

CASE NO.

7619

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.



DOCKET MAILED

Date 6/25/82

8/1/85

9/27/85

Exhibits 1 and 3  
in closet



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

TONEY ANAYA  
GOVERNOR

January 17, 1936

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Mr. Robert G. Stovall  
Attorney  
Dugan Production Corp.  
P. O. Box 208  
Farmington, New Mexico 87499

Re: CASE NO. 7612 and 3153  
ORDER NO. E-7034-B

Applicant:

Merriam Oil & Gas Corp.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS  
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD x

Other Ewell N. Walsh

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. 7619  
CASE NO. 8153  
Order No. R-7034-B

IN THE MATTER OF CASES NOS. 7619 AND  
8153 BEING REOPENED ON THE MOTION OF  
THE OIL CONSERVATION DIVISION PURSUANT  
TO THE PROVISIONS OF ORDERS NOS. R-7034  
AND R-7034-A, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on August 14, 1985, and at 8:00 a.m. on October 9, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 16th day of January, 1986, 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 Division, by its Order No. R-7034 entered July 28, 1982, in Case No. 7619, created the Counselors-Gallup Oil Pool, San Juan County, New Mexico, and promulgated temporary Special Pool Rules therefor, including a provision for 160-acre spacing and proration units.

(3) The Division, by its Order No. R-7034-A entered April 20, 1984, in Case No. 8153, extended the vertical limits of said Counselors-Gallup Oil Pool to include the Dakota formation and redesignated said pool the Counselors Gallup-Dakota Oil Pool.

(4) Pursuant to the provisions of said Orders Nos. R-7034 and R-7034-A, these cases were reopened to permit operators in

the subject pool to appear and show cause why said pool should not be developed on less than 160-acre spacing.

(5) The main pay zones in the subject pool, in the Gallup formation, are continuous and correlative from the Northwest end of the pool to the Southeast end.

(6) The evidence presented demonstrates that under the present 160-acre spacing, there has been effective and efficient drainage and pressure depletion in the Counselors Gallup-Dakota Oil Pool, particularly in the Gallup formation.

(7) According to the evidence, the Dakota formation, although lacking the porosity and permeability of the Gallup formation, and not economically viable on its own as a single formation, does contribute reserves to those wells which are completed in both the Gallup and Dakota formations, and should continue to be included in the vertical limits of the subject pool.

(8) According to the evidence, the Counselors Gallup-Dakota Oil Pool is being effectively and efficiently drained on 160-acre spacing and proration units, and the Temporary Special Rules for said pool as promulgated by Division Orders Nos. R-7034 and R-7034-A should be made permanent.

(9) Making such orders permanent is in the interest of conservation and will protect correlative rights and prevent waste.

IT IS THEREFORE ORDERED THAT:

(1) The Temporary Special Rules for the Counselors Gallup-Dakota Oil Pool promulgated by Division Order No. R-7034 are hereby made permanent and shall continue in full force and effect until further order of the Division.

(2) The consolidation of the Gallup formation and the Dakota formation into the vertical limits of the Counselors Oil Pool and designation of said pool as the Counselors Gallup-Dakota Oil Pool by Division Order No. R-7034-A is hereby made permanent and shall continue in full force and effect until further order of the Division.

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

-3-

Case No. 7619

Case No. 8153

Order No. R-7034-B

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



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

R. L. STAMETS,  
Director



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

BRUCE KING  
GOVERNOR

LARRY KEHOE  
SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

July 30, 1982

Mr. William F. Carr  
Campbell, Byrd & Black  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico

Re: CASE NO. 7619  
ORDER NO. R-7034

Applicant:

Merrion Oil & Gas Corp.

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division order recently entered in the subject case.

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD x

Other \_\_\_\_\_  
\_\_\_\_\_



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
State Land Office Building  
Santa Fe, New Mexico

14 August 1985

EXAMINER HEARING

IN THE MATTER OF:

Case 7619 being reopened on the motion of the Oil Conservation Division and pursuant to the provisions of Order No. R-7034. CASE 7619

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:

Jeff Taylor  
Legal Counsel to the Division  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

1  
2 MR. STOGNER: Call next Case  
3 Number 7619.

4 MR. TAYLOR: In the matter of  
5 Case 7619 being reopened on the motion of the Oil  
6 Conservation Division and pursuant to the provisions of  
7 Order No. R-7034, which order promulgated temporary special  
8 rules and regulations for the Counselors-Gallup Oil Pool in  
9 Rio Arriba County, including a provision for 160-acre  
10 spacing, operators in said pool may appear and show cause  
11 why the pool should not be developed on less than 160-acre  
12 spacing with a depth bracket allowable in accordance with  
13 statewide rules.

14 The applicant has requested  
15 that this case be continued.

16 MR. STOGNER: Case Number 7619  
17 will be so continued to the Examiner's Hearing scheduled for  
18 October 9th, 1985.

19  
20 (Hearing concluded.)  
21  
22  
23  
24  
25

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY  
CERTIFY that the foregoing Transcript of Hearing before the  
Oil Conservation Division was reported by me; that the said  
transcript is a full, true, and correct record of the  
hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7619,  
heard by me on 14 August 1985.

Michael E. Stogner, Examiner  
Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date JULY 7, 1982 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Jim Hugg	Dugan - Paul Hugg	Farmington
Bob Gibbs	EDVELO	DENVER
Tommy Roberts	Dugan Production Corp.	Farmington
Michael L. Davies	Southern Union Exp.	Farmington
Beggy Merriam	Merriam Oil & Gas Corp.	Farmington
William L. Carr	Campbell, Sykes & Black	Santa Fe
F. A. Greenman	Tabor Oil & Cattle Co.	Midland, TX.
Bob Hahn	Bryson	Santa Fe
W. Kellahin	Kellahin & Kellahin	Santa Fe
E. Carr	OCD	Albuquerque
Jeff Edmister	"	"
W. M. ...		

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
7 July 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Merrion Oil & Gas Corp.  
for pool creation and special pool rules,  
Rio Arriba County, New Mexico.

CASE  
7619

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P. A.  
Jefferson Place  
Santa Fe, New Mexico 87501

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I N D E X

J. GREGORY MERRION

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THOMAS A. DUGAN

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## EXHIBITS

Dugan Exhibit One, Study Results	29
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1  
2 MR. STAMETS: And we will call next Case  
3 Number 7619.

4 MR. PEARCE: That is the application of  
5 Merrion Oil & Gas Corporation for pool creation and special  
6 pool rules, Rio Arriba County, New Mexico.

7 MR. CARR: May it please the Examiner, my  
8 name is William F. Carr, with the law firm Campbell, Byrd,  
9 and Black, P. A., of Santa Fe, appearing on behalf of the  
10 applicant.

11 I have two witnesses who need to be sworn.

12  
13 (Witnesses sworn.)

14  
15 MR. CARR: If we could take a minute, we  
16 have a couple of cross sections we need to put on the wall.

17  
18 J. GREGORY MERRION  
19 being called as a witness and being duly sworn upon his oath,  
20 testified as follows, to-wit:

21  
22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q Will you state your name and place of  
25 residence?



1  
2 A. I'm J. Gregory Merrion. I live in Farming-  
3 ton, New Mexico.

4 Q. By whom are you employed and in what capa-  
5 city?

6 A. I'm the President of Merrion Oil & Gas  
7 Corporation.

8 Q. Have you previously testified before this  
9 Commission or one of its examiners and had your credentials  
10 accepted and made a matter of record?

11 A. Yes, I have.

12 Q. And how were you qualified at that time?

13 A. As a petroleum engineer.

14 Q. Are you familiar with the application  
15 filed on behalf of Merrion Oil & Gas Corporation in this case?

16 A. Yes, I am.

17 Q. Are you familiar with the subject area?

18 A. Yes, I am.

19 MR. CARR: Are the witness' qualifications  
20 acceptable?

21 MR. STAMETS: They are.

22 Q. Mr. Merrion, would you briefly state what  
23 you seek with this application?

24 A. I seek to have pool rules adopted for the  
25 Gallup formation in the Counselor area of Rio Arriba County,

1  
2 New Mexico, and with provision for 160-acre spacing for deve-  
3 lopment of the oil in the Gallup.

4 Q Have you prepared certain exhibits for  
5 introduction in this case?

6 A Yes, I have.

7 Q Will you please refer to what has been  
8 marked for identification as Exhibit Number One, identify  
9 this, and explain what it shows.

10 A Exhibit Number One is a township plat of  
11 Township 23 North, Range 6 West, the north half of the town-  
12 ship being in Rio Arriba County and the south half being in  
13 Sandoval County, New Mexico.

14 The purpose of the exhibit is to show the  
15 diversity of ownership of the land in the area. The legend  
16 indicates that the yellow acreage is all fee land. The  
17 blue acreage is State land. And the white acreage is Federal  
18 land.

19 Even on the -- and the Federal leases  
20 are outlined in black so that in Section 15 we have one 40-  
21 acre lease in the northeast northeast and an 80-acre lease  
22 just south of it, and 160-acre lease in the south end of the  
23 section. In other words, there are many small Federal leases  
24 causing a diversity of ownership as to operating rights,  
25 even where the Federal government owns all the minerals.

1  
2 So we have a problem under the statewide  
3 rule, which calls for 40-acre spacing on oil; unless we are  
4 fairly confident that 40 acres will yield enough oil and gas  
5 to pay for a well, we will be forced to develop on 40 acres  
6 because the Federal government will require offsets immediately.  
7 That has been a practice.

8 So the purpose of the exhibit is to show  
9 we've got a problem landwise.

10 Q Would you identify for Mr. Stamets the  
11 acreage which is -- which you are seeking to be included  
12 within the original pool boundary for the new pool?

13 A I believe our application asked for spacing  
14 for Sections 4 and 5, Sections 8, 9, and 10, and 14 and 15,  
15 of this township. We had intended to include Section 3 but  
16 inadvertently it was omitted, but it is within a mile of  
17 the spaced area, and that includes all the recently drilled  
18 wells or re-entered wells in this particular area.

19 Q Are those wells shown on this plat?

20 A Yes, they are.

21 Q Are there other Gallup pools in the imme-  
22 diate area?

23 A Yes. The Devil's Fork Gallup Pool is in  
24 the township to the north, about six miles north of this  
25 area.

The Escrito Gallup Pool is northwest of this area about a like distance.

And the Lybrook Gallup Field is immediately west of this area about a mile or two.

Q. What is the spacing in the Devil's Fork Gallup Pool?

A. 160 acres for oil; 320 acres for gas.

Q. Would you now refer to what has been marked for identification as your Exhibit Number Two, and first identify this, and then explain what it shows?

A. Exhibit Number Two -- I'd better make sure which exhibit is which -- all right, Exhibit Number Two is a cross section running from southwest to northeast across the proposed spaced area.

It includes two wells outside the spaced area, the Chapman A-1, the Merrion Oil & Gas Chapman A-1, and the Stanley J. Stanley Chapman No. 1, and then comes up to Merrion Oil & Gas Glenmorangie 1, the Dugan Production Enniskillen 1, Southern Union Exploration Yarborough B-1, and the Southern Union Exploration Yarborough No. 1.

So it includes four wells in the proposed spaced area from southwest to northeast, plus two wells outside of the area.

The purpose of the exhibit is to demon-

strate the continuity, or lack thereof, of the various beds in the Gallup horizon.

There are in the spaced area five main zones which tend to continue from well to well without changing too much. They'll change somewhat from well to well.

In the Upper Gallup we have two beds with SP and resistivity and they carry shows and seem to run very continuous from well to well.

In the Lower Gallup there are three distinct zones, which generally carry shows. They've not always been perforated. And they're identified as Zone 1, 2, and 3, and traced from well to well throughout the area.

When you get down outside the spaced area, these lower zones are present and you can trace them, and yet they seem to lose their, some of their character and tend to fade into the ground in shale.

The upper two zones seem to continue in the southern area also very well.

But in our area of interest, those five zones seem to pervade throughout.

There are additional zones. This Upper Resistive (sic) Zone sometimes carries shows and is perforated in the Dugan Enniskillen Well and my Glenmorangie Well but not in some others. There's a resistive zone here that some-

1  
2 times carries shows and sometimes doesn't. These are just  
3 kind of bonus zones that sometimes are there and sometimes  
4 they're not.

5 In addition, we hit zones in the Mancos  
6 which have carried shows and here is a zone with show. It  
7 continues in these two Texaco wells which Southern Union  
8 Exploration re-entered and it's down there.

9 I perforated it in the Glenmorangie, as  
10 well as two zones up here, which are not perforated in other  
11 wells.

12 But we pick these up and they're just  
13 little bonus zones that -- well, I don't think you can say  
14 they exist from well to well, but we -- in the Gallup it's  
15 been my feeling that you've got to get everything that's  
16 there and do as thorough job as possible if you're going to  
17 make some money.

18 So we pick everything that's got shows  
19 and open it up in hopes we'll get something out of it.

20 Q Mr. Merrion, will you now refer to Exhibit  
21 Three and identify that and explain what it shows?

22 A Exhibit Three is a similar cross section,  
23 which goes from southwest to southeast across the proposed  
24 spaced area. It includes seven wells, all of which are in the  
25 proposed spaced area, starting with my Rita N. 2, the Aztec

1  
2 Energy Corporation Dever No. 1, my Rita No. 1, Dugan's Ennis-  
3 killen, my Theodore Zink 1, McHugh's Gallo Red 1, and McHugh's  
4 Gallo White 1.

5 Again, we have the five main zones. As  
6 you get on each side one of the upper zones seems to be fading  
7 out and not even perforated in this easternmost well, but  
8 you can see that it's still there, and the three lower zones.

9 Again there's some other zones that exist,  
10 but those five zones persist throughout.

11 Again, there is some Mancos Zones, Mancos  
12 zones which have been perforated. They perf, wherever they  
13 have shows you perforate them and try and get something out  
14 of them but they're not continuous from well to well.

15 So, again the purpose of the exhibit is  
16 to show the continuity or lack thereof. We have five main  
17 zones which seem to be continuous throughout the field.

18 Q Mr. Merrion, will you now refer to Exhibit  
19 Number Four and review that for the Examiner?

20 A Exhibit Number Four is the results of some  
21 tests which were conducted. As was brought out previously,  
22 we felt that the upper two zones were dry gas, and we had  
23 run a test on the Rita No. 1 in March for the purpose of  
24 determining if all the Gallup had taken a frac, and based on  
25 the three-hour test, we did conclude that it taken the frac,

1  
2 but we also concluded from that limited test that it was  
3 drying up and was probably all gas in the Upper Gallup. And  
4 it was our intention to show that the Upper Gallup was all  
5 gas at this hearing.

6 We ran a test on the Theodore Zink No. 1  
7 and to our surprise, we didn't have all gas; it was oil and  
8 gas. And McHugh and Associates ran a test on the Gallo White  
9 and again, in their Upper Gallup, and it showed that they  
10 also had a high gas/oil ratio but not a dry gas zone.

11 That was intended to show dry gas for the  
12 Upper Gallup, but we failed to do it.

13 Q Will you now review Exhibit Number Five?

14 A Exhibit Number Five is the results of a  
15 bottom hole pressure test taken on the Rita No. 1. It shows  
16 the interval that had been perforated. These perforations  
17 had been broken down with acid, and the bottom hole pressure  
18 test, which was made prior to the fracture treatment of the  
19 well, packers were set above the Gallup and the well had been  
20 swabbed dry on February 26th, and there had been no prior  
21 production from the well.

22 The well was left to set twelve days.  
23 We'd shut down because mud was knee deep, and so we thought  
24 we'd just take a pressure test, and the well was shut in for  
25 twelve days to February 10th, at which time a bottom hole



1  
2 pressure gradient was run, with results here indicated. We  
3 had a fluid level at 445 feet and the bottom hole pressure  
4 was measured at 1892 at 5320 feet and extrapolated to bottom  
5 hole pressure of 1946 pounds per square inch at midpoint of  
6 the perforations at 5500.

7 The purpose of the exhibit is to present  
8 to the Commission the -- what we feel to be virgin bottom  
9 hole pressure in the area. We think this would be a good base  
10 line for future tests, which will be made to indicate drainage  
11 in the area.

12 Q Will you now refer to your Exhibit Number  
13 Six?

14 A Exhibit Number Six is a listing of all  
15 wells within the proposed spaced area with their production  
16 to date. They're showing the cumulative oil, the days pro-  
17 duced, and the stabilized rate at the end of the initial  
18 stabilization period.

19 It's pointed out here that the Southern  
20 Union Exploration Yarborough 1 and Yarborough B-1, the cumu-  
21 latives are for the current completion. The wells had ori-  
22 ginally been completed by Texaco about twenty years ago and  
23 produced a quantity of oil listed in the footnote on the  
24 prior completion, so that the total cumulative would be that  
25 listed in the column plus that listed in the footnote.

Also, the Dugan Production and McHugh Wells have been produced at the rate of one hour per day during the period listed.

In conversing with the operators, they feel that the wells are probably capable of producing two to two and a half times that much if produced on a 24-hour a day basis.

The purpose of the exhibit is to show that we have not real big wells in the area and that there is a wide variation in gas/oil ratio, varying from a low of less than 1000 at Dugan's Enniskillen, to greater than 10,000 at the Rita 2.

We feel that we'll have to be very careful in our economics in this area.

Q Mr. Merrion, what is the source of the gas produced in these wells?

A The -- I don't know what the source of the gas produced, but I do definitely have an opinion that there cannot be that much gas, 10,000 to 1 in the Rita 2, 4700 to 1 in the Theodore Zink, 3900 to 1 in the Rita 1, that there cannot be that much gas contained in solution and there has to be a free gas phase.

We had been of the impression that we would find a stringer or two of dry gas. We failed to do that, but

1  
2 there is a free gas phase. Whether this be a dispersed free  
3 gas phase in these various stringers or whether the little  
4 stringers have gas caps of their own, I don't know, but there  
5 is -- I don't believe it possible to dissolve that much gas  
6 in that type of oil at that temperature and pressure, so  
7 there must be a free gas phase.

8 Q Mr. Merrion, based on the data you have  
9 available to you, is it possible for you to estimate how many  
10 acres any one of these wells might be draining in the Gallup?

11 A No. I have no way of estimating the  
12 number of acres being drained at this time.

13 Q I believe you indicated that the Devil's  
14 Fork-Gallup was being developed on 160-acre spacing.

15 A That is correct.

16 Q In that case was pressure data available  
17 upon which that determination could be made?

18 A We had pressure build-up data showing  
19 drainage. We also had drilled infill wells, or an infill  
20 well. The original field had been spaced on 80 but in fact  
21 developed on 160-acre spacing. Twenty years later we came  
22 in and drilled an infill well, which found pressure depletion.  
23 The virgin bottom hole pressure in Devil's Fork was on the  
24 order of 2000 pounds; our infill well found a pressure of  
25 about 800 pounds after twenty years.

1  
2 Q If temporary rules are approved for the  
3 subject area, will you be able to acquire pressure data and  
4 run interference tests that could be presented to the Commis-  
5 sion at a later date in a hearing for permanent rules?

6 A Yes.

7 Q And if it was later determined that this  
8 acreage could best be developed on 80-acre spacing, could the  
9 spacing requirements set out in the temporary rules be modi-  
10 fied?

11 A Yes, they could.

12 Q Would it be possible to drill infill wells  
13 on the spacing units and thereby not jeopardize existing  
14 communitization agreements?

15 A That is correct.

16 Q Now I believe you noted that demands were  
17 being made by the Federal government, or would be made by the  
18 Federal government, to offset current development with deve-  
19 lopment on 40-acre spacing, is that correct characterization  
20 of your testimony?

21 A The Department of the Interior has, through  
22 its Minerals Management Service, been very zealous in their  
23 pursuit of drainage protection on Federal leases, and we have  
24 received demands for offset immediately upon completion of  
25 offset wells in several areas.

1  
2 Now my interest is mainly in fee land in  
3 this area, although we do have one Federal lease on which  
4 we've got development, another one which we own, and a third  
5 one, which we have a farmout, and -- but we're primarily in-  
6 terested in orderly development of the field within a frame-  
7 work of rules which will permit us an opportunity to make a  
8 profit and not be stampeded into drilling an excessive number  
9 of wells immediately.

10 We feel that the Department of Interior's  
11 policy will cause an excessive number of wells to be drilled  
12 in the event we don't have provisions for wider spacing until  
13 we can get some better information.

14 Q At this time would you consider it prudent  
15 to develop on 40-acre spacing?

16 A I definitely do not.

17 Q Would you now refer to your Exhibit Number  
18 Seven and identify this for Mr. Stamets?

19 A Exhibit Number Seven is the proposed  
20 special rules and regulations for the Counselor's Gallup Oil  
21 Pool, and we've taken the liberty of tacking that name onto  
22 the area, since it is in the immediate vicinity of Counselor's  
23 Trading Post.

24 The rules are patterned after another 160-  
25 acre spaced field in the northwest New Mexico, and provide

1  
2 for temporary rules of 160 acres per well, with 660 feet from  
3 the outer boundary of the quarter section, and 330 feet from  
4 any quarter quarter section line. So that if spacing is ul-  
5 timately changed from 160 to 80, the wells will not be inor-  
6 dinately close to the outer boundaries of the new 80-acre  
7 spacing.

8 It also provides for administrative appro-  
9 val of exceptions to these spacing requirements; providing  
10 waivers. It provides for standard allowable, depth bracket  
11 allowable, assigned to the 160-acre tracts, and for a limiting  
12 gas/oil ratio of 2000 cubic feet per barrel, a grandfather  
13 clause to approve existing wells, and a provision that the  
14 case be reopened three years hence to review and permit the  
15 operators to give more sophisticated data in support of our  
16 160-acre spacing or any other spacing which might appear  
17 reasonable at that time in view of the data which has been  
18 gathered.

19 Q Do you believe that temporary rules for  
20 three years will enable you to compile the data necessary to  
21 make a full presentation to the Commission at the time perma-  
22 nent rules are considered?

23 A Yes, I do.

24 Q Do you request that these proposed rules  
25 be incorporated into any order resulting from this hearing?

1  
2 A. I do.

3 Q. In your opinion will granting this appli-  
4 cation be in the best interest of conservation, the prevention  
5 of waste, and the protection of correlative rights?

6 A. Yes, I do.

7 Q. Were Exhibits One through Seven either pre-  
8 pared by you or under your direction and supervision?

9 A. Yes, they were.

10 MR. CARR: At this time, Mr. Stamets, we  
11 would offer Merrion Exhibits One through Seven.

12 MR. STAMETS: These exhibits will all be  
13 admitted.

14 MR. CARR: We would note that we will call  
15 another witness to testify as to economics and reserves.

16 And that concludes our direct examination.

17  
18 CROSS EXAMINATION

19 BY MR. STAMETS:

20 Q. Mr. Merrion, what is the discovery well  
21 for the proposed Counselor's Gallup Oil Pool?

22 A. The discovery well would have to be the  
23 Yarborough No. 1, which had been drilled by Texaco back about  
24 1957, or thereabouts, I believe, and that and the Yarborough  
25 B-1 were re-entered by Southern Union Exploration in 1981,

1  
2 and about that same time Aztec Energy drilled their Dever  
3 No. 1. So I guess, it's not clearcut, but I guess you could  
4 say the Yarborough No. 1.

5 Q Okay, I'll consult with our District Super-  
6 visor up there and see if he concurs with your designation of  
7 the discovery well.

8 Why do you believe three years is necessary  
9 before we call the hearing back to see what other evidence  
10 you've developed?

11 A. I think it's going to take some -- of  
12 course, we're not producing. I know I'm not producing my  
13 wells right now. We're waiting on a gas line for one thing,  
14 and I feel the economics in this area is such that we're  
15 going to have to -- we're going to have to sell that gas in  
16 order to make a profit on these things, and so until we get  
17 some production and pressure data, I don't think that we have  
18 what we need.

19 I think that in further development, and  
20 measuring pressure in the new wells drilled, together with  
21 the pressure build-ups, and the pressure build-ups may take  
22 a long time; I don't know how long. It's tight rock but we  
23 have seen in the Devil's Fork Field to the north, that although  
24 they've got tight rock up there, we have shown wide drainage,  
25 and so I think the pressure build-ups are going to take a



1  
2 long time. It's going to take awhile to get the gas market  
3 in there, and we're not going to be producing full tilt until  
4 then. And so to get the gas market, to do the development  
5 work on the initial 160-acre spacing, and to get the pressure  
6 build-ups is going to take some time.

7 MR. STAMETS: Any other questions of this  
8 witness?

9 MR. CHAVEZ: Yes, Mr. Examiner.  
10

11 QUESTIONS BY MR. CHAVEZ:

12 Q Mr. Merrion, in beginning your testimony  
13 you I think you said that Section 3 had been excluded?

14 A I think it has. It did not --

15 Q In the application or the docket it shows  
16 Section 3 but excludes Section 5.

17 A Oh. Well, that was the -- that was the  
18 fault, then. I had -- we'd intended to include 3, 4, and  
19 5.

20 Q Okay. Concerning the gas/oil ratio, on  
21 your Exhibit Number Six the Aztec Energy Well, the Dever NO.  
22 1, has a GOR of 2100 to 1. It is located between the Rita  
23 No. 2 and the Rita No. 1. It has about half the GOR of the  
24 Rita No. 1 and one-fifth the GOR of the Rita No. 2, yet ac-  
25 cording to your Exhibit Number Two, they're perforated in the

1  
2 same zone. Any particular zone in the Rita 1 or 2 which you  
3 would feel to be contributing more gas?

4 A Well, we have this test which indicated the  
5 Rita No. 1, the upper zone, we felt was entirely gas. And  
6 the Rita No. 2 has a much higher gas/oil ratio.

7 Subsequent testing indicated that the  
8 Theodore Zink and the Gallo White are not all gas in the upper  
9 zone.

10 Now, I don't -- I can understand your --  
11 your questioning this thing; now they frac the Dever No. 1  
12 down to it, and it's possible that they didn't get frac into  
13 all their zones.

14 That may be the answer, and so maybe what  
15 they got frac into produces at a lower gas/oil ratio. Now,  
16 had they gotten frac into everything, perhaps they would have  
17 had a higher gas/oil ratio, but that doesn't explain the dif-  
18 ference between the Rita 1 and the Rita 2, which have a wide  
19 variation in gas/oil ratio.

20 So I think it just further goes to show  
21 that this is not solution gas. There's a -- there's a free  
22 gas phase there, and where it is, I don't know, whether it's  
23 in this first free gas phase or whether there are, maybe,  
24 some dry gas stringers, or whether there's gas cap in the  
25 individual stringers and maybe more so in the localized situ-

1  
2       ation at the Rita 2, where you have this 10,000-to-1 GOR, or  
3       what the answer is, I don't know, but we hope to find out some  
4       answers in the next -- that's why we need three years.

5               Q               Is there any correlation that you can draw  
6       between these wells, between all the wells in the proposed  
7       area, that might give us a trend in the GOR's in any particu-  
8       lar direction?

9               A               Now we've got a little bit of structure  
10      work, and I'm sorry I don't have a structure map to present  
11      to you, but there is a low -- well, let's see, there's a high  
12      which includes the Rita 2, Dever, Rita 1, and it tends to  
13      get low down around the Theodore Zink, and then on up to an-  
14      other high on the east.

15                       It's possible that there may be a gas cap  
16      in some of these stringers on this high, this western high.

17                       And that may be part of the answer. But  
18      I don't think we're far enough along to determine that.  
19      That's still, your Rita 1 and Rita 2 are on the same high,  
20      although maybe the Rita No. 1 is further up on the high. It  
21      doesn't explain the difference there.

22                       It's a highly complex situation.

23               Q               Well, in your experience with those Gallup  
24      stringers in there, is it sometimes the case where from well  
25      to well you'd have permeability differences within the part-

1  
2 icular stringers, that they're not so uniform as might be ex-  
3 pected, and perhaps these could ( inaudible) the GOR to begin  
4 with?

5 A. Well, yeah, we could have permeability  
6 differences from well to well within a stringer. I'm not en-  
7 tirely sure how that would affect the GOR, unless -- unless  
8 one stringer produced with a, you know, a higher ratio of  
9 free gas and because it was less permeable in one well, that  
10 stringer contributed less. Is that what you're trying to  
11 say?

12 Q. Yes.

13 A. Okay, that might be an answer. I'm sure  
14 that that is part of the answer. I'm sure that's part of the  
15 answer.

16 Q. Well, do you have plans to test any of these  
17 wells with a pressure build-up test to determine the area of  
18 drainage?

19 A. I have general plans to do that within the  
20 next three years, and I think it's going to take a good deal  
21 of time, mainly because, you know, we're not wanting to pro-  
22 duce these wells until -- full time until we get a gas market,  
23 and then after that time it's going to take, I think, quite  
24 a long time to get the pressure build-up data that we need,  
25 and so my plans are general. I don't -- I can't tell you

1  
2 I'm going to do this well at such and such a time and leave  
3 it shutin for so long, but we will get pressure buildup data,  
4 and hope that it will prove our case.

5 Q What criterion was the Minerals Management  
6 Service using initially in the offset drainage letters con-  
7 cerning this particular area?

8 A I know of no offset drainage letters in  
9 this particular area.

10 Q So that you haven't had any, then.

11 A We have had them in other areas and we  
12 get them -- they complete a well, announce an IP, and they  
13 want an offset just like that. Now, Mr. Dugan and Mr. Davies  
14 might be able to tell you if they've gotten any demands.

15 My interests down here have been mainly  
16 on fee land. I have picked up one Federal lease, which is  
17 a 40-acre lease in the northeast of 15, and I have a farmout  
18 on the Marshall and Winston lease, and so any demands would  
19 probably be sent to Marshall and Winston. Also, I have a  
20 farmout on these other unit exploration lease in Section 10.

21 But I haven't had any demands for develop-  
22 ment from Minerals Management Service, and I think Miss  
23 Sue Umsler was at a conference we had here a few weeks ago  
24 regarding this problem, and I think she indicated that she  
25 was reluctant to send them out on this area, although she was

1  
2 considering it, and she was reluctant to send them out because  
3 of the economics of 40-acre spacing.

4 And she was sympathetic. She announced  
5 that she was sympathetic to the 160's, I believe.

6 Q So is there a possibility, then, in your  
7 discussions with Minerals Management, that you could delay  
8 their issuing of these demands, offset drainage demands, un-  
9 til you acquire certain testing that would show that either  
10 they were or not needed?

11 A I -- I don't know what they would do. I  
12 think, I've talked to Miss Umsler and they have indicated that  
13 they would try to work with us, you know, as long as the  
14 Federal government was getting a fair share of their royalty,  
15 and so probably they would, you know, go along to a degree  
16 on something like this.

17 MR. CHAVEZ: That's all the questions I  
18 have.

19 MR. STAMETS: Any other questions of this  
20 witness? He may be excused.

21  
22 THOMAS A. DUGAN  
23 being called as a witness and being duly sworn upon his oath,  
24 testified as follows, to-wit:  
25

## DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your name and place of residence?

A I am Thomas A. Dugan, Farmington, New Mexico.

Q By whom are you employed and in what capacity?

A Dugan Production Corporation. I'm the President.

Q Have you previously testified before the Commission or one of its examiners and had your credentials accepted and made a matter of record?

A Yes.

Q And how were you qualified at that time? As a petroleum engineer?

A Petroleum engineer.

Q Are you familiar with the application filed on behalf of Merrion Oil and Gas Corporation?

A Yes.

Q Are you familiar with the subject area?

A Yes.

MR. CARR: Are the witness' qualifications

1  
2 acceptable?

3 MR. STAMETS: Yes. I presume Mr. Dugan  
4 is testifying for himself in support of Mr. Merrion's appli-  
5 cation.

6 A. Yes.

7 MR. CARR: That is correct. He has not  
8 been employed by Mr. Merrion today.

9 MR. STAMETS: I'm wondering if we ought  
10 to mark these exhibits and Dugan One and Two, as opposed to  
11 Merrion Eight and Nine.

12 MR. CARR: Well, whatever you prefer.

13 MR. STAMETS: Okay, we will change those,  
14 then, like that.

15 Q Mr. Dugan, you've prepared certain exhibits  
16 for introduction in this case, have you not?

17 A. Yes.

18 Q Would you please refer to what has been  
19 marked for identification as your Exhibit Number One and  
20 first identify this and then explain what it shows?

21 A. Okay, we attempted to figure what reserves  
22 estimate would be on wells in this area; since with the data  
23 available it's very difficult to calculate a reserve, we de-  
24 cided to look at the older wells that have been producing  
25 for some time in the area.



1  
2 So we gathered the data on fifteen wells  
3 that have been producing fifteen years or longer in Township  
4 23 North, Range 6 West, and Township 23 North, Range 7 West,  
5 to see what their history has been.

6 And Exhibit Number One is that study.

7 Q Generally, Mr. Dugan, what does this study  
8 show? Can you reach any conclusions from this information?

9 A It shows that there are a couple of excep-  
10 tionally good wells in the area, and a couple of -- well,  
11 above average wells, and that the remaining wells are poor  
12 quality wells that might not -- a lot of them wouldn't pay  
13 out, and particularly, a lot of them would not pay out if the  
14 gas was not marketed.

15 It also shows that one well is essentially  
16 a gas well and that the gas/oil ratio is high on most of the --  
17 is relatively high on most of the wells.

18 Q Now, this exhibit only includes wells which  
19 have been producing for fifteen years or more.

20 A Yes. And it also doesn't account for dry  
21 holes in these two townships, where a completion was not at-  
22 tempted, and it also doesn't account for wells that were --  
23 where a completion was attempted and later abandoned. These  
24 are only producing wells and so it really kind of gives you  
25 a better view of the area than you might actually expect.

1  
2 Q So what you have here really are only the  
3 better wells in this area?

4 A Yes.

5 Q And this wouldn't depict the average for  
6 the subject area?

7 A Unfortunately not.

8 Q Based on the data that's available to you  
9 at this time, is it possible for you to make an estimate as to  
10 the area that any of these wells would be draining?

11 A No, I really can't, although it would seem  
12 that the wells with the high gas/oil ratio, there's undoubtedly  
13 some free gas associated in the wellbore and so I would -- I  
14 would think that the gas would be draining a rather -- a much  
15 larger area than the oil zones.

16 Q Would you concur with the testimony of Mr.  
17 Merrion concerning the source of the gas in this area?

18 A Yes.

19 Q Now I'd like to have you refer to your  
20 Exhibit Number Two, identify this, and explain what it shows.

21 A Exhibit Number Two is my attempt at trying  
22 to figure an economic analysis of a typical well in the  
23 Counselor's Trading Post area.

24 The typical well in fifteen years would  
25 produce 37,410 barrels of oil; 294 million cubic feet of gas,

1  
2 as compared to the average on the other page of the older  
3 wells in the area. Their average production was 41,725 bar-  
4 rels of oil and I didn't accumulate the gas on those, the  
5 older wells.

6 I used a value of the oil of \$32.00 and  
7 the value of gas at \$2.65. I didn't escalate these costs --  
8 these -- the income from the wells, nor did I escalate the  
9 taxes and operating costs, so I'm assuming that should the  
10 price received for oil and gas increase, the taxes and the  
11 operating costs will undoubtedly increase to pretty well  
12 balance out that -- the pluses and the minuses ought to balance  
13 out.

14 I used 20 percent for an average royalty  
15 and overriding royalty; 8 percent for production taxes; and  
16 a windfall profit tax of what we're currently paying on one  
17 of the wells, and an operating cost of \$1000 per month.

18 So my analysis came out that if you can  
19 drill a well for \$350,000, which is an average cost at this  
20 particular time, that you could expect about 2.2 return on  
21 your money over a fifteen year period and that it's a fairly  
22 economical type venture, although it's certainly not a great  
23 one.

24 Q Are these -- would these wells be economic  
25 ventures without the gas sales?

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A. Certainly would not.

Q. In your opinion -- let's back up for a minute.

Go back to Exhibit Number One and I'd ask you, without the gas sales, how many of these wells would have been commercial successes?

A. Probably only four of them.

Q. Do you believe that it would be --

A. Maybe another three or four would have broke even.

Q. Do you believe it would be economically feasible to develop the subject acreage on 40-acre spacing?

A. No, I do not.

Q. If it were developed on 40-acre spacing, what effect would that have on the gas that you would produce from each of these wells?

A. Well, it would undoubtedly decrease the amount of gas that each well would produce, and we're -- we're fairly well sure in our own minds that there is some free gas in the reservoir, other than the gas that's also in solution, and if you divide that gas on 160 acres by four, you're really, you're not going to have a commercial venture.

Q. Were Exhibits One and Two prepared by you?

A. Yes.

1  
2 MR. CARR: At this time, Mr. Stamets, we  
3 would offer Dugan Exhibits One and Two.

4 MR. STAMETS: These exhibits will be ad-  
5 mitted.

6 MR. CARR: I have nothing further on  
7 direct.

8  
9 CROSS EXAMINATION

10 BY MR. STAMETS:

11 Q Mr. Dugan, were all of these wells on 40-  
12 acre spacing or were some of them on other spacing?

13 A The -- this area was not developed on 40  
14 acres. Now there might be where there's two wells, or maybe  
15 even three, in 160 acres, in a place or two in these two  
16 townships, but as a general rule, it's wide spacing.

17 Q So there's no --

18 A So it's really not developed on 160, either.  
19 It's wider than that.

20 Q It would be reasonable to say that this  
21 would be representative of what would be expected to happen  
22 in the Counselor's area?

23 A Yes, I think so. I think this might even  
24 be optimistic of what we will find in the Counselor's area,  
25 because of the two exceptionally good wells that's in this

1  
2 group.

3 Q And what this tells us is that in about  
4 ten years you'll get -- you'll get your money back plus an  
5 equal amount --

6 A That's correct.

7 Q And you can do better than that by current  
8 investment in money market funds.

9 A That's about right.

10 MR. STAMETS: Any questions of the witness?  
11 He may be excused.

12 Anything further in this case?

13 MR. CHAVEZ: I've got -- I'd like a few  
14 more questions for Mr. Merrion.

15 MR. STAMETS: Oh, I'm sorry.

16 MR. CHAVEZ: If I may?

17 MR. STAMETS: Yeah, a couple more questions  
18 for Mr. Merrion.

19 MR. CHAVEZ: Mr. Merrion, were there any  
20 major completion differences in large quantities of fluids,  
21 qualities of fluids, amounts of sand, in the completion be-  
22 tween the Rita 1 and 2 and the Dever No. 1?

23 MR. MERRION: I suspect that there were  
24 some differences there. I fraced the Rita 1 and 2 with  
25 foam as a carrying fluid, and I used a good deal of sand. I

1  
2 can't tell you how much, but it was on the order of a quarter  
3 million pounds per well.

4 The Dever was fraced down tubing with  
5 jelled water and I suspect that the sand quantity was perhaps  
6 less than 100,000, and the rate was lower, because it was  
7 down tubing.

8 MR. CHAVEZ: Okay. In this part of the  
9 San Juan Basin many times you can inject a little bit of  
10 yardstick geology, and perhaps some trends.

11 In this area that you have requested as  
12 a separate spacing area, what trend would that follow, more  
13 than likely, the Devil's Fork or the Lybrook Gallup trend in  
14 that area?

15 MR. MERRION: Well, it's south of Devil's  
16 Fork and, of course, the general trend is northwest, west by  
17 northwest, east by southeast, and so the trend might actually  
18 be more on trend with Escrito than Devil's Fork or Lybrook,  
19 either one.

20 MR. CHAVEZ: Are these GOR's and perhaps  
21 the quality of formation you notice on the logs consistent  
22 perhaps with the continuation of the Escrito?

23 MR. MERRION: I'm not infinitely familiar  
24 with the Escrito. I have a general familiarity with it, and  
25 my Escrito, the original development there was in the -- what

1  
2 is known as the Merry Sand (sic) and -- and essentially many  
3 of the wells there were perforated only the Merry Sand on  
4 original completion.

5 And my recollection is that the gas/oil  
6 ratio was a solution ratio very similar to that in Devil's  
7 Fork, of about 2000-to-1.

8 Now, to what extent, I'm sure that in  
9 later years, and maybe on reworks, many of the wells in Es-  
10 crito were opened up in some of these other zones.

11 MR. CHAVEZ: In this particular area, or  
12 this particular townships, there are several wells which would  
13 border on the area that you are requesting spacing for.  
14 For example, in Section 6 and Section 7, which border on your  
15 area you've requested, and a little bit further to the  
16 south in Sections 20 and 29, and even further south than  
17 that. Have you checked these other wells surrounding the  
18 area you're requesting special spacing for to see what char-  
19 acteristics they have compared to wells within the area, as  
20 far as GOR, formation qualities?

21 MR. MERRION: Well, I have some familiarity  
22 with the wells in Section 20 and 29, because I drilled one  
23 of the wells in Section 29, and I think the situation is  
24 rather similar in that you have many stringers of -- of pseudo  
25 pay; nothing that you can really sink your teeth into. You



1  
2 have varying gas/oil ratios from well to well, and I think,  
3 you know, there's, of course, two of the wells in this Section  
4 20 and 29 appear on our cross section here, so you can see  
5 that the Upper Gallup remains fairly constant between this  
6 area and that area; the Lower Gallup becomes somewhat less  
7 developed as you go down towards Section 20 and 29, at least  
8 on the basis of the electric logs.

9 MR. CHAVEZ: Okay, are these other wells  
10 located within a designated pool?

11 MR. MERRION: They're, I believe they're  
12 within a mile or included in the Lybrook Gallup Field.

13 MR. CHAVEZ: That's all I have. Thank you  
14 very much.

15 MR. STAMETS: Anything further in this  
16 case?

17 MR. DAVIES: I'd like to read a brief  
18 statement.

19 MR. STAMETS: Okay.

20 MR. DAVIES: I'm Mike Davies, again, with  
21 Southern Union Exploration Company. We operate two wells in  
22 the proposed Counselor's Gallup Pool.

23 Southern Union Exploration agrees with  
24 and supports Merrion Oil and Gas in the application for the  
25 proposed pool.

1  
2 MR. STAMETS: Anything further?

3 The case will be taken under advisement.

4 We will take about a fifteen minute recess.  
5

6 (Hearing concluded.)  
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## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7619 heard by me on 7-7 1982

Richard L. Ham Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 453-7409



**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting  
Lease Management  
Contract Pumping

3001 Northridge Drive  
P.O. Drawer 419  
Farmington, New Mexico 87401  
(505) 327-0892

October 10, 1985

Mr. Gilbert Quintana  
Examiner  
N.M. Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

REF: Case No. 7619 and 8153

Dear Gilbert:

Copies of these letters were introduced at the hearing for the above-referred-to cases.

Enclosed you will find the original copies of the letters. I did not leave these copies in Santa Fe with Mr. Stamets.

Very truly yours,

Ewell N. Walsh, P.E.  
President

ENW:rr

Enclosures



*Jack A. Cole*  
*Oil and Gas*  
*P.O. Box 191*  
*Birmingham, New Mexico 87409*

October 3, 1985

Mr. Richard L. Stamets, Director  
State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 7619

Dear Mr. Stamets:

This is to advise you that, as operator of wells in the Counselors-Gallup Oil Pool, I support the continued spacing of 160 acres for the pool.

Also, I am requesting that the 160 acre spacing be considered to be permanent and so be set forth in the new order to be prepared.

The past and current development, in the pool, and data obtained indicate that correlative rights will be protected and the reserves be economically recovered with 160 acre spacing.

Thank you for your consideration in this matter.

Very truly yours,

*Jack A. Cole*  
Jack A. Cole

JAC:njs

cc: Merrion Oil and Gas Corporation



*Jack A. Cole*  
*Oil and Gas*  
*P.O. Box 191*  
*Farmington, New Mexico 87401*

October 3, 1985

Richard L. Stamets, Director  
State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 8153

Dear Mr. Stamets:

This is to advise you that, as operator of wells in the Counselors-Gallup Oil Pool, I support the extension of the vertical limits Counselors-Gallup Oil Pool to include the Dakota formation and redesignated as the Counselors Gallup-Dakota Oil Pool.

Also, I am requesting that the 160 acre spacing be considered to be permanent and so be set forth in the new order to be prepared.

Thank you for your consideration in this matter.

Very truly yours,

*Jack A. Cole*  
Jack A. Cole

JAC:njs

cc: Merrion Oil and Gas Corporation



*Jack A. Cole*  
*Oil and Gas*  
*P.O. Box 191*  
*Townington, New Mexico 87449*

October 3, 1985

Mr. Richard L. Stamets, Director  
State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 7619

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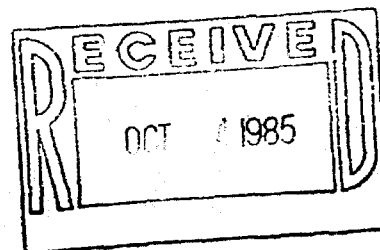
Thank you for your consideration in this matter.

Very truly yours,

*Jack A. Cole*  
Jack A. Cole

JAC:njs

cc: Merrion Oil and Gas Corporation



TULLY AND CUNNINGHAM, P.A.

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RICHARD T. C. TULLY

October 2, 1985

MICHAEL CUNNINGHAM

Thomas A. Dugan, President  
Dugan Production Corp.  
P. O. Box 208  
Farmington, NM 87499-0208

Re: Bolack Minerals Company

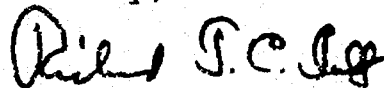
Dear Tom:

Reference is made to Case Nos. 7619 and 8153, and NMOCD Order Nos. R-7034 and R-7034-A pertaining to the temporary special rules and regulations for the Counselors Gallup-Dakota Oil Pool.

Please be advised that Bolack Minerals Company as the operator of the Gallo Canyon #1 Well, which is drilled and completed in this Oil Pool, consents to the current temporary special rules and regulations being made into permanent rules and regulations without revisions.

If you need further information or assistance, please advise.

Sincerely,



Richard T. C. Tully

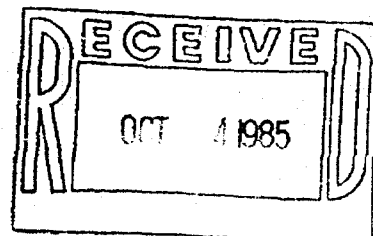
RTCT:sak

cc:

Bolack Minerals Company  
3901 Bloomfield Highway  
Farmington, NM 87401

Speerex  
P. O. Box 255  
Farmington, NM 87499-0255

✓ J. Gregory Merrion, President  
Merrion Oil and Gas Corporation  
P. O. Box 1017  
Farmington, NM 87499-1017



S29/GC1LTR1



50 YEARS



TONEY ANAYA  
GOVERNOR

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION



1935 - 1985

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

August 8, 1985

MEMORANDUM

TO: RICHARD L. STAMETS, DIRECTOR  
FROM: MICHAEL E. STOGNER, PETROLEUM ENGINEER *M.E.*  
SUBJECT: CASE Nos. 7619 and 8153 SCHEDULED TO BE  
REOPENED AND HEARD AUGUST 14, 1985

At the request by Merrion Oil & Gas Corporation and Jack A. Cole, that Case No. 7619 be continued for 60 days, I propose to also continue Case No. 8153 since both Cases concern the same pool. Therefore Case Nos. 7619 and 8153 should be continued to the hearing scheduled for October 9, 1985.

cc - Jack A. Cole  
P. O. Box 191  
Farmington, New Mexico 87499

Merrion Oil & Gas  
P. O. Box 840  
Farmington, New Mexico 87449

Frank Chaves  
Case Files

*OK BLS*

## MERRION OIL &amp; GAS CORPORATION

P. O. Box 840  
FARMINGTON, NEW MEXICO 87409

August 6, 1985

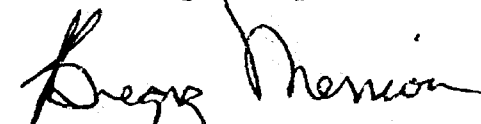
State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
Attention: Mr. Richard L. Stamets, Director  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 7619  
Field Rules  
Counselors-Gallup Pool

Gentlemen:

The scheduling of subject case has caught us somewhat by surprise and we find ourselves unprepared for the August 14 hearing. We request a sixty (60) day continuance to prepare for the hearing.

Yours very truly,

  
J. Gregory Merrion  
President

JGM/rs



*Jack A. Cole*  
*Oil and Gas*  
*P.O. Box 191*  
*Farmington, New Mexico 87499*

August 6, 1985

*Copy to Cole*

New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 7619  
Docket August 14, 1985

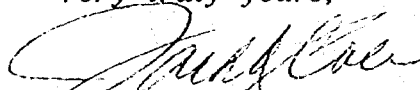
Attention: R. E. Staemets, Director

Dear Mr. Staemets:

It has come to my attention that Case No. 7619 concerning Counselors Gallup field rules is to be heard by the Commission on August 14, 1985.

I hereby request an extension of 60 days so that I may more accurately gather data relative to this case.

Very truly yours,

  
Jack A. Cole

JAC:njs

*4153*

Dockets Nos. 32-85 and 34-85 are tentatively set for November 6 and November 21, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 23, 1985

8:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner or David Catanach, Alternate Examiner:

CASE 5777: (Continued from August 28, 1985, Examiner Hearing)

In the matter of Case 5777 being reopened on the motion of the Oil Conservation Division and pursuant to the provisions of Order No. R-5316 which order created the Horse Back-Pennsylvanian Gas Pool in Lea County and promulgated temporary special rules and regulations therefor including a provision for 540-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 320-acre spacing units.

CASE 8730: Application of Ray Westall for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers formation in the perforated and open-hole interval from approximately 2420 feet to 2581 feet in the Texas Crude Oil Co. Tennessee Federal Well No. 1 located 1980 feet from the South line and 660 feet from the East line (Unit 1) of Section 21, Township 19 South, Range 31 East, North Hackberry Yates-Seven Rivers Pool.

CASE 3731: Application of Amerada Hess Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the Wolfcamp through Atoka formations underlying the N/2 SE/4 of Section 10, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 3711: (Continued and Readvertised)

Application of Yates Petroleum Corporation for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the PreCambrian formation underlying the S/2 of Section 27, Township 2 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8719: (Continued and Readvertised)

Application of TXO Production Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4 NE/4 of Section 4, Township 17 South, Range 37 East, to form a standard 40-acre oil spacing unit, to be dedicated to a well to be drilled at a standard location thereon. IN THE ALTERNATIVE, the applicant seeks an order pooling all mineral interests from the surface to the top of the Strawn formation underlying the SE/4 NE/4 of said Section 4, forming a standard 40-acre oil spacing unit and all mineral interests in the Strawn formation underlying the E/2 NE/4 of said Section 4, forming a standard 80-acre oil spacing unit, both units to be dedicated to a well to be drilled at a standard location thereon. Also to be considered, in either case, will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8732: Application of Earle M. Craig, Jr. Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Phantom Draw-Wolfcamp Gas Pool underlying the S/2 of Section 18, Township 26 South, Range 31 East, to be dedicated to a well to be drilled at a previously approved unorthodox gas well location 660 feet from the South and East lines of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

3722: (Continued from October 9, 1985, Examiner Hearing)

Application of Doyle Hartman for compulsory pooling, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the SE/4 of Section 25 and the NE/4 NE/4 of Section 36, Township 24 South, Range 36 East, to be dedicated to a well to be drilled thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

3738: Application of Chama Petroleum Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Cisco formation in the perforated interval from 8023 feet to 8136 feet in its Lanning Well No. 1 located 1980 feet from the South and West lines (Unit G) of Section 4, Township 19 South, Range 26 East.

3739: Application of Chama Petroleum Company to rescind Division Order No. R-7637, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to rescind Division Order No. R-7637 which authorized the disposal of produced water into the "C" and "D" zones of the Cisco Canyon formation through the Dagger Draw Salt Water Disposal Well located 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East. Undesignated North Dagger Draw-Upper Pennsylvanian Pool, in which Anadarko Production Company is the operator.

3740: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Eddy and Chaves Counties, New Mexico:

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Hay Hollow - Bone Spring Pool. The discovery well is Woods & Locker Inc., Amoco Federal Well No. 1 located in Unit A of Section 26, Township 25 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 26: NE/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Hay Hollow-Morrow Gas Pool. The discovery well is H.N.G. Oil Co., Hay Hollow 25 State No. 1 located in Unit G of Section 25, Township 25 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 25: N/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Hess - Morrow Gas Pool. The discovery well is Cities Service Co., Federal AC Well No. 1 located in Unit K of Section 35, Township 23 South, Range 23 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM

Section 35: W/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Malaga - Bone Spring Pool. The discovery well is Maddox Energy Corp., Malaga Well No. 1 located in Unit G of Section 3, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 3: NE/4

- (e) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Outpost - Delaware Pool. The discovery well is Sure Energy, Connie C Well No. 1 located in Unit G of Section 25, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 25: NE/4

- (n) EXTEND the East Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM

Section 8: SE/4

- (o) EXTEND the East Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 10: S/2

- (p) EXTEND the Cass Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 34: W/2

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM

Section 3: All

- (q) EXTEND the Cedar Lake-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 2: All

- (r) EXTEND the Diamond Mound-Atoka/Morrow Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

Section 31: W/2

- (s) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 17: S/2

Section 20: W/2

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM

Section 16: W/2

- (t) EXTEND the Grayburg-Upper Penn Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 27: E/2

Section 34: E/2

Section 35: NW/4

- (u) EXTEND the North Hackberry-Yates/Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 21: SE/4

Dockets Nos. 32-85 and 33-85 are tentatively set for October 23 and November 6, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 9, 1985

8 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Gilbert P. Quintana, Examiner, or Michael E. Stogner, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for November, 1985, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for November, 1985, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 8673: (Continued from September 11, 1985, Examiner Hearing)

Application of Chevron USA Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Trooper Unit Area comprising 2,380 acres, more or less, of State lands in Township 11 South, Range 35 East.

CASE 4575: (Continued from August 28, 1985, Examiner Hearing)

In the matter of Case 4575 being reopened on the motion of the Oil Conservation Division and pursuant to the provisions of Order No. R-4193 which order established a limiting gas-oil ratio of 5,000 cubic feet of gas for each barrel of oil produced for the South Eunice-San Andres Pool in Lea County. Operators may appear and present evidence as to whether or not the Anadarko Production Company Lou Wortham Well No. 6 located in Unit E of Section 11, Township 22 South, Range 37 East, is in fact a gas well; whether or not the pool is in fact an associated reservoir; and whether or not the limiting gas-oil ratio should revert to 2000 to 1.

CASE 8717: Application of Corinne Grace for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its City of Carlsbad Well No. 1 located 660 feet from the South line and 1980 feet from the East line of Section 25, Township 22 South, Range 26 East, South Carlsbad-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8718: Application of TXO Production Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SE/4 NW/4 of Section 13, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 8719: Application of TXO Production Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SW/4 NE/4 of Section 4, Township 17 South, Range 37 East, to form a standard 40-acre oil spacing unit, to be dedicated to a well to be drilled at a standard location thereon. IN THE ALTERNATIVE, the applicant seeks an order pooling all mineral interests from the surface to the top of the Strawn formation underlying the SW/4 NE/4 of said Section 4, forming a standard 40-acre oil spacing unit and all mineral interests in the Strawn formation underlying the E/2 NE/4 of said Section 4, forming a standard 80-acre oil spacing unit, both units to be dedicated to a well to be drilled at a standard location thereon. Also to be considered, in either case, will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8709: (Continued from September 25, 1985, Examiner Hearing)

Application of El Paso Natural Gas Company (Meridian Oil Inc.) for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 220 feet from the North line and 665 feet from the West line of Section 1, Township 26 North, Range 8 West, Blanco-Mesaverde Pool, the W/2 of said Section 1 to be dedicated to the well.

CASE 8720: Application of BHP Petroleum for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Fusselman formation underlying the N/2 SE/4 of Section 10, Township 6 South, Range 33 East, and all mineral interests in the Cisco formation underlying the E/2 of said Section 10, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 8724: Application of Benson-Montin-Greer Drilling Corp. for the extension of the vertical limits of the East Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the vertical limits of the East Puerto Chiquito-Mancos Oil Pool to include that portion of the Mancos formation occurring between the base of the Mesaverde formation and the top of the Graneros member.
- CASE 8725: Application of Tenneco Oil Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 660 feet from the South line and 1800 feet from the East line of Section 18, Township 10 South, Range 28 East, to test all formations from the top of the Wolfcamp to the base of the Morrow, the E/2 of said Section 18 to be dedicated to the well.
- CASE 8726: Application of Anadarko Production Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Foster-San Andres Pool in Section 31, Township 18 South, Range 39 East, and Sections 5 and 6, Township 19 South, Range 39 East, including a provision for a gas-oil ratio limitation of 5,000 cubic feet of gas per barrel of oil with a retroactive effective date for such special pool rules to remedy current overproduction in said pool.
- CASE 8727: Application of Pennzoil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn formation underlying the E/2 NE/4 of Section 4, Township 17 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 8728: Application of Pennzoil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn formation underlying the W/2 NE/4 of Section 4, Township 17 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8729: Application of HCW Exploration, Inc. for a non-standard proration unit, unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 1650 feet from the North line and 800 feet from the East line of Section 31, Township 23 South, Range 37 East, a non-standard proration unit comprising the N/2 of said Section 31 to be simultaneously dedicated to the R. W. Cowden "C" Wells Nos. 4 and 9 in Section 31.

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Docket No. 31-85

DOCKET: COMMISSION HEARING - THURSDAY - OCTOBER 17, 1985

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 8645: (Continued from September 18, 1985, Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to amend Rule 102 to require a copy of Form C-101 (Permit) on location during drilling operations, to provide for notice to landowners and/or tenants prior to the staking of well locations, and to provide for notice to the operator of any other well located on the same quarter-quarter section. This case is being reopened to additionally consider requiring notice to the operator of any other well on a 40-acre tract by the operator of a new well to be drilled thereon.

NOTE: Following consideration of this matter on July 10, 1985, an operator requested that the case be reopened for consideration of an additional requirement for notice to the operator of any other well on a 40-acre tract by the operator of a new well proposed to be drilled on such tract. This case is reopened for consideration of such request.



CASE 8605: (Continued from September 18, 1985, Commission Hearing)

Application of Doyle Hartman to rescind Division Order No. R-3690, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to rescind Division Order No. R-3690 which authorized the disposal of produced water into the Seven Rivers formation through the Etz Well No. 3 located 330 feet from the South line and 1650 feet from the West line of Section 27, Township 23 South, Range 36 East, Jalmat Gas Pool, in which RCW Exploration, Inc. is the operator.

Dockets Nos. 16-85 and 17-85 are tentatively set for August 18 and September 11, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 14, 1985

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or Gilbert P. Quintana, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for September, 1985, from fifteen prorated pools in Lea, Eddy, and Chavez Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1985, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 3672: Application of Armstrong Energy for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Blue Lagoon Unit Area comprising 1600 acres, more or less, of State lands in Township 11 South, Range 34 East.

CASE 3673: Application of Chevron USA Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Trooper Unit Area comprising 2,380 acres, more or less, of State lands in Township 11 South, Range 35 East.

CASE 3562: (Continued from July 17, 1985, Examiner Hearing)

Application of Mar Oil & Gas Corp. Inc. for a unit agreement, Torrance County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Berkshire Unit Area comprising 27,840 acres, more or less, of State, Federal, and Fee lands in Townships 6 and 7 North, Ranges 9 and 10 East.

CASE 3650: (Readvertised)

Application of Amerada Hess Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Northeast Lovington-Pennsylvanian Pool underlying the N/2 SW/4 of Section 9, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 3674: Application of Jack Plemons for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to a depth of 3500 feet underlying the NW/4 NW/4 of Section 27, Township 17 South, Range 29 East, to be dedicated to its Continental "27" State Well No. 6 located 990 feet from the North line and 330 feet from the West line of said Section 27. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 3635: (Continued from July 2, 1985, Examiner Hearing)

Application of Energy Reserves Group, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Fusselman formation in the perforated interval from 8150 feet to 8220 feet in its McClellan Well No. 1 located 2000 feet from the South line and 1900 feet from the West line of Section 10, Township 6 South, Range 33 East.

CASE 3669: (Readvertised)

Application of Doyle Hartman for an unorthodox gas well location, simultaneous dedication, and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its Olsen-Blinetry Well No. 2 to be located at an unorthodox gas well location 660 feet from the South line and 500 feet from the West line (Unit M) of Section 29, Township 23 South, Range 37 East, Jalaat Gas Pool, is necessary to effectively and efficiently drain that portion of the previously approved 160-acre non-standard proration unit consisting of the SW/4 of said Section 29 which cannot be so drained by the existing Olsen-Blinetry Well No. 1 located 1650 feet from the South line and 990 feet from the West line (Unit L) of said Section 29. Applicant further seeks approval for the simultaneous dedication of said 160-acre unit to both of the above-described wells.

(d) EXTEND the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 11 WEST, NMPM  
Section 29: NE/4 and N/2 SE/4

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM  
Section 22: N/2 SW/4

TOWNSHIP 25 NORTH, RANGE 13 WEST, NMPM  
Section 13: E/2 SE/4

(e) EXTEND the Devils Fork-Gallup Associated Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM  
Section 2: SE/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM  
Section 17: All  
Section 20: N/2  
Section 26: E/2  
Section 29: N/2  
Section 32: SW/4

(f) EXTEND the Devils Fork-Mesaverde Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM  
Section 6: W/2 SW/4  
Section 7: NW/4 NW/4

(g) EXTEND the Dufers Point Gallup-Dakota Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM  
Section 11: SW/4  
Section 15: NE/4

(h) EXTEND the South Gallegos Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM  
Section 28: W/2  
Section 29: NE/4  
Section 33: NW/4

(i) EXTEND the Gavilan-Mancos Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM  
Section 11: W/2  
Section 12: All

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM  
Section 17: W/2

(j) EXTEND the South Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM  
Section 12: SW/4  
Section 13: NW/4

TOWNSHIP 23 NORTH, RANGE 5 WEST, NMPM  
Section 24: SE/4

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM  
Section 20: All

(k) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM  
Section 9: SE/4  
Section 10: S/2

Exhibit No. 4  
Case 7619

Application for Pool Creation  
and Special Pool Rules, Rio Arriba County, New Mexico

Production Tests of Upper Gallup

1. Merrion Oil & Gas Corporation, Rita #1. Interval 5406-35

3/20/82 1st hour - 8 BO + 147 MCF/da  
2nd hour - 108 BO + 205 MCF/da  
3rd hour - 1 BO + 205 MCF/da

2. Merrion Oil & Gas Corporation, Theodore Zink #1.  
Interval 5312-5338

<u>Date</u>	<u>BPOD</u>	<u>MCF/da</u>	<u>GOR</u>
7/2/82	57	127	2228
7/3/82	45	116	2578
7/4/82	33	116	3515
7/5/82	23	95	4130
7/6/82	33	90	2727

3. Jerome P. McHugh & Associates, Gallo White #1.  
Interval 5507-5512

July 5, 1982 30 BOPD + 155 MCF/da GOR-5166

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
<u>MERRION</u> EXHIBIT NO. <u>4</u>
CASE NO. <u>7619</u>
Submitted by <u>MERRION</u>
Hearing Date <u>7/7/82</u>

Exhibit No. 5  
Case 7619  
Application for Pool Creation  
and Special Pool Rules, Rio Arriba County, New Mexico

Original Bottom Hole Pressure  
Merrion Oil & Gas Corporation, Rita #1

Condition of Well

- Perforations - 5406-16, 6 holes  
5425-35, 6 holes  
5544-54, 6 holes  
5580-95, 6 holes  
5613-23, 6 holes
- Stimulation - Broke down each set of perforations  
with acid. Test prior to frac.
- Production - Set packers at 5338 and swabbed well  
dry on 2/26/82. No prior production.
- Shut In - Shut in 12 days to February 10, 1982.

<u>Depth</u>	<u>Pressure</u>	<u>Gradient</u>
0	229	-
1,000	441	0.212 (F.L. 445')
2,000	799	0.358
3,000	1134	0.335
4,000	1463	0.329
4,925	1768	0.330
5,125	1830	0.310
5,325	1892	0.310
Perf. midpoint 5,500	1946 (by extrapolation)	

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
<u>MERRION</u> EXHIBIT NO. <u>5</u>
CASE NO. <u>7619</u>
Submitted by <u>MERRION</u>
Hearing Date <u>7/7/82</u>

Exhibit No. \_\_\_\_\_  
Case 7619  
Application for Pool Creation  
and Special Pool Rules, Rio Arriba County, New Mexico

Initial Production Capabilities

<u>Operator</u>	<u>Well</u>	<u>Days Prod.</u>	<u>Cum. Oil</u>	<u>Initial Stabilized Rates and GOR's</u>		
				<u>BOPD</u>	<u>Stabilized Rate MCF/Day</u>	<u>GOR</u>
Merrion	Rita #1	35	1835	23	90	3913
Merrion	Rita #2	31	794	13	135	10385
Merrion	Glenmorangie #1	37	1739	30 (est)	100 (est)	3333
Merrion	Theodore Zink #1	15	733	43	205	4767
So. Union Expl.	Yarborough #1	205	1442**	4	7.4	1842
So. Union Expl.	Yarborough B #1	202	1359***	5	8	1600
*Dugan Prod.	Lough Erne #1	185	1514	11	20.50	1864
*Dugan Prod.	Enniskillen #1	210	1954	12	10.75	896
*McHugh & Assoc.	Gallo Red #1	50	558	9	10.8	1200
*McHugh & Assoc.	Gallo White #1	43	621	14	32.76	2340
Aztec Energy	Dever #1	137	2045	10	21.3	2132

\* Wells have been produced for one hour per day.

\*\* Also made 4,062 bbls. prior to original plugging.

\*\*\* Also made 3,021 bbls. prior to original plugging.

BEFORE THE NEW MEXICO OIL AND GAS COMMISSION	
HERRION EXHIBIT NO. 6	
CASE NO. 7619	
Submitted by HERRION	
Hearing Date 7/7/82	

MEZZION EXHIBIT NO. 7

CASE NO. 7619

Exhibit No. 7  
Case 7619  
Application for Pool Creation  
and Special Pool Rules, Rio Arriba County, New Mexico  
Submitted by MEZZION  
Hearing Date 7/7/82

PROPOSED SPECIAL RULES AND REGULATIONS FOR THE  
COUNSELORS-GALLUP OIL POOL

Rule 1. Each well completed or recompleted in the Counselors-Gallup Oil Pool or in the Gallup formation within one mile thereof and not nearer to or within the limits of another designated Gallup oil pool 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 Land Surveys.

Rule 3. The Director of the Division 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 consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States' Public Land Surveys. 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 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 no nearer than 660 feet to the outer boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Rule 5. The 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 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.

Rule 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre depth bracket allowable in accordance with the statewide rules 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 proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

Rule 7. A limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil is established for the pool.

Rule 8. The location of all wells presently drilling to or completed in the Counselors-Gallup Oil Pool shall be approved; the operator of any well having an unorthodox location shall notify the Aztec Office of the Division in writing of the name and location of the well on or before \_\_\_\_\_, 1982.

Rule 9. This cause shall be reopened at an examiner hearing during the month of August, 1985, at which time the operators in the Counselors-Gallup Oil Pool may appear and show cause why said pool should not be developed on 40-acre spacing with a depth bracket allowable in accordance with the statewide rules.



GALLUP WELLS - TOWNSHIP 23 NORTH, RANGE 6 WEST and TOWNSHIP 23 NORTH, RANGE 7 WEST  
THAT HAVE BEEN PRODUCING FIFTEEN YEARS OR LONGER

<u>OPERATOR</u>	<u>WELL NAME</u>	<u>LOCATION</u>	<u>YEAR COMPLETED</u>	<u>AGE</u>	<u>CUMULATIVE BBLs.</u>	<u>1981 BBL</u>	<u>1981 MCF</u>	<u>G.O.R. Cu.Ft/Bbl</u>
BCO	Betty B-1	15-23-7	1961	21 Yr.	18,614	614	1,842	3,000
BCO	Campos #1	10-23-7	1961	21 Yr.	72,577	989	19,081	19,231
BCO	Campos #2	4-23-7	1961	21 Yr.	133,021	5,393	18,063	3,349
BCO	State #1	2-23-7	1961	21 Yr.	21,814	667	10,865	16,289
BCO	State #2	2-23-7	1961	21 Yr.	19,219	663	10,865	16,388
Byron Oil	Hanson Fed. #1	3-23-7	1967	15 Yr.	55,915	3,399	24,812	7,300
Byron Oil	Dunn Fed. #1	4-23-7	1967	15 Yr.	25,279	1,223	5,080	4,154
Grace Petroleum	Benn 9-1	9-23-7	1961	21 Yr.	7,132	488	33,268	68,172
Grace Petroleum	McBee-B #1	7-23-6	1957	25 Yr.	32,895	1,232	Not Reported	
Grace Petroleum	Nancy 14-1	14-23-7	1962	20 Yr.	16,417	531	Not Reported	
Grace Petroleum	Rogers 24-1	24-23-7	1957	25 Yr.	20,383	475	Not Reported	
Grace Petroleum	Vandenburgh 11-1	11-23-7	1960	22 Yr.	116,049	1,122	10,310	9,189
Dugan Production	Sapp C #1	5-23-7	1957	25 Yr.	18,365	442	Not Reported	
Stanley J. Stanley	Chapman #1	20-23-6	1959	23 Yr.	37,194	929	2,414	2,598
Supron	Dunn #1	9-23-7	1961	21 Yr.	31,013	872	2,188	2,509

SUMMARY

Number of Wells ----- 15  
Average Age of Wells ----- 21.1 Years  
Average Cumulative Oil Prod. ----- 41,725 Bbl.  
Average G.O.R. - 1981 ----- 13,834 Cu.Ft/Bbl.  
Average Production - 1981 ----- 1,269 Bbls.

REGIONAL EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
~~MISSOURI~~ EXHIBIT NO. 8 /  
CASE NO. 7419  
Submitted by Dugan  
Hearing Date 7/7/82

# ECONOMIC ANALYSIS

## Counselors Trading Post, Rio Arriba Co., New Mexico

### A Typical Well #1 Completed well cost \$350,000


Years of Prod	Annual Oil Prod Bbls	Annual Gas Prod MC F	Estimated Gross Income of O.R.R. \$1000	Ave Prod Ave Well Taxes & Profits Tax \$1000	Estimated Interest \$1000	Net Income \$1000	Payout \$1000			
1	6000	20000	270.0	54.0	21.6	12.8	12	52.5	117.1	-232.9
2	4200	21000	189.0	37.8	15.1	9.0	12	31.9	80.2	-152.7
3	3650	18350	164.0	32.8	13.1	7.8	12	22.9	75.4	-77.3
4	3285	16425	147.8	29.6	11.8	7.0	12	11.6	75.8	-15
5	2956	14780	133.0	26.6	10.6	6.3	12	0.2	77.3	75.8
6	2660	13320	120.6	24.0	9.6	5.7	12	-	68.7	144.5
7	2374	11770	107.7	21.5	8.6	5.1	12	-	60.5	205.0
8	2155	10713	96.9	19.4	7.8	4.6	12	-	53.1	258.1
9	1939	9697	87.2	17.5	7.0	4.1	12	-	46.6	304.7
10	1745	8705	78.5	15.7	6.3	3.7	12	-	40.8	345.5
11	Cumulative 30984	266690								
	1570	7252	70.6	14.1	5.6	3.4	12		35.5	381.0
12	1413	7065	63.6	12.7	5.1	3.0	12		32.2	411.8
13	1271	6358	57.2	11.4	4.6	2.7	12		26.5	431.3
14	1143	5715	51.4	10.3	4.1	2.4	12		22.6	460.9
15	1029	5143	46.3	9.3	3.7	2.2	12		19.1	482.0
	Cumulative 37410	244303								

BEFORE EXAMINE  
OIL CONSERVATION  
COMMISSION

CASE NO. 7415  
Submitted by [Signature]  
Hearing Date 7.1.15

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION DIVISION  
 EXHIBIT NO. 4

CASE NO. 7019  
 Submitted by Boone  
 Hearing Date 7/1/62



— — — — —

Dockets Nos. 23-82 and 24-82 are tentatively set for July 21 and August 4, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - FRIDAY - JUNE 25, 1982

OIL CONSERVATION COMMISSION - 9 A.M.  
OIL CONSERVATION DIVISION CONFERENCE  
ROOM, STATE LAND OFFICE BUILDING,  
SANTA FE, NEW MEXICO

The following cases were continued from the June 22, 1982, Commission Hearing:

CASE 7522: (DE NOVO)

Application of Santa Fe Exploration Co. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 660 feet from the North and West lines of Section 14, Township 20 South, Range 25 East, Permo-Penn, Strawn, Atoka and Morrow formations, the N/2 of said Section 14 to be dedicated to the well.

Upon application of Chama Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1226.

CASE 7521: (DE NOVO)

Application of William B. Barnhill for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 660 feet from the South and West lines of Section 35, Township 19 South, Range 25 East, Permo-Penn, Strawn, Atoka and Morrow formations, the S/2 of said Section 35 to be dedicated to the well.

Upon application of Chama Petroleum Company and William B. Barnhill, this case will be heard De Novo pursuant to the provisions of Rule 1220.

\*\*\*\*\*  
Docket No. 22-82

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 7, 1982

9. A.M. - OIL CONSERVATION DIVISION, MORGAN  
HALL, STATE LAND OFFICE BUILDING, SANTA FE,  
NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 7566: (Continued from May 12, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Flag-Redfern Oil Co., Principal, National Surety Corporation, and all other interested parties to appear and show cause why four wells, being the Julander No. 1 located in Unit L, Section 34; Julander No. 2 located in Unit I, Section 33; Hargis No. 1 located in Unit G, Section 33; and Hargis No. 2 located in Unit J, Section 33, all in Township 30 North, Range 12 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7560: (Continued from May 12, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Charles H. Heisen, Fidelity and Deposit Company of Maryland, Surety, and all other interested parties to appear and show cause why the Crownpoint Well No. 1, located in Unit F, Section 18, Township 18 North, Range 13 West, McKinley County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Dog Town Draw-Morrow Gas Pool. The discovery well is the Perry R. Bass Poker Lake Unit Well No. 49 located in Unit E of Section 17, Township 24 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM  
Section 17: W/2

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the East Eumont-Yates Pool. The discovery well is Ike Lovelady, Inc. Linwood Well No. 1 located in Unit F of Section 30, Township 19 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM  
Section 30: NW/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Featherstone-Bone Spring Pool. The discovery well is The Superior Oil Company Featherstone Federal Well No. 1 located in Unit G of Section 21, Township 20 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM  
Section 21: NE/4

- (g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Livingston Ridge-Atoka Gas Pool. The discovery well is the Perry R. Bass James Ranch Unit Well No. 12 located in Unit G of Section 21, Township 22 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM  
Section 21: E/2

- (h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the West Nadine-Yates Pool. The discovery well is the Ike Lovelady, Inc. McNeill Well No. 1 located in Unit M of Section 33, Township 19 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM  
Section 33: SW/4

- (i) ABOLISH the South Rock Tank-Morrow Gas Pool in Eddy County, New Mexico, heretofore classified, defined, and described as:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 2: N/2

- (j) EXTEND the Baldridge Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM  
Section 1: W/2  
Section 2: All  
Section 14: S/2

- (k) EXTEND the West Bitter Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 25 EAST, NMPM  
Section 17: NE/4 NE/4 and W/2 NE/4

- (l) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 21: All  
Section 22: W/2

DOCKET: COMMISSION HEARING - WEDNESDAY - JULY 14, 1982

OIL CONSERVATION COMMISSION - 9 A.M.  
MORGAN HALL, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

---

CASE 7496: (DE NOVO)

Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well located 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the S2/4 of said Section 29 to be dedicated to the well.

Upon application of Viking Petroleum, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7329: (DE NOVO)

Application of Loco Hills Water Disposal Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in the N/2 SW/4 SW/4 of Section 16, Township 17 South, Range 30 East.

Upon application of Loco Hills Water Disposal Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CAMPBELL, BYRD & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTNEY

JEFFERSON PLACE  
SUITE 1100 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6045

June 25, 1982

Mr. Joe D. Ramey  
Division Director  
Oil Conservation Division  
New Mexico Department of Energy  
& Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

HAND DELIVERED

*Case 7619*

Re: Application of Merrion Oil & Gas Corporation for  
Pool Creation and Special Pool Rules, Rio Arriba  
County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Merrion Oil & Gas Corporation in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on July 7, 1982.

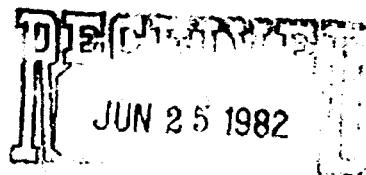
Very truly yours,

*William F. Carr*

William F. Carr

WFC:jh

w/enc.



50156  
JUN 25 1982

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF MERRION OIL & GAS CORPORATION  
FOR POOL CREATION AND SPECIAL POOL  
RULES, RIO ARriba COUNTY, NEW  
MEXICO

CASE 2619

APPLICATION

Comes now Merrion Oil & Gas Corporation, by its undersigned attorneys, and hereby makes application for an order designating a new pool in the Gallup Formation in Rio Arriba County, New Mexico and for promulgation of special pool rules, including 160-acre spacing or proration units for oil and gas on a permanent basis or, in the alternative, on a temporary basis, and in support of this application would show the Commission:

1. Applicant believes that the following described lands are reasonably proven to be productive of oil and gas in paying quantities from the Gallup Formation and should be included in the original definition of a new Gallup pool to be created:

Township 23 North, Range 6 West, N.M.P.M.  
Sections 3 and 4: All  
Sections 8, 9 and 10: All  
Sections 14 and 15: All

2. That applicant operates certain Gallup wells within the proposed pool capable of producing oil and gas in paying quantities.

3. That the Gallup Formation within the proposed pool is a hybrid reservoir with part of the formation producing gas and part of the formation producing oil.

4. That the gas and oil in the Gallup Formation within the proposed new pool can effectively and efficiently be produced on 160-acre spacing units.



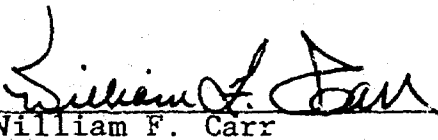
5. In order to prevent economic loss caused by the drilling of unnecessary wells, to avoid augmentation of risk arising from the drilling of an excessive number of wells and to otherwise prevent waste and protect correlative rights, special pool rules and regulations providing for 160-acre spacing units should be promulgated for the new pool.

WHEREFORE, Merrion Oil and Gas Corporation requests that this application be set for-hearing before a duly appointed Examiner of the Oil Conservation Division on July 7, 1982, that notice be given as required by law and the rules of the Division, and that the application be approved.

Respectfully submitted,

CAMPBELL, BYRD & BLACK, P.A.

By

  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
(505) 988-4421  
Attorneys for Applicant

D R A F T

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:

*DRC 12-30-85*  
*12/31/85*  
*11.5. 12/31/85*

CASE NO. 7619  
CASE NO. 8153  
Order No. R-7034-B

IN THE MATTER OF CASES NOS. 7619 AND  
8153 BEING REOPENED ON THE MOTION OF  
THE OIL CONSERVATION DIVISION PUSUANT  
TO THE PROVISIONS OF ORDERS NOS. R-7034  
AND R-7034-A, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

*all*  
These causes came on for hearing at 8:00 a.m. on August 14, 1985, and at 8:00 a.m. on October 9, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this \_\_\_\_ day of December, 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 Division, by its Order No. R-7034 entered July 28, 1982, in Case No. 7619, created the Counselors-Gallup Oil Pool, San Juan County, New Mexico, and promulgated temporary Special Pool Rules therefor, including a provision for 160-acre spacing and proration units.

(3) The Division, by its Order No. R-7034-A entered April 20, 1984, in Case No. 8153, extended the vertical limits of said Counselors-Gallup Oil Pool to include the Dakota formation and redesignated said pool the Counselors Gallup-Dakota Oil Pool.

(4) Pursuant to the provisions of said Orders Nos. R-7034 and R-7034-A, these cases were reopened to permit operators in the subject pool to appear and show cause why said pool should not be developed on less than 160-acre spacing.

(5) The main pay zones in the subject pool, in the Gallup formation, are continuous and correlative from the Northwest end of the pool to the Southeast end.

(6) The evidence presented demonstrates that under the present 160-acre spacing, there has been effective and efficient drainage and pressure depletion in the Counselors Gallup-Dakota Oil Pool, particularly in the Gallup formation.

(7) According to the evidence, the Dakota formation, although lacking the porosity and permeability of the Gallup formation, and not economically viable on its own as a single formation, does contribute reserves to those wells which are completed in both the Gallup and Dakota formations, and should continue to be included in the vertical limits of the subject pool.

(8) According to the evidence, the Counselors Gallup-Dakota Oil Pool is being effectively and efficiently drained on 160-acre spacing and proration units, and the temporary Special Rules for said pool as promulgated by Division Orders Nos. R-7034 and R-7034-A should be made permanent.

(9) Making such orders permanent is in the interest of conservation and will protect correlative rights and prevent waste.

IT IS THEREFORE ORDERED THAT:

(1) The temporary Special Rules for the Counselors Gallup-Dakota Oil Pool promulgated by Division Order No. R-7034 are hereby made permanent and shall continue in full force and effect until further order of the Division.

(2) The consolidation of the Gallup formation and the Dakota formation into the vertical limits of the Counselors Oil Pool and designation of said pool as the Counselors Gallup-Dakota Oil Pool by Division Order No. R-7034-A is hereby made permanent and shall continue in full force and effect until further order of the Division.

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

-3-

CASE NO. 7619

CASE NO. 8153

Order No. R-7034-B

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

R. L. STAMETS  
Director

*DICK*

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

*JOR*

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

CASE NO. <sup>7619</sup>~~7499~~

Order No. R- 7034

*RL*

APPLICATION OF MERRION OIL & GAS  
CORP. FOR POOL CREATION AND SPECIAL  
POOL RULES, RIO ARriba COUNTY,  
NEW MEXICO.

*dsu*

*WHP*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 7, 1982,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of July, 1982, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Merrion Oil and Gas Corp., seeks the creation of a new Gallup Pool to comprise Sections 3, 4, 8, 9, 10, 14, and 15, Township 23 North, Range 6 West, and the promulgation of special rules therefor including 160-acre spacing for oil and gas, Rio Arriba County, New Mexico.

(3) That the applicant is the operator of several wells within the proposed new Gallup pool.

(4) That the evidence presented established that the proposed pool is an oil pool.

(5) That the proposed Gallup oil pool was discovered by the Southern Union Exploration Company Yarborough Well No. 1 located in Unit J of Section 3, Township 23 North, Range 6 West, originally completed in the Gallup formation January 11, 1958, through perforations from 5540 to 5585.

(6) That all of the Gallup oil wells within the proposed pool and <sup>within</sup> most of the Gallup oil pools in the general area are located as if 160-acre spacing units currently prevailed rather than the existing 40-acre spacing.

(7) That economic evidence presented relative to said wells showed that the average well <sup>in the general area</sup> expected to be completed in the proposed pool may be expected to be marginally profitable on 160-acre spacing.

(8) That there is insufficient engineering or geological evidence currently available upon which to base a finding that a well in the proposed pool will drain 160 acres.

(9) That creation of a new Gallup oil pool with temporary special pool rules providing for 160-acre proration units will permit operators to gather the engineering and geological data upon which to base such a determination while preventing the drilling of potentially unnecessary wells.

(10) That a new pool for Gallup oil production should be created, as requested by the applicant, to be designated as the Counselors-Gallup Oil Pool.

(11) That temporary special pool rules should be adopted for said Counselors-Gallup Oil Pool including provisions for 160-acre spacing and proration units.

(12) That this case should be reopened at an examiner hearing during August, 1985, at which time operators in said pool should appear and show cause why said pool should not be developed on ~~40-acre~~ spacing and proration units *of less than 160 acres.*

IT IS THEREFORE ORDERED:

(1) That a new pool for Gallup oil production is hereby created in Rio Arriba County, New Mexico, to be designated the Counselors-Gallup Oil Pool with vertical limits consisting of the Gallup formation and horizontal limits comprising the following described area:

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM

Sections 3 and 4: All

Sections 8 through 10: All

Sections 14 and 15: All

(2) That the following temporary special pool rules are hereby adopted for said Counselors-Gallup Oil Pool:

TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE  
COUNSELORS-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Counselors-Gallup Oil Pool or in the Gallup formation within one mile thereof and not nearer to or within the limits of another designated Gallup oil pool 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 <sup>quarter</sup>~~greater~~ section being a legal subdivision of the United States' Public Land Surveys.

RULE 3. The Director of the Division 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 consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States' Public Land Surveys. 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 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 no nearer than 660 feet to the outer boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The 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 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.

RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre depth bracket allowable in accordance with the statewide rules 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 proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

RULE 7. A limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil is established for the pool.

IT IS FURTHER ORDERED:

(1) That the location of all wells presently drilling to or completed in the Counselors-Gallup Oil Pool shall be approved; the operator of any well having an unorthodox location shall notify the Aztec Office of the Division in writing of the name and location of the well on or before October 1, 1982.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978 Comp., existing wells in the Counselors-Gallup 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 Counselors-Gallup Oil Pool or in the Gallup formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing during the month of August, 1985, at which time the operators in the Counselors-Gallup Oil Pool may appear and show

*less than 160-acre*  
cause why said pool should not be developed on ~~40-acre~~ spacing  
with a depth bracket allowable in accordance with the statewide  
rules.

(4) That the effective date of this order and the pool  
creation and special rules contained herein shall be August 1,  
1982.

(5) That 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

JOE D. RAMEY,

Director

S E A L

# Memo

From

FLORENE DAVIDSON  
ADMINISTRATIVE SECRETARY

To  
Called in by Bill Carr  
6/15/92

Merriam Oil & Gas Corp.  
Pool Creation and Special  
Pool Rules

Gallup Pool

Sections 3, 4, 8, 9, 10, 14, and 15

T23N, R6W

Rio Arriba County

160-acre spacing for oil and  
gas

to  
+  
Clerk of  
Court

DOCKET MAILED

~~DATE~~ 6/25/82

7/12/82

7/26/82