

ROUGH DRAFT NO. 1

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 FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9883 (De Novo)

Order No. R-227 9/21/7-A

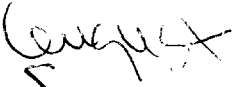
APPLICATION OF BTA OIL PRODUCERS
FOR AN UNORTHODOX OIL WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on June 21, 1990, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico,

hereinafter referred to as the "Commission.


→ NOW, on this _____ day of August, 1990, 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) The applicant, BTA Oil Producers ("BTA"), operates the SE/4 SW/4 of Section 11, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico on which it has drilled its Pardue "C" 8808 JV-P Well No. 1 ("Pardue No. 1") at a location 176 feet from the South line and 1550 feet from the West line (Unit N) of said Section 11 which is in the Undesignated East Loving-Delaware Pool.

(3) BTA sought administrative approval of this unorthodox location but an objection was filed by Bird Creek Resources Inc., (Bird Creek"), an off-set operator, and the matter was set for hearing before a Division Examiner on March 7, 1990. By Order No. R-9147, ^{dated August 13, 1990} the Division approved the unorthodox location of the Pardue No. 1 and imposed a production penalty on the well of 12,225 barrels which would be implemented by limiting the producing rate of said well to 53% of allowable until recovery of 12,225 barrels of oil.

(4) BTA drilled and produced this well at an unorthodox location under a valid Division order with full knowledge that the case would be taken to a de novo hearing with the possibility of a different penalty assessed.

knowing that
(5) Bird Creek ~~knew~~ the Pardue No. 1 well was being drilled and produced by BTA in accordance with Division Order No. R-9147 ~~and~~ did not seek a stay of ~~the~~ Division Order.

Leave in
(6) BTA did not have an expiring lease which necessitated the drilling of the Pardue No. 1 prior to the scheduled de novo hearing and issuance of a Commission order.

At the time of the de novo hearing
(7) The Commission ruled to incorporate the full record of the Examiner hearing and not to accept testimony regarding the validity of BTA's reasons for choosing an unorthodox location over a standard location because of Findings *Paragraphs* Nos. (4) and (5) above.

begin presents by the
(8) Testimony pertaining to a no-flow barrier between the Pardue No. 1 and wells to the south ~~and~~ drainage areas for these wells was not substantiated with precise measurements of permeability thickness, average reservoir pressure and production rates.

(9) Both parties agreed at the Examiner hearing that 150,000 barrels of oil was a good approximation of recoverable reserves underlying the 40 acres

Review at the Commission hearing

drainage area of the Pardue No. 1 ~~but~~ Bird Creek presented calculations ~~to showing~~ ~~show~~ that 200,000 barrels of oil was the recoverable reserve estimate and that this oil would be produced from the completed interval only with additional oil reserves being present in separate sands immediately above the completed pay interval. These additional reserves were projected from log analysis and not confirmed by offsetting production.

(10) BTA disagreed with Bird Creek's conclusions but could not offer credible alternative calculations because of the absence of definite reservoir data.

indicated
(11) The evidence indicated that the Pardue No. 1 will drain additional oil reserves underlying Bird Creek's acreage by virtue of its unorthodox location and that in order to protect the correlative rights of Bird Creek, the Pardue No. 1 should be assessed a production penalty.

(12) The Pardue No. 1 well is currently capable of producing oil in excess of the top allowable oil rates.

(13) Where reservoir data is insufficient to sustain reliable reserve and drainage calculations the Commission has established production penalties for encroaching wells based upon the ratio that the proposed location bears to a standard location.

(14) The production penalty assessed against the Pardue No. 1 should

be:
$$\frac{\text{standard location footage} - \text{proposed location footage}}{\text{standard location footage}}$$

or

$$\frac{330 - 176}{330} = 47\%$$

(15) This penalty should be assessed against the top allowable rate which is 142 barrels of oil per day.

(16) Approval of the unorthodox well location subject to a production limitation factor of 53% of the top allowable rate will afford the operator the opportunity to produce its just and equitable share of oil in the subject pool, will prevent waste, and will protect the correlative rights of offset operators.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, BTA Oil Producers, is hereby authorized to produce its Pardue No. 1 at an unorthodox oil well location 176 feet from the South line and 1550 feet from the West line (Unit N) of Section 11, Township 23 South, Range 28 East, NMPM, Undesignated East Loving-Delaware Oil Pool, Eddy County, New Mexico.

(2) A production limitation factor of 53% of the top allowable rate of 142 barrels of oil per day, or 76 barrels of oil per day, is hereby assigned to the Pardue No. 1 as its maximum allowable rate.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

WILLIAM R. HUMPHRIES, Member

WILLIAM W. WEISS, Member

WILLIAM J. LEMAY, Chairman and
Secretary

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