

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. 9163
Order No. R-8470
NOMENCLATURE

APPLICATION OF ARCO OIL AND
GAS COMPANY FOR POOL CREATION,
SPECIAL POOL RULES, AND DISCOVERY
ALLOWABLE, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 1, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of July, 1987, 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, ARCO Oil and Gas Company, seeks the creation of a new pool for the production of oil from the Wolfcamp formation consisting of the W/2 NW/4 of Section 9, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, and further seeks the promulgation of temporary special pool rules for said pool including a provision for 80-acre spacing and proration units.

(3) The applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509 to its West Anderson Ranch State Well No. 1 located 1980 feet from the North line and 660 feet from the West line of said Section 9.

(4) The evidence presented at the hearing indicates that a new common source of supply has been discovered in the Wolfcamp formation in the aforementioned West Anderson Ranch State Well No. 1 from a depth of 9937.5 feet to 9956.5

feet (depth measured from surface), and in accordance with said Division General Rule 509, said well should be assigned a discovery allowable equal to 49,687 barrels.

(5) A new oil pool should therefore be created and designated the West Anderson Ranch-Wolfcamp Pool with the vertical limits to include the Wolfcamp formation and the horizontal limits to be comprised of the W/2 NW/4 of Section 9, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico.

(6) The evidence presented in this case justifies the establishment of 80-acre spacing and proration units and, therefore, 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 rules and regulations providing for 80-acre spacing units should be promulgated for the West Anderson Ranch-Wolfcamp Pool.

(7) Temporary special rules and regulations should be established for a period of 18 months in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(8) Said temporary rules and regulations should also provide for well locations to be within 150 feet of the center of a governmental quarter-quarter section.

(9) This case should be reopened at an examiner hearing in January, 1989, at which time the operators in the subject pool should appear and show cause why the pool rules promulgated herein should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new oil pool for Wolfcamp production, designated as the West Anderson Ranch-Wolfcamp Pool, is hereby created with vertical limits consisting of the Wolfcamp formation and with horizontal limits consisting of the following described acreage:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 9: W/2 NW/4

(2) Temporary Special Rules and Regulations for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
WEST ANDERSON RANCH-WOLFCAMP POOL

RULE 1. Each well completed or recompleted in the West Anderson Ranch-Wolfcamp Pool or in the Wolfcamp formation within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules 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; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. For good cause shown, the Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

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 proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 355 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 proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(3) Effective August 1, 1987, the applicant's West Anderson Ranch State Well No. 1 is hereby assigned a discovery allowable in the amount of 49,687 barrels, said allowable to be produced in accordance with Division Rule 509.

(4) The locations of any other wells, presently drilling to or completed in the West Anderson Ranch-Wolfcamp Pool or within one mile thereof, and not nearer to or within the limits of another designated Wolfcamp pool, are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before September 1, 1987.

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

Failure to file new Forms C-102 with the Division dedicating 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 West Anderson Ranch-Wolfcamp Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, or within one mile thereof shall receive no more than one-half of a standard allowable for said pool.

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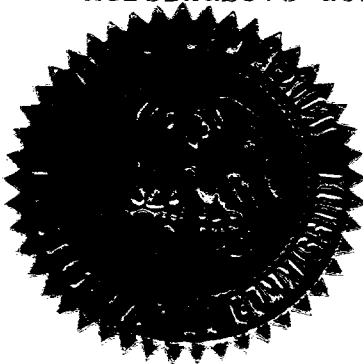
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(6) This case shall be reopened at an examiner hearing in January, 1989, at which time the operators in the subject pool may appear and show cause why the West Anderson Ranch-Wolfcamp Pool rules should not be rescinded.

(7) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY
Director

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