

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8468
Order No. R-7932

APPLICATION OF DAMSON OIL CORPORATION
FOR CERTAIN FINDINGS FOR AN INFILL WELL,
SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

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This cause came on for hearing at 8 a.m. on March 27, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of June, 1985, 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, Damson Oil Corporation, seeks an order determining that the Getty Oil Company (now Texaco Inc.) operated Mexico Federal "K" Well No. 1-E located 1190 feet from the South line and 2020 feet from the West line of Section 8, Township 28 North, Range 10 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico, is exempt from the provisions of the New Mexico Natural Gas Pricing Act (62-7-1 through 62-7-10, NMSA, 1978) pursuant to Laws of 1984, Chapter 123, Section 13.B.)

(3) Said well is located on a previously approved 319.67-acre non-standard gas proration unit comprising Lots 1, 2, and 3, the SE/4 SW/4 and the S/2 SE/4 of partial Section 8 and Lots 3 and 4 and the S/2 SW/4 of partial Section 9, both in Township 28 North, Range 10 West, NMPM, in which Damson Oil Corporation owns an interest.

(4) Division Case No. 8469 was consolidated with this case at the time of the hearing for purposes of testimony.

(5) Administrative notice should be taken of the fact that Getty Oil Company has been purchased by Texaco Inc.

(6) Texaco Inc., as the operator of said Mexico Federal "K" Well No. 1-E, appeared and presented evidence on behalf of the applicant.

(7) Evidence introduced at the hearing indicates that the applicant owns a non-operating working interest in said well with its share of the gas being sold under intrastate contract with Southern Union Gathering Company, and which is being sold separately from the well operator's interest.

(8) On December 10, 1984, the applicant, Damson Oil Corporation, filed an application with the New Mexico Oil Conservation Division seeking a determination that said well is not subject to the provisions of the New Mexico Natural Gas Pricing Act.

(9) Said Act applies to any well drilled after January 1, 1975, on an established proration unit which was producing gas or was capable of producing gas from the same reservoir prior to January 1, 1975, unless the Oil Conservation Division exempts such well upon a finding that the drilling of the well was justified for reasons other than avoiding the application of the Act.

(10) Division Order No. R-1670-V authorized a second well on an established gas proration and drilling unit in the Basin-Dakota Pool, with findings that infill wells were necessary to increase reserves and recover additional gas from the pool.

(11) Evidence was presented that the Mexico Federal "K" Well No. 1-E was drilled to increase the recovery of gas from the Basin-Dakota Pool on the existing non-standard gas proration unit and that since the drilling of said well neither the operator nor the applicant has done anything to restrict the ability of the original well on the subject proration unit, which is the Mexico Federal "K" Well No. 1, located 1055 feet from the South line and 790 feet from the West line of Section 8, Township 28 North, Range 10 West, NMPM, Basin Dakota Pool, San Juan County, New Mexico, to produce into its connecting pipeline.

(12) Said Mexico Federal "K" Well No. 1-E was drilled for reasons other than avoiding the "Act".

(13) An exemption from the "Act" for the subject well will not impair correlative rights nor cause waste and should be granted.

IT IS THEREFORE ORDERED THAT:

1) The Texaco Inc. Mexico Federal "K" Well No. 1-E, located 1190 feet from the South line and 2020 feet from the West line of Section 8, Township 28 North, Range 10 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico, was drilled in an existing gas spacing and proration unit pursuant to Division Order No. R-1670-V.

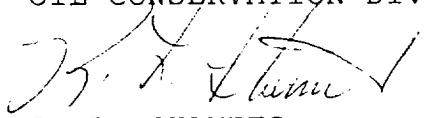
2) Said Mexico Federal "K" Well No. 1-E was drilled for a purpose other than avoiding the provisions of the New Mexico Natural Gas Pricing Act, NMSA, 62-7-1 et seq. (1978).

3) An exemption from the provisions of the New Mexico Natural Gas Pricing Act is hereby granted to the above-described well.

4) 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


R. L. STAMETS,
Director

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