

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8696
Order No. R-8062

APPLICATION OF PENNZOIL COMPANY
FOR POOL CREATION, SPECIAL POOL
RULES, ASSIGNMENT OF DISCOVERY
ALLOWABLE, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on September 11, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 31st day of October, 1985, 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, Pennzoil Company, seeks the creation of a new oil pool for Strawn production in Lea County, New Mexico and the assignment of a discovery allowable to said pool.

(3) The applicant further seeks the establishment of temporary pool rules, including a provision for 80-acre well spacing and proration units for the proposed pool.

(4) The evidence presently available indicates that applicant's Viersen Well No. 1, located in Unit I, Section 4, Township 17 South, Range 37 East, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the Shipp-Strawn Pool.

(5) The vertical limits of the proposed pool should be the Strawn formation as found on the porosity log of the

discovery well, the Vierson Well No. 1, from 11,138 feet to 11,255 feet.

(6) The horizontal limits for the proposed Shipp-Strawn Pool should be as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM

Section 33: SE/4 and E/2 SW/4
Section 34: S/2

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 3: All
Section 4: E/2 and E/2 W/2
Section 9: NE/4 and E/2 NW/4
Section 10: N/2

(7) The above described area is adequate to cover the potential expansion of the subject pool and is designed to avoid overlaps and conflicts with other Strawn Pools in the immediate vicinity.

(8) The rules for this pool should be limited to the area described in Finding (6) above and should not apply to wells drilled within a mile of the outer boundary of this pool.

(9) The evidence presented has established that the discovery well has permeability in the range of 43 millidarcies and calculations utilizing this data show the well has the possible capability to drain an area of 80 acres.

(10) The discovery well for the said pool, Vierson Well No. 1, located in Unit I of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico is entitled to and should receive a bonus discovery oil allowable in the amount of 55,690 barrels, based upon the top of the perforation in said well at 11,138 feet, to be assigned over a two-year period (77 barrels of oil per day).

(11) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special pool rules and

regulations providing for 80-acre spacing units should be promulgated for the Shipp-Strawn Pool.

(12) The temporary special rules and regulations should provide for specified well locations in order to assure orderly development of the pool and protect correlative rights.

(13) The temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish conclusively whether the area can be efficiently and economically drained and developed by one well on 80-acre spacing on a permanent basis.

(14) This case should be reopened by the Division at an examiner hearing in November, 1986, at which time the operators in the subject pool should be prepared to appear and show cause why the Shipp-Strawn Pool should not be developed on other than 40-acre spacing units.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Lea County, New Mexico is hereby created and designated as the Shipp-Strawn Pool with vertical limits being the Strawn formation as found in the porosity log of the Vierson Well No. 1 from 11,138 feet to 11,255 feet and with horizontal limits described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM

Section 33: SE/4 and E/2 SW/4

Section 34: S/2

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

Section 3: All

Section 4: E/2 and E/2 W/2

Section 9: NE/4 and E/2 NW/4

Section 10: N/2

(2) The Pennzoil Company Vierson Well No. 1 located in Unit I, Section 4, Township 17 South, Range 37 East, Lea County, New Mexico, is hereby authorized an oil discovery allowable of 55,690 barrels to be assigned to said well at the rate of 77 barrels per day in accordance with Rule 509 of the Division Rules and Regulations.

(3) Temporary Special Rules and Regulations for the Shipp-Strawn Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SHIPP-STRAWN POOL

RULE 1. Each well completed or recompleted in the Shipp-Strawn Pool or in the Strawn formation within said pool limits, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section.

RULE 3. The Division Director 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 and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard proration unit lies wholly within a single governmental quarter section.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section or in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 330 feet to the outer boundary of its spacing unit and not closer than 990 feet to any other well capable of producing from the Strawn formation.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall certify 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. An 80-acre proration unit (79 through 81 acres) in the Shipp-Strawn Pool shall be assigned an 80-acre depth bracket allowable of 445 barrels per day and in the event there is more than one well on an 80-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 unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

RULE 7. The limiting gas-oil ratio for the pool shall be 2,000 cubic feet of gas for each barrel of oil produced.

IT IS FURTHER ORDERED THAT:

(4) The locations of all wells presently drilling to or completed in the Shipp-Strawn Pool are hereby approved.

(5) Pursuant to Paragraph A. Section 70-2-18, NMSA, 1978, contained in Chapter 271, Laws of 1969, existing wells in the Shipp-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

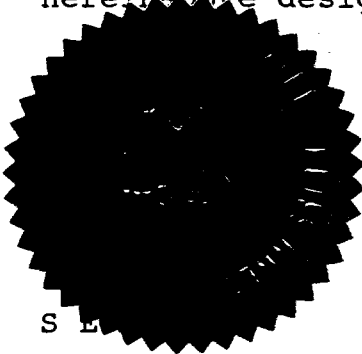
(6) Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Shipp-Strawn Pool shall receive no more than one-half of a standard allowable for the pool.

(7) This case shall be reopened by the Division at an examiner hearing in November, 1986, at which time the operators in the subject pool may appear and show cause why the Shipp-Strawn Pool should not be developed on other than 40-acre spacing units.

(8) 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 hereinafter designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. STAMETS,
Director