

**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:**

**NOMENCLATURE
CASE NO. 13108
ORDER NO. R-12068**

**APPLICATION OF CONCHO EXPLORATION, INC. TO INCREASE THE DEPTH
BRACKET ALLOWABLE FOR THE SHUGART-DELAWARE POOL, EDDY
COUNTY.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 24, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of December, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) By Division Order No. R-1324, issued in Case No. 1581 on January 21, 1959, the Shugart-Delaware Pool (**46410**) was established for the production of oil from the Delaware formation. The horizontal limits for this pool, as currently defined, include the following-described lands in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH. RANGE 31 EAST. NMPM

Section 22: SW/4 NW/4 and SW/4
Section 27: NW/4.

- (3) The Shugart-Delaware Pool is currently governed by the Division's General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 80 barrels of oil per day and a gas/oil ratio of 2,000 cubic feet of gas per barrel of oil. which results in a casinghead gas allowable of 160 MCF per day.

(4) The applicant, Concho Exploration, Inc. ("**Concho**"), seeks to increase the top unit depth bracket oil allowable for the Shugart-Delaware Pool to **142** barrels of oil per day for each standard **40-acre** oil spacing and proration unit.

(5) The discovery well for the Shugart-Delaware Pool was the Gulf Oil Corporation Federal "**AB**" Well No. 1 (**API No. 30-015-05601**), located at a standard oil well location 660 feet from the South and West lines (Unit M) of Section 22, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, which was completed in the uppermost portion of the Delaware interval (Cherry Canyon formation) in late 1958 through perforations from 4,970 feet to 5,188 feet.

(6) The Concho operated Principle Federal Well No. 1 (**API No. 30-015-32616**), located at a standard oil well location 990 feet from the North line and 1650 feet from the West line (Unit C) of Section 27, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, was spud on February 28, 2003, drilled to a total depth of 6,395 feet and completed in May, 2003 in the lowermost Delaware interval (Brushy Canyon formation) through perforations from **6,120** feet to **6,194** feet.

(7) The applicant presented evidence showing that its Principle Federal Well No. 1 has encountered a new source of Delaware production that is capable of producing at a rate in excess of the **80 barrel-a-day** top unit depth bracket allowable presently authorized in accordance with Division Rule **505.A** for this pool.

(8) The existing shallower Cherry Canyon producing wells, of which there are six, are for the most part **nearing** depletion and capable of producing at rates below the 80 barrel-a-day limit. Evidence further indicates the producing interval in the Principle Federal Well No. 1 is not in communication with these older, shallower producing wells.

(9) The proposed 142 barrels of oil per day top unit depth bracket allowable is appropriate for Concho's new well producing at a depth of 6,120 feet considering the top unit depth bracket allowable chart in Rule **505.A**.

(10) No other operator in the pool or interested party appeared at the hearing in **opposition to the application**.

(11) Increasing the top unit depth bracket allowable for the Shugart-Delaware Pool will enable the operators in the pool to efficiently produce the hydrocarbons within the entire vertical extent of the Delaware formation, will not result in the excessive waste of reservoir energy, will not reduce the ultimate recovery of oil from this reservoir, is in the best interest of conservation, and will not violate correlative **rights**.

IT IS THEREFORE ORDERED THAT:

(1) The application of Concho Exploration, Inc. to increase the top unit depth bracket allowable for the Shugart-Delaware Pool (**46410**) as established by Division Order No. R-1324, issued in Case No. 1581 on January 21, 1959, from its current 80 barrels of oil per day to 142 barrels of oil per day is hereby approved.

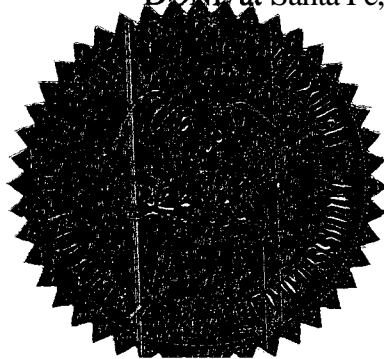
(2) Special rules and regulations for the Shugart-Delaware Pool in Eddy County, New Mexico, previously defined and classified, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
SHUGART-DELAWARE POOL**

RULE 1. The allowable for a standard 40-acre oil spacing and proration unit shall be based on a special top unit depth bracket allowable of 142 barrels of oil per day. In the event there is more than one well on a unit, the operator may produce the allowable assigned to that unit from the wells on the unit in any proportion.

(3) 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

Lori Wrotenbery

LORI WROTENBERY
DIRECTOR