

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. 10937
ORDER NO. R-10097

**APPLICATION OF BTA OIL PRODUCERS FOR SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.**

ORDER OF DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 17, 1994 at Santa Fe, New Mexico, before Examiner Jim Morrow.

Now, on this 13th day of April 1994, 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, BTA Oil Producers, seeks an exception to Division General Rule 104.C(2) as outlined in Division Memorandum dated August 3, 1990, to authorize the concurrent production of its Hudson State 8006 JV-P Well No. 1-Y, located 860 feet from the North line and 1980 feet from the West line (Unit C) of Section 11, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico and its Hudson State 8016 JV-P Well No. 2, located at a previously approved unorthodox gas well location 1980 feet from the North line and 990 feet from the West line (Unit E) of said Section 11 and the simultaneous dedication of said wells to a standard 320-acre gas spacing and proration unit comprising the N/2 of said Section 11 for production from the Antelope Ridge-Atoka Gas Pool.

(3) The Antelope Ridge-Atoka Gas Pool was established March 16, 1966 by Commission Order No. R-3050 which provided that spacing and well location requirements be those set out in Division General Rule 104.C(2) for 320-acre wells.

(4) Administrative Order NSL-3125-A dated November 12, 1993 approved the non-standard location for Well No. 2, with the requirement that Well No. 1-Y be shut-in upon successful completion of the No .2.

(5) Current Division policy regarding the drilling of a second well on a standard gas proration unit within a non-prorated gas pool is outlined in Division Memorandum dated August 3, 1990 regarding Rule 104 (C)(II) of the General Rules and Regulations, which in part states that "Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced".

(6) Information submitted by the applicant shows that Well No. 2 was completed in the Atoka formation in March, 1993. It is currently capable of producing 6,144 MCF of gas per day. First production was in November, 1993 when it produced a total of 57,280 MCF.

(7) Well No. 1-Y is currently shut-in, but is capable of producing 487 MCF per day. It has recovered 2,082 MMCF.

(8) The applicant submitted geological exhibits and testimony to show that Well No. 1-Y produces from the upper portion of the Atoka Limestone as do most of the other wells in the pool.

(9) Geologic testimony also shows that Well No. 2 produces from a sand member below the main limestone producing section of the Atoka.

(10) Bottomhole pressure information submitted by the applicant shows that the producing intervals in wells No. 1-Y and No. 2 are not in communication. Bottomhole pressure in Well No. 2 is 9432 psia compared to 1330 psia in well No. 1-Y. Pressures in other wells producing from the limestone section are also much lower than that in Well No. 2.

(11) Applicant's witness testified that unless Well No. 1-Y is allowed to produce concurrently with Well No. 2, the N/2 of Section 11 will be drained by offsetting Atoka limestone gas producers. The wells are producing from separate sections and neither well is capable of affecting production from the other.

(12) Based on the relative producing capacities of the two wells, economics will require the operator to produce Well No. 2 if one of the wells must be shut-in. The applicant has adequately demonstrated that unless Well No. 1-Y is also produced, the N/2 of Section 11 will suffer drainage and the applicant's correlative rights will be damaged.

(13) No offset operator or other interest owner appeared at the hearing in opposition to the application.

(14) Approval of the application will allow the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

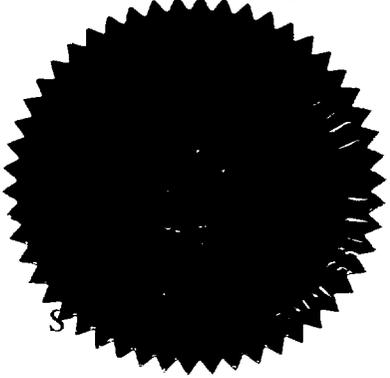
(1) The applicant, BTA Oil Producers, is hereby authorized to simultaneously dedicate an existing 320-acre standard proration unit comprising the N/2 of Section 11, Township 23 South, Range 34 East, NMPM, Antelope Ridge-Atoka Gas Pool, Lea County, New Mexico, to its Hudson State 8006 JV-P Well No. 1-Y, located 860 feet from the North line and 1980 feet from the West line (Unit C) of Section 11 and to its Hudson 8016 JV-P Well No. 2 located 1980 feet from the North line and 990 feet from the West line (Unit E) of said Section 11.

(2) The applicant is further authorized to produce Well Nos. 1-Y and 2 concurrently.

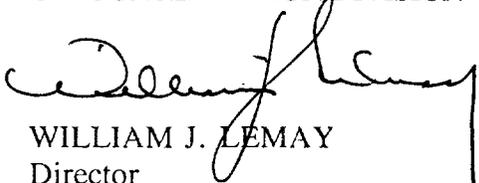
(3) The portion of Administrative Order NSL-3125-A, dated November 12, 1993, which requires that Well No. 1-Y be shut-in upon completion of Well No. 2 (Paragraph No. 3) is hereby rescinded.

(4) Jurisdiction of this cause is hereby 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