

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. 8371
Order No. R-7783-A

IN THE MATTER OF CASE NO. 8371 BEING
REOPENED PURSUANT TO THE PROVISIONS OF
DIVISION ORDER NO. R-7783 WHICH PROMULGATED
TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE BURTON FLAT-UPPER STRAWN POOL, EDDY
COUNTY, NEW MEXICO, INCLUDING A PROVISION FOR
160-ACRE SPACING UNITS.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 20, February 17, and March 16, 1988, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner.

NOW, on this 28th day of March, 1988, 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-7783, dated October 17, 1984, and entered in Case No. 8371, the Division created, defined, and promulgated temporary Special Rules and Regulations for the Burton Flat-Upper Strawn Pool, Eddy County, New Mexico, including a provision for 160-acre spacing and proration units.

(3) Pursuant to the provisions of Order No. R-7783, this case was reopened to allow the operators in the subject pool to appear and show cause why the Burton Flat-Upper Strawn Pool should not be developed on 40-acre spacing and proration units.

(4) The Petroleum Corporation of Delaware, the only operator in the subject pool at the present time, appeared at the hearing and presented evidence and testimony in this case.

(5) The evidence presented establishes that one well in said pool can efficiently and economically drain and develop 160 acres.

(6) The Special Rules and Regulations promulgated by Order No. R-7783 have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

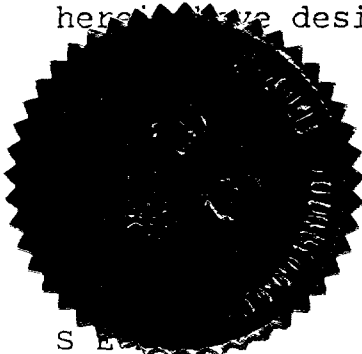
(7) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-7783 should be continued in full force and effect until further order of the Division.

IT IS THEREFORE ORDERED THAT:

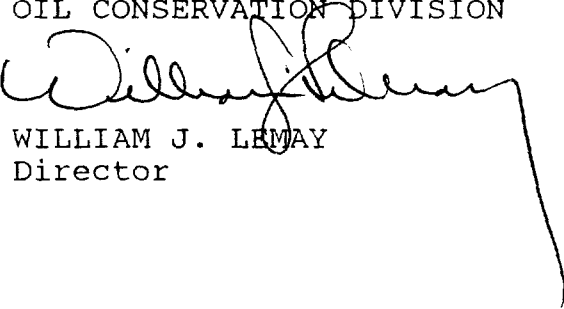
(1) The Special Rules and Regulations governing the Burton Flat-Upper Strawn Pool, Eddy County, New Mexico, promulgated by Division Order No. R-7783, are hereby continued in full force and effect until further order of the Division.

(2) 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


WILLIAM J. LEMAY
Director

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8371
Order No. R-7783

APPLICATION OF PETROLEUM CORPORATION
OF DELAWARE FOR THE CREATION OF A
NEW OIL POOL AND SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION:

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on October 17, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 21st day of January, 1985, the 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, Petroleum Corporation of Delaware, seeks an order creating a new oil pool in the Upper Strawn formation in Eddy County, New Mexico, with Special Pool rules including provisions for 160-acre spacing and a 3,000 to 1 gas-oil ratio limitation, such pool rules to be retroactive to February 1, 1984.

(3) The Superior Federal Well No. 4 located in the NE/4 SE/4 (Unit I) of Section 5, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, was recompleted to the Strawn formation with perforations located from 10,314 to 10,318 feet.

(4) Offset wells completed in the middle and lower Strawn formation are gas wells and are included within the East Burton Flat-Strawn Gas Pool.

(5) The geological information and gas-oil ratio information presented indicates that the interval from which

the Superior Federal No. 4 well produces is separate and distinct from the East Burton Flat-Strawn Gas Pool.

(6) The recompletion of said well has resulted in the discovery of a separate common source of supply which should be designated the Burton Flat-Upper Strawn Oil Pool.

(7) The vertical limits of said pool should be limited to Upper Strawn production and the horizontal limits should consist of the following described area:

EDDY COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 5: SE/4

(8) A gas-oil ratio of 3,000 to 1 will permit the more efficient production of oil and gas from the well and should serve to prevent waste.

(9) Insufficient evidence was presented upon which to make a determination that wells in the proposed pool can be efficiently and effectively produced on 160-acre spacing units on a permanent basis.

(10) Temporary special pool rules including provisions for 160-acre spacing units, a 3,000 to 1 gas-oil ratio limit, and specified well locations should be approved for a period of three years.

(11) This case should be reopened at an examiner hearing in January 1988, at which time all operators in the Burton Flat-Upper Strawn Pool should appear and show cause why said pool should not be developed in accordance with the General Rules and Regulations including 40-acre spacing.

(12) The pool creation and special pool rules contained herein should not be made retroactive beyond the month the application was filed, being October 1983.

IT IS THEREFORE ORDERED THAT:

(1) Effective October 1, 1984, a new pool in Eddy County, New Mexico, classified as an oil pool for Upper Strawn production is hereby created and designated as the Burton Flat-Upper Strawn Oil Pool with horizontal limits described as follows:

EDDY COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 5: SE/4

(2) Temporary Special Rules and Regulations for the Burton Flat Upper Strawn Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
BURTON FLAT-UPPER STRAWN OIL POOL

RULE 1. Each well completed or recompleted in the Burton Flat-Upper Strawn Oil Pool or in a correlative interval within one mile of its boundaries 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 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Lands Survey.

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 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 nearer than 660 feet to the outer boundary of the proration unit or nearer than 330 feet to any governmental quarter-quarter section line nor closer than 1320 feet to the nearest well drilling or capable of producing from the Burton Flat-Upper Strawn Oil Pool.

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. A 160-acre proration unit (158 through 162 acres) in the Burton Flat-Upper Strawn Oil Pool shall be assigned a 160-acre depth bracket allowable of 560 barrels per day and in the event there is more than one well on a 160-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 160 acres.

RULE 7. The limiting gas-oil ratio for the pool shall be 3,000 cubic feet of gas for each barrel of oil produced.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Burton Flat-Upper Strawn Oil Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well on or before March 1, 1985.

Case No. 8371
Order No. R-7783

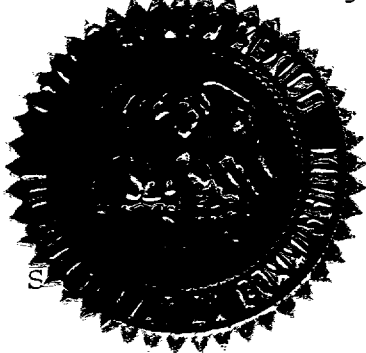
(4) Pursuant to Paragraph A. of Section 70-2-18, NMSA, 1978 Comp., existing wells in the Burton Flat-Upper Strawn Oil Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 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 Burton Flat-Upper Strawn Oil Pool or in the Strawn formation within one mile thereof shall receive no more than one-quarter of a standard allowable for the pool.

(5) This case shall be reopened at an examiner hearing in January 1988, at which time the operators in the subject pool may appear and show cause why the Burton Flat-Upper Strawn Oil Pool should not be developed on 40-acre proration units.

(6) 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

A handwritten signature in dark ink, appearing to read "R. L. Stamets", is written over the printed name.

R. L. STAMETS,
Director