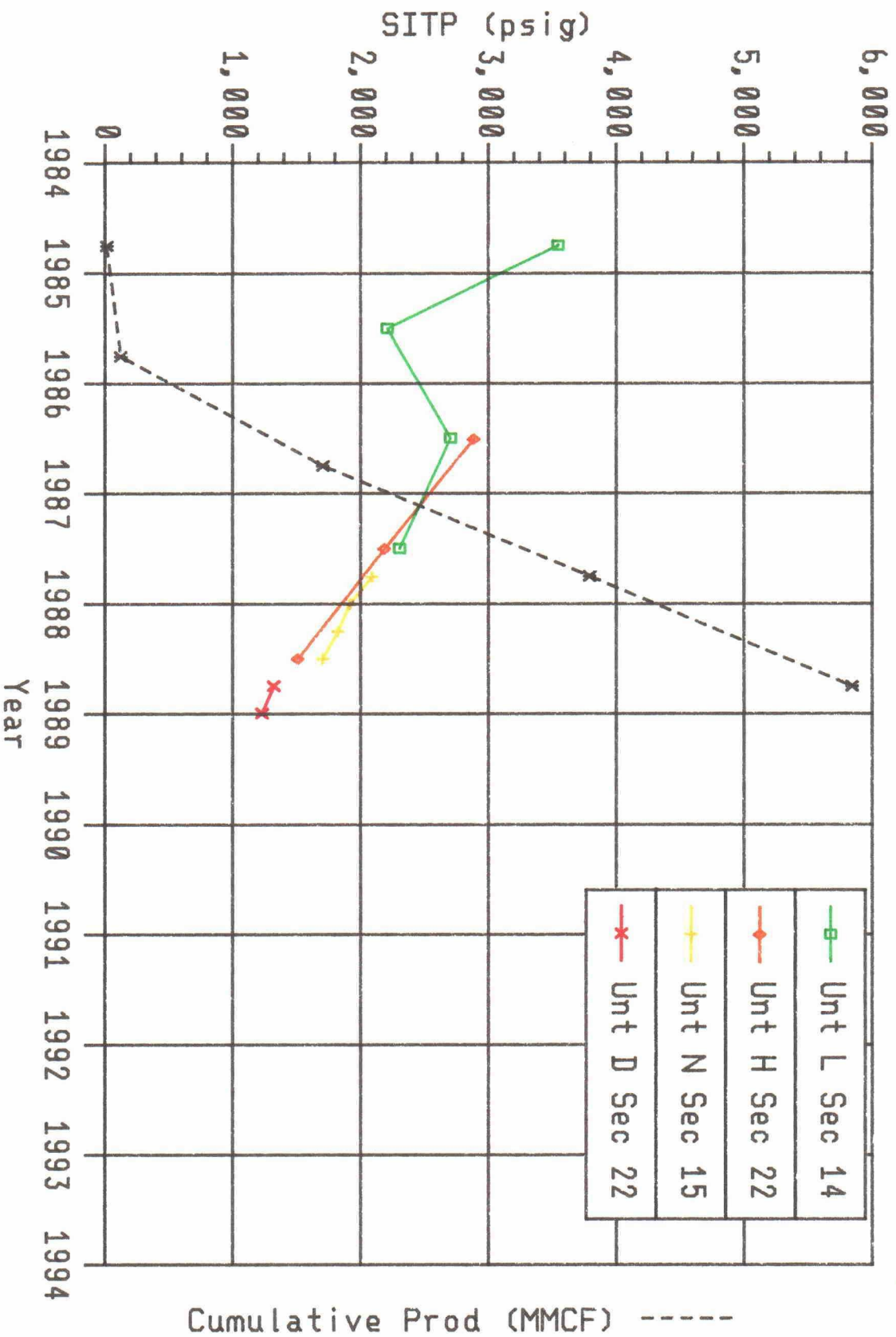
SHUT-IN TUBING PRESSURE AND CUMULATIVE PRODUCTION DATA
SHOE BAR ATOKA, SOUTH (GAS) POOL
LEA COUNTY, NEW MEXICO

Well -----	Year ----	Shut-in Tubing Pressure			Cumulative Production (Mcf) -----
		Mo.	psig	Hrs	
Enron Oil & Gas Co.					
Shoe Bar 14 State Com No. 1	1984	Nov	3543	48	14,885
Unit L, Sec 14-17S-35E	1985	Aug	2204	24	123,988
	1986	Jul	2700	48	195,775
	1987	Jul	2300	48	277,013
	1988				341,373
T. H. McElvain Oil & Gas Properties					
New Mexico AC State No. 1	1986	Dec	2890	24	1,509,188
Unit H, Sec 22-17S-35E	1987	Sep	2190	24	3,514,563
	1988	Jul	1514	24	5,048,649
Sun Exploration & Producing Co.					
Shoe Bar State Com. No. 1	1987	Dec	2084	--	0
Unit N, Sec 15-17S-35E	1988	Feb	1910	--	0
	1988	Apr	1818	--	18,000
	1988	Jul	1700	24	79,306
Phillips Petroleum Co.					
State-22 No. 1	1988	Dec	1318	25	0
Unit D, Sec 22-17S-35E	1989	Feb	1226	48	

9651 Phillips
4-17-89

Shoe Bar Atoka, South (Gas) Pool Lea County, New Mexico

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9651
Subscribed By: Phelps
Hearing Date: 4-17-87



STATE 22 - MINIMUM Flow Rate

FIGURE #1

FROM 12/30/88 ISOCHORICAL TEST

$Q = 473,000$ SCFD

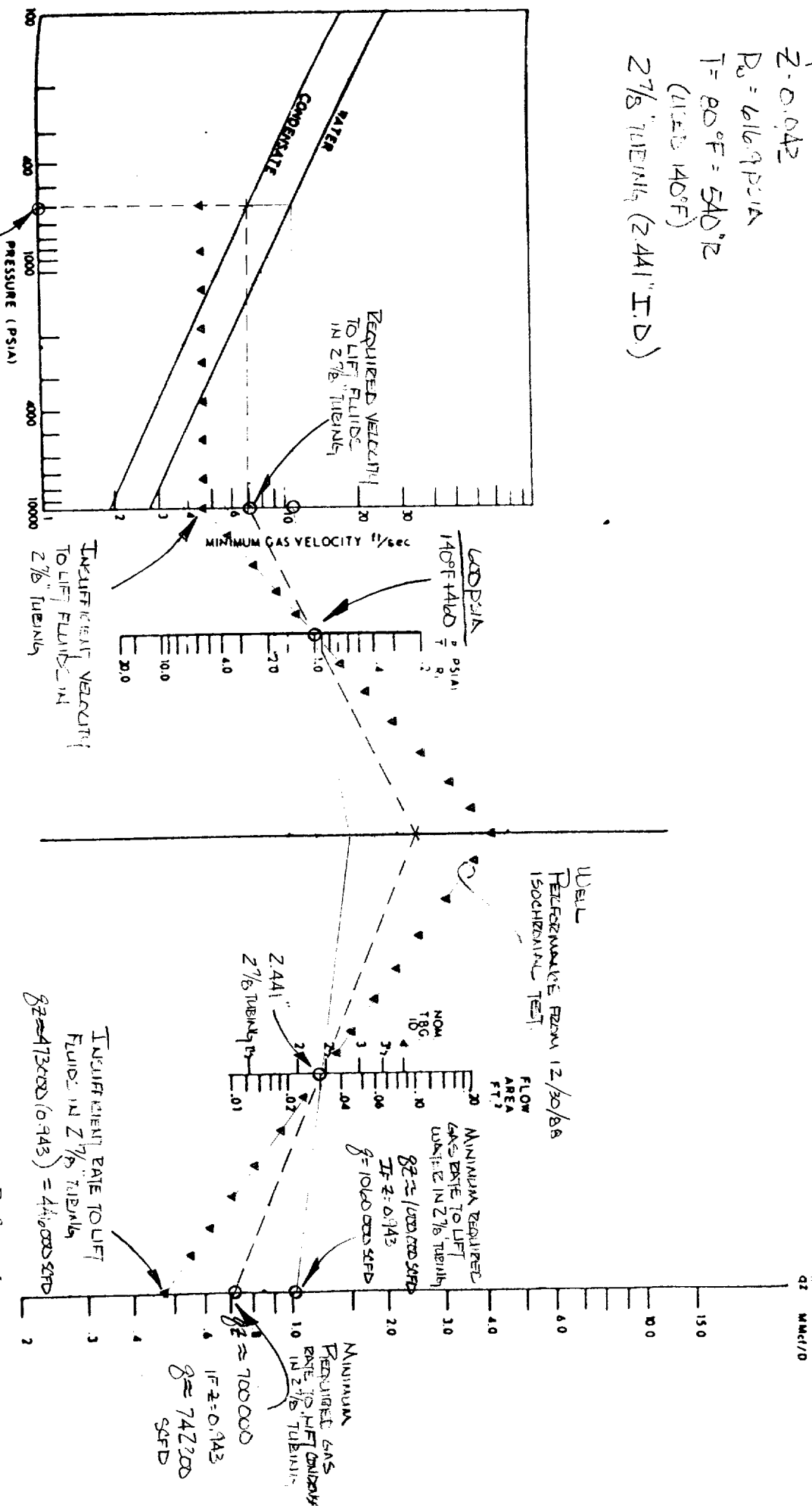
$Z = 0.942$

$P_b = 616.9$ PSIA

$T = 80^\circ F = 540^\circ R$

(USE 140°F)

$2\frac{7}{8}$ " TUBING (2.441" I.D.)



APPROXIMATE WELHEAD PRESSURE
(GATHERING LINE PRESSURE)

* FROM 'ANALYSIS & PREDICTION OF MINIMUM Flow RATE FOR THE CONTINUOUS Removal OF LIQUIDS FROM GAS WELLS - R.G. TURNER, M.G. HUBBARD, & A.E. DIKLETT NOVEMBER, 1969 IPT

OFF COMPANY
9651 Phillips
4-14-87

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASES NOS. 9331 (DE NOVO)
and 9429
Order No. R-8644-A

APPLICATION OF PHILLIPS PETROLEUM
CO. FOR NON-STANDARD UNIT AND NON-
STANDARD LOCATION OR, IN THE
ALTERNATIVE, FOR COMPULSORY POOLING
TO FORM A NEW STANDARD UNIT IN SECTION 22,
TOWNSHIP 17 SOUTH, RANGE 35 EAST,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on July 14, 1988, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 19th day of September, 1988, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of hearing Cases 9331, 9429 and 9430, involving the same land and subject matter, were consolidated for purposes of hearing.

(3) Applicant Phillips Petroleum Company (Phillips), in Case 9331 sought, and was denied by Order R-8644, approval of non-standard location 660 feet from the North and West lines of Section 22, Township 17 South, Range 35 East for a well to be drilled to the South Shoe Bar-Atoka Gas Pool and to assign to said well a non-standard proration unit of either 80 acres or 160 acres. Said case was presented at this hearing, de novo.

(4) Applicant Phillips in Case 9429 seeks to force-pool either the N/2 or W/2 of Section 22 to form a standard 320-acre

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 7651 Exhibit No. 9
Submitted By: Phillips
Hearing Date: 4-17-89

CASES NOS. 9331 (De Novo) and 9429
Order No. R-8644-A

gas spacing and proration unit and to reform administrative order NSP-1470-(L) covering the NE/4 and E/2 NW/4, which is dedicated to an existing well; the T. H. McElvain New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East line (Unit H) of said Section 22; whereby Phillips would either participate in McElvain's well if the N/2 is force-pooled or would drill a second well in the section if the W/2 is force-pooled.

(5) Applicant Mobil Producing Texas and New Mexico Inc. (Mobil), in Case 9430, seeks the force-pooling of the E/2 of Section 22, or alternatively to force pool the S/2 of said section, so as to allow their lease in the SE/4 of said section to participate in a standard gas spacing unit, or to approve a non-standard gas spacing and proration unit comprised of SE/4 and S/2 SW/4 of said section.

(6) T. H. McElvain protests any action of the Commission which would change the size of his present proration unit, penalize his production or force pool interests into his producing well.

(7) All parties agreed that wells completed in the Atoka Sand Reservoir would drain in excess of 320 acres.

(8) Sun Exploration and Production (Sun), owner and operator of the Shoe Bar State Well No. 1 located at a standard location in the SE/4 SW/4 (Unit N) of Section 15, Township 17 South, Range 35 East protests the excess drainage that would occur on their acreage in Section 15 from two additional wells drilled and completed from the Atoka Sand Reservoir in Section 22 caused by the Commission approving unorthodox spacing units without penalizing production rates.

(9) Testimony introduced by all of the parties confirmed the attempts to reach voluntary agreements which have failed.

(10) Unprorated gas pools have rules which establish standard proration unit size and shape with minimum distances a well may be drilled from the boundary of the unit assigned to it. Such rules prevent waste from drilling unnecessary wells and protect correlative rights by limiting encroachment and equalizing the amount of acreage dedicated to a proration unit.

(11) The McElvain well was a re-entry of the Humble State "AC" No. 1 which was located at a standard location for oil production but a non-standard location for Atoka gas. Approval of a 240-acre non-standard unit was granted by Administrative Order NSP-1470(L) after notice was given to both Phillips and Mobil, as offset operators, and neither party objected.

(12) Since McElvain secured approval of his unit and the well location as required by the rules, and has drilled and completed his well, the Commission is reluctant to redistribute equity in that producing gas proration unit; however, the Commission must address the well density issue in Section 22 by applying appropriate penalties to non-standard units and locations in order to protect the correlative rights of all parties.

(13) No party has requested proration be instituted in these pools.

(14) Phillips' reservoir engineer requested a 160-acre non-standard unit with a 50% penalty factor (160/320) assessed against ratable take determinations by the gas purchaser. This is not possible in today's gas marketing environment where there may be purchasers outside the jurisdiction of the Oil Conservation Division and there may not be a common purchaser to implement ratable take penalties.

(15) Under cross examination of the Phillips' reservoir engineer, it was suggested that the penalty be assessed against deliverability. Since operators in non-prorated gas pools have the opportunity to sell maximum deliverability from their gas wells, a penalty assessed against deliverability will protect the correlative rights of all gas producers in the pool.

(16) There was no direct correlation between deliverability and data presented at the hearing. In the absence of such, deliverability must be defined as the maximum recorded flow rate.

(17) During 1986 and 1987 maximum flow rates for the wells on which data was presented at the hearing were approximately 6000 Mcf/day and this is hereby found to be the maximum flow rate for wells subject to being penalized by this order.

(18) Data presented at the hearing did not address declining deliverability but 10% per year decline is considered reasonable and represents average performance in this type of reservoir.

(19) The McElvain well location was not objected to and should not be penalized, however; the spacing unit is non-standard and should be allowed 240/320 or 75% of the maximum flow rate described in Finding No. (18) hereinabove.

(20) Phillips, if unable to negotiate for a standard unit should be permitted a non-standard unit comprised of the W/2

CASES NOS. 9331 (De Novo) and 9429
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NW/4 and N/2 SW/4 and, if the well is located not less than 660 feet to the outer boundary of the unit should be limited to one-half (160/320) the maximum flow rate as described in Finding No. (18) hereinabove. Further encroachment toward the outer boundary will be cause for an additional penalty which would be the subject of a new hearing.

IT IS THEREFORE ORDERED THAT:

(1) T. H. McElvain's New Mexico "AC" State Well No. 1 located 1980 feet from the North and 660 feet from the East lines of Section 22, Township 17 South, Range 35 East, Lea County, New Mexico is hereby restricted in its daily producing rate to 4,500,000 cubic feet of gas from the South Shoe Bar-Atoka Gas Pool.

(2) Phillips Petroleum Co.'s application for a non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool consisting of the W/2 NW/4 and N/2 SW/4 of said Section 22 is hereby approved.

PROVIDED, HOWEVER, that said well shall be restricted in its daily producing rate to 3,000,000 cubic feet of gas on condition the well is located no nearer than 660 feet to the outer boundary of the unit. If encroachment toward the outer boundary of the unit is greater, the Commission will impose an additional penalty after notice and hearing.

IT IS FURTHER ORDERED THAT:

(3) In regard to the restrictions imposed in decretory Paragraphs (1) and (2) above, production during any month at a rate less than the limitation described shall not be carried forward as underproduction into succeeding months, but overproduction of such limitation during any month shall be made up in the next succeeding month or months by shut-in or reduced rate as required by the District Supervisor of the Division.

(4) Beginning January 1, 1990, the maximum flow rate for wells subject to being penalized by this order shall be reduced 10% annually on January 1 of each successive year.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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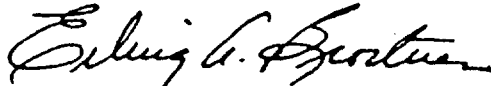
CASES NOS. 9331 (De Novo) and 9429
Order No. R-8644-A

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

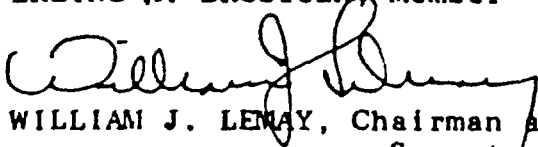
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and
Secretary

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dr/

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASES NOS. 9331 (DE NOVO)
and 9429
Order No. R-8644-B

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR NON-STANDARD UNIT AND NON-
STANDARD LOCATION OR, IN THE
ALTERNATIVE, FOR COMPULSORY POOLING TO
FORM A NEW STANDARD UNIT IN SECTION 22,
TOWNSHIP 17 SOUTH, RANGE 35 EAST,
LEA COUNTY, NEW MEXICO.

NUNC. PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Oil Conservation Commission of New Mexico (Commission) that the order issued in Case No. 8331 De Novo dated September 19, 1988 does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED THAT:

(1) Finding Paragraph No. (3) contained in Order No. R-8644-A should be amended to read in its entirety as follows:

"(3) Applicant Phillips Petroleum Company (Phillips), in Case 9331 sought, and was denied by Order No. R-8644, approval of a non-standard location 660 feet from the North and West lines of Section 22, Township 17 South, Range 35 East for a well to be drilled to test the Morrow formation and the South Shoe Bar-Atoka Gas Pool and to assign to said well a non-standard proration unit of either 80 acres or 160 acres. Said case was presented at this hearing, de novo."

(2) Decretory paragraph No. (2) in said Order No. R-8644-A should be amended to read in its entirety as follows:

"(2) Phillips Petroleum Company's application for a well to be drilled to the Morrow formation and a non-standard gas proration unit in the South Shoe Bar-Atoka Gas Pool consisting of the W/2 NW/4 and N/2 SW/4 of said Section 22 is hereby approved."

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CASES NOS. 9331 (DE NOVO)

and 9429

Order No. R-8644-R

PROVIDED HOWEVER, that said well shall be restricted in its daily producing rate to 3,000,000 cubic feet of gas on condition the well is located no nearer than 660 feet to the outer boundary of the unit. If encroachment toward the outer boundary of the unit is greater, the Commission will impose an additional penalty after notice and hearing."

(3) The corrections set forth in this order be entered nunc pro tunc as of September 19, 1988.

DONE at Santa Fe, New Mexico, on this 4th day of October, 1988.


STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member

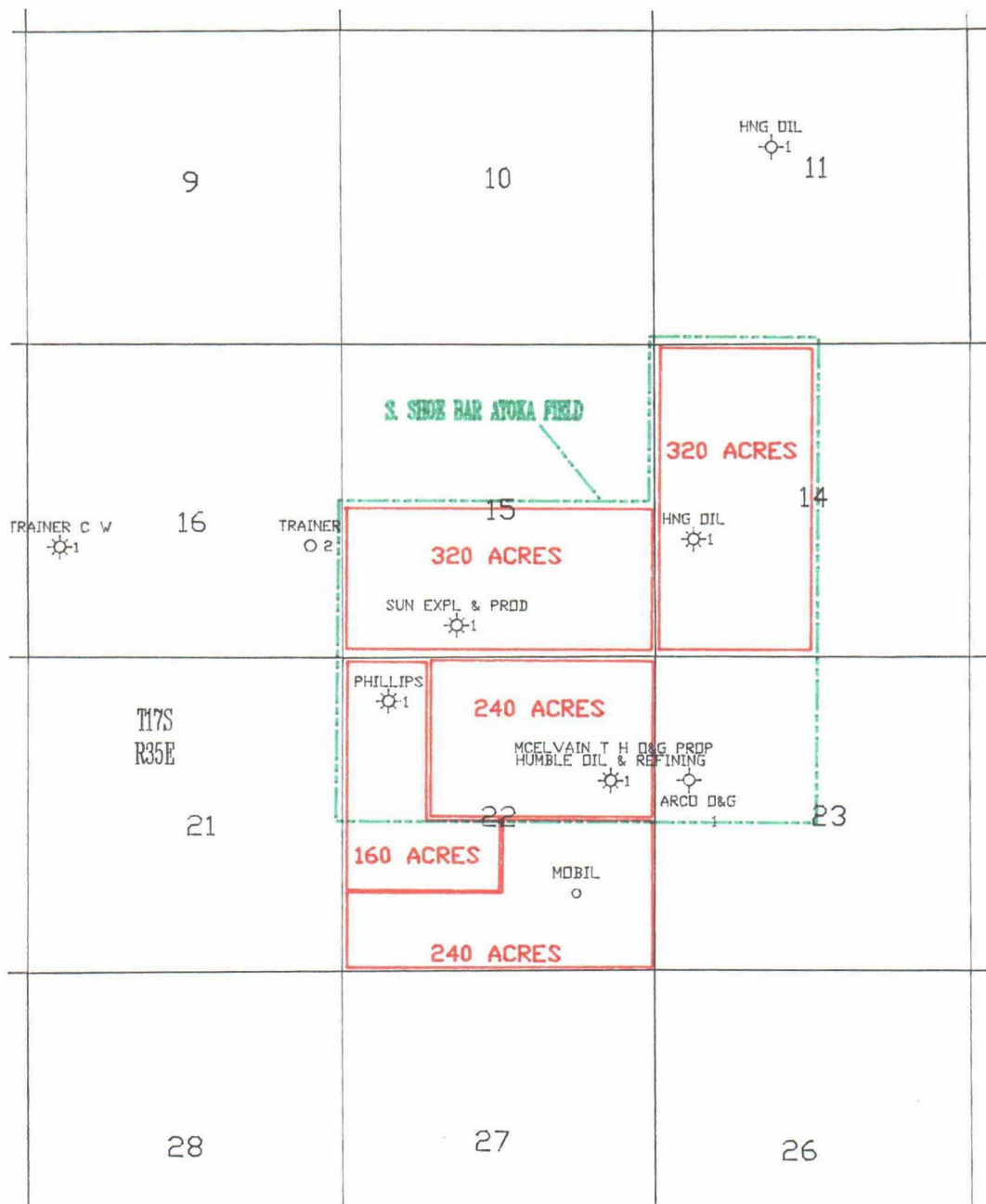


WILLIAM J. LEMAY, Chairman and
Secretary

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Sun Exhibits 1 through 8
Complete Set



SUN EXPLORATION & PRODUCTION
EXHIBIT # 1
CASE #9651