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June 3, 1988

Michael E. Stogner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

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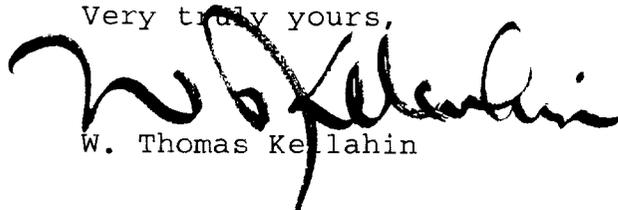
OIL CONSERVATION DIVISION

Re: Tenneco Oil Company Application  
for Infill Well Findings, Blanco  
Mesaverde Pool, San Juan County,  
New Mexico, NMOCD Case 9393

Dear Mr. Stogner:

In accordance with your request please find enclosed a proposed order for entry in the referenced case. I have circulated an earlier draft to Mr. Kent Lund, attorney for Amoco, and he has made certain suggestions which I have enclosed in the draft. Neither Mr. Lund nor Mr. Bruce have seen the final written draft and would ask that they communicate any further objections or suggestions to you.

Very truly yours,



W. Thomas Kellahin

WTK:ca  
Enc.

cc: David Motloch, Esq.  
Kent Lund, Esq.  
James Bruce, Esq.

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF TENNECO OIL COMPANY FOR  
WELL-HEAD PRICE CEILING CATEGORY  
DETERMINATION FOR CERTAIN INFILL  
WELLS, FOR EXCEPTION TO ORDER  
R-1670-T, AND EXCEPTIONS FROM  
WELL LOCATION REQUIREMENTS,  
BLANCO MESA-VERDE GAS POOL,  
SAN JUAN COUNTY, NEW MEXICO.

CASE: 9393  
ORDER R-

TENNECO OIL COMPANY'S  
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 25, 1988 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of June, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the examiner, and being fully advised in the premises,

FINDS:

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

(2) That Applicant, Tenneco Oil Company, seeks an exception to Rule 2(b) of the special rules and regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, allowing a third well to be drilled and produced within 16 certain proration units, as shown on Exhibit "A", each well to be drilled within the quarter section that contains the original well in the unit, five of which are unorthodox (as listed below), and for an effective and efficient finding on each well, pursuant to F.E.R.C. Rule 271.305.

Case 9393

1. 1720' FSL 7 1610' FWL, Section 28, T30N, R8W
2. 1620' FSL 7 1005' FWL, Section 27, T30N, R8W
3. 300' FNL & 1230' FEL, Section 27, T30N, R8W
4. 2160' FNL & 395' FEL, Section 3, T31N, R11W
5. 1125' FNL & 1828' FEL, Section 27, T29N, R8W

(3) Amoco Production Company and Kimbark Oil & Gas Company have entered their appearances and have participated in the hearing as interested parties.

(4) The original Blanco Mesa Verde well in each of the subject spacing and proration units was drilled between 1951 and 1955 by El Paso Natural Gas Company and were completed open hole using either nitroglycerin or a sand-oil frac on the formation.

(5) Between 1985 and 1986, Tenneco sidetracked some 14 open hole Mesa Verde wells and improved the well completions thereby recovering reserves that otherwise would not have been recovered.

(6) It is more efficient to drill a third well in each of these sixteen units and thus eliminate the mechanical risks of sidetracking.

(7) Because of the proven success of the sidetracking procedures to recover additional reserves it is not necessary to have the subject 16 wells actually drilled and completed prior to finding that such well will effectively and efficiently drain the spacing units.

(8) Both Amoco Production Company and Kimbark Oil & Gas Company submit that only two wells should be produced in any 320-acre Blanco Mesa Verde spacing and proration unit at any one time. More specifically, they urge that no two wells should be produced in the same quarter section at any one time without the prior approval of the Division entered after notice and hearing.

(9) An expert petroleum engineer for Tenneco testified that operationally such a staggered production between the original well and the third well should be feasible and should not result in waste to either the original well or the third well.

(10) In order to prevent waste Tenneco Oil Company should not be required to plug and abandon the original well before drilling the third well.

(11) While the Division assigns allowables to spacing units and not wells and while Tenneco, as operator, should have the flexibility to determine what volumes of gas it should produce from any given well within the restrictions of the Oil Conservation Division rules and regulations in order to preclude any possibility of creating a pressure sink and a corresponding advantage over offset operators by producing three wells concurrently, Tenneco should not be permitted to produce either the original well or the third well on that same 160 acres concurrently in the same month without further order of the division.

(12) In each of the subject sixteen units the original well is not effectively and efficiently draining a portion of the reservoir covered by the proration and spacing unit.

(13) Unless a new well is drilled on the same 160 acres as the original well in each of these sixteen units, significant reserves will be left behind in the reservoir due to the inefficiency of the open hole completions.

(14) In each instance the third well in each of the sixteen spacing units is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

(15) Rule 2(b) of the Special Rules for the subject pool provides that:

RULE 2(b). Well Location:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.
2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverda Well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

(16) The subject wells require an exception to Rule 2(b) of the Special Rules of the pool in order to be at the optimum locations to test the Blanco Mesaverde Gas Pool in their respective spacing units.

(17) That there is no need or justification to change the Blanco Mesa Verde spacing at this time based upon the unique problem created by the subject open hole completion in these sixteen spacing units.

IT IS THEREFORE ORDERED:

(1) That the applicant, Tenneco Oil Company, is hereby authorized to drill each of the sixteen subject wells shown on Exhibit "A" attached hereto and incorporated by reference herein as infill wells on existing 320-acre spacing and proration units in the Blanco Mesa-Verde Gas Pool, San Juan County, New Mexico.

(2) The authorization for infill drilling granted by this order is an exception to applicable well spacing requirements for this pool and is necessary to permit the drainage of a portion of the reservoir covered by the existing original well on the proration unit which cannot efficiently and economically be drained by any existing well thereon.

(3) That without the further approval of the Division, to be granted only after additional notice and hearing, Tenneco Oil Company shall not produce the third well and the original well on any of the spacing units concurrently within the same month.

(4) For determining the allowable for each of the subject spacing and proration units, the Aztec Office of the Division is directed to take the higher of the deliverability from either the original well or the third well and factor that deliverability along with the deliverability of the infill well in the opposite 160 acres of the same proration and spacing unit in calculating the allowable to be assigned to that 320 acre spacing and proration unit.

(5) For allocation of the allowable determined by Ordering Paragraph (4) above, the Aztec Office of the Division, in accordance with 18 CFR 271.305(b) (2) (ii) and for each proration period shall determine the ratio between the latest deliverabilities of the two wells in

Case 9393

the same 160 acre portion of the spacing and proration unit and then allocate the unit allowable so that neither of those two wells produces within a proration period a total volume of gas in excess of that ratio.

(6) That 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

S E A L

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS  
GOVERNOR

July 27, 1968

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Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
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Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Re: CASE NO. 9393  
ORDER NO. R-8697

Applicant:  
Tenneco Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division order recently entered in the subject case.

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD X  
Artesia OCD X  
Aztec OCD X

Other David Motloch, Kent Lund, James Bruce