

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. 9866
Order No. R-9118

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR SPECIAL POOL RULES
OR, IN THE ALTERNATIVE, POOL
REDESIGNATION AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of February, 1990, 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) By Order No. R-1572, dated January 18, 1960, the Division created and defined the Fowler-Upper Silurian Oil Pool consisting of the E/2 of Section 22, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, said pool spaced on 40-acre spacing in accordance with Division General Rule No. 104 (C)(I).

(3) By Order No. R-8667, dated June 10, 1988, the Division reclassified the Fowler-Upper Silurian Oil Pool to a gas pool; said pool is currently spaced on 320-acre gas spacing in accordance with Division General Rule No. 104 (C)(II).

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(4) The applicant, Amoco Production Company, seeks an order promulgating special rules and regulations for the Fowler-Upper Silurian Gas Pool, including a provision for 80-acre gas spacing and proration units and designated well location requirements. IN THE ALTERNATIVE, the applicant seeks to redesignate said pool as an oil pool and promulgate special rules and regulations including provisions for 80-acre oil spacing, designated well location requirements and a gas/oil ratio limitation of 10,000 cubic feet of gas per barrel of oil.

(5) According to the evidence presented and information obtained from Division records, there have been two wells which have produced from the subject pool to date, these being the South Mattix Unit Well No. 13 located in Unit I of said Section 22, and the South Mattix Unit Federal Well No. 3 located in Unit B of said Section 22.

(6) The South Mattix Unit Well No. 13 was abandoned in the Silurian formation in 1965 after a cumulative production of 27,166 barrels of oil, and the South Mattix Unit Federal Well No. 3 was abandoned in the Silurian formation in 1963 after a cumulative production of 21,315 barrels of oil.

(7) During 1987, the applicant recompleted its South Mattix Unit Well No. 15 located in Unit (A) of said Section 22, from the Ellenburger formation to the Silurian formation, and has tested the well at an absolute open flow potential of approximately 3,247 MCF gas per day with no associated liquids.

(8) The geologic evidence presented by the applicant indicates that the Fowler-Upper Silurian Gas Pool is a structurally complex reservoir defined by northwest to southeast trending faults, which delineate, more or less, the size and extent of the reservoir.

(9) It appears from the geologic evidence presented that the Fowler-Upper Silurian Gas Pool is a very limited reservoir, and that the productive extent of the reservoir may have already been defined by the three wells described above.

(10) The applicant further testified that it has no plans for continued development of the subject reservoir, whose horizontal extent lies, more or less, within acreage currently operated by the applicant.

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(11) Inasmuch as the only remaining producing well in the pool is producing dry gas (as described above), the Fowler-Upper Silurian Gas Pool should remain classified as a gas pool.

(12) The geologic evidence presented in this case is sufficient to demonstrate that the South Mattix Unit Well No. 15 will drain an area considerably less than 320 acres.

(13) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells and to otherwise protect correlative rights, special rules and regulations providing for 80-acre gas spacing and proration units should be promulgated for the subject pool.

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

(15) The special rules and regulations should be permanently established unless further development in the subject pool demonstrates that 80-acre gas spacing is inappropriate at which time this case may be reopened at the request of any operator in the pool, or by the Division on its own motion.

IT IS THEREFORE ORDERED THAT:

(1) Permanent Special Rules and Regulations for the Fowler-Upper Silurian Gas Pool, previously defined and classified, and currently consisting of the E/2 of Section 22, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
FOWLER-UPPER SILURIAN GAS POOL**

RULE 1. Each well completed or recompleted in the Fowler-Upper Silurian Gas Pool or in the Silurian formation within one mile thereof, and not nearer to or within the limits of another designated Silurian pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules hereinafter set forth.

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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 being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit comprising one or more governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. 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 upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

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 hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location 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 proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

IT IS FURTHER ORDERED THAT:

(2) The locations of all wells presently drilling to or completed in the Fowler-Upper Silurian Gas Pool or in the Silurian formation within one mile thereof 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 within 30 days from the date of this order.

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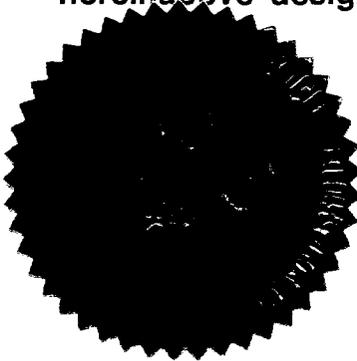
(3) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1987 Comp., contained in Laws of 1969, Chapter 271, existing gas wells in the Fowler-Upper Silurian Gas Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, 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 being shut in.

(4) The special rules and regulations promulgated herein are hereby permanently established. In the event that further development in the subject pool demonstrates that 80-acre gas spacing is inappropriate, this case may be reopened at the request of any operator in the pool, or by the Division on its own motion.

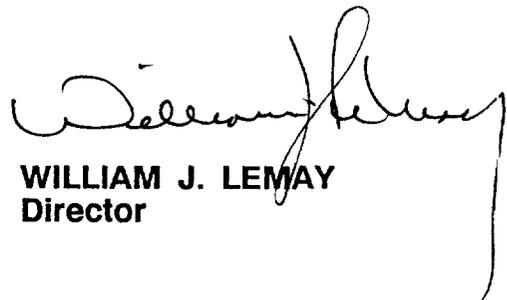
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director