

CASE NO. 5453: DUGAN PRODUCTION CORP.
FOR A NON STANDARD GAS PRORATION UNIT
AND DOWNHOLE COMMINGLING, RIO ARRIBA

CASE No.

5453

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 2, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production Corpora-
tion for a non-standard gas proration
unit and downhole commingling, Rio Arriba
County, New Mexico.

Case No.
5453

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

William Carr, Esq.
Legal Counsel for the
Commission
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

CASE 5453

Page..... 2

I N D E X

THOMAS DUGAN

PAGE

Direct Examination by Mr. Kellahin

3

Cross Examination by Mr. Stamets

10

E X H I B I T S

Applicant's Exhibits Nos.
1 through 6

Marked

Admitted

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9

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DUGAN-DIRECT

CASE 5453

Page.....3

MR. STAMETS: Call the next case, 5453.

MR. CARR: Case 5453. Application of Dugan
Production Corporation for a non-standard gas proration
unit and downhole commingling, Rio Arriba County, New
Mexico.

MR. KELLAHIN: If the Examiner please, I would
like the record to reflect the same appearances and the
same Witness and that my Witness has been previously
sworn and is under oath and is qualified.

MR. STAMETS: Let the record reflect the same.

(Witness previously sworn.)

THOMAS DUGAN

called as a witness, having been first duly sworn, was
examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Dugan, would you refer to what has been
marked as Exhibit No. 1, identify it, and state briefly
what you are seeking?

A This is a map showing the wells in the vicinity
of what we call our Sunset Lease. The Sunset Lease is
shown in yellow in Township 24 North, Range 5 West. I
have also outlined on the map the boundaries of the

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DUGAN-DIRECT

CASE 5453

Page.....4.....

Otero-Gallup Pool and the West Lindreth Gallup Dakota Pool and the South Lindrith Gallup Dakota Pool. In essence what I am wanting to do is make a completion that is similar to the completions that are being allowed in the West Lindrith and the South Lindrith where the Gallup Formation and the Dakota Formation is commingled in the wellbore.

Q You would seek permission to drill the well in such a manner as to initially provide downhole commingling, is that correct?

A Yes, that is correct. In this case Henry is not pushing me but Jerry Long is pushing me to do -- well, in the Jicarilla Tribe is pushing for additional development on leases on the Jicarilla Reservation. This is again on the edge of the Gallup Pool and the edge of wells that are in the Basin Dakota Pool, getting into a rather marginal area, and since I am being pushed for additional development I found in my studies that probably the only way I could make a completion that would pay out and be an economical completion would be to commingle both the Dakota and the Gallup in the wellbore. The Pictured Cliffs is fairly well developed on this lease and the wells are marginal.

Q What would be the cost of drilling a well at

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this location if you were required to complete both zones in a dual manner?

A The Gallup side would have to be pumped and the off set wells make about five barrels a day. The cost of a normal dual would be in the neighborhood of a quarter of a million dollars at this time.

Q In the event that this Application is granted and you commence to drill a well that commingles these zones initially, what do you anticipate to be your cost?

A Well, we hope to complete the well for \$175,000 maybe to \$150,000, in that neighborhood, so it would be saving \$75,000 to \$100,000. A lot of that cost would be in the larger-size casing, additional string of tubing and then setting the Gallup Formation up to pump, which is pumping a small well at that depth is pretty expensive.

Q In your opinion can you drill and develop the acreage if required to drill a dual completion?

A No, I probably wouldn't. I might get up my nerve and try it because a single completion there, but I'm sure that I would never attempt to make a Gallup completion if I had to dual complete it.

Q Would you please refer to what has been marked as Exhibit 2 and identify it?

A This is again a lease map on a little larger scale showing our lease in yellow and it shows the Gallup production on the off set wells with cumulative oil in thousands of barrels in blue and the gas production in mmcf in red and the oil production for 1973 in red and the oil production in green.

Q All right. Would you refer to Exhibit 3 and identify it?

A Yes, it is the same thing except showing productions from the Dakota Formation.

Q What acreage would you propose to dedicate to the well?

A I would propose to drill in the southwest quarter of Section 14 and dedicate that 160 acres there to the Dakota Formation.

Q What would you propose as a method for allocating the productions between the two producing formations?

A I really haven't -- I would really prefer to go back to Order R-4418 where all of the gas production was allocated to the Dakota Formation and all of the oil production to the Gallup, but here again I would be more than happy to work with Henry to work out an equitable allocation between both zones. You can see that the well

that I'm off setting there really isn't a very good Dakota or Gallup well; it was dually completed by Conoco; the one in the southeast quarter of Section 15. We have -- those are my copies I think.

Q Please refer to what has been marked as Exhibit 4 and identify it.

A Okay. It is Conoco's Northeast Heinz No. 8 and it is the well there in the southeast quarter of Section 15, 24 North, 5 West, the well which I would be off setting, and marked in blue on the log is the potential zones and the Dakota Zone at 6800 lies a fairly decent looking sand and it is pretty hard and tight and doesn't produce too good, and the Gallup is really a fractured reservoir up in the neighborhood of 5650 to 5750.

Q Please refer to Exhibit 5 and identify it.

A Okay. It is the Continental Oil Company's Northeast Heinz No. 6 and it is the well in Section 5 of 24 North, 5 West -- is that right? I believe that Section is wrong on the log. Yes, it is the other well; it's actually in Section -- instead of Section 5 it's in Section 15. It is the other well in the northwest quarter of Section 15. The log is wrong.

Q Would you refer to Exhibit 6 and identify it?

A It is the -- it was originally drilled by Lowry Oil Company but it is now the Amoco Jicarilla 35 Com in the southwest quarter of Section 11, just to the north of my proposed well. The Amoco well is just a single Dakota completion and it was originally drilled in 1953. It has only produced 386,000 mcf and 5600 barrels of oil from the Dakota. It made 29 mmcf during 1973, so it's really not a very good well. The Conoco No. 6 Well is the best well in the area; it has made a billion cubic feet of gas from the Dakota and 9000 barrels of oil. The Conoco Northeast Heinz No. 8, which would be the well I'm off setting, has made 413,000 mcf and 4600 barrels of oil.

Q What is the status of the working interest and royalty interest ownership for the two zones?

A My 160-acre tract, they are identical.

Q In your opinion will approval of this Application result in the production of oil and gas that would not otherwise be recoverable?

A It would definitely result in the production of oil from the Gallup Formation that wouldn't be

DUGAN-DIRECT

CASE 5453

Page 9

recovered and probably will result in the well being drilled and hopefully that it will be economical where it isn't economical at the present time, to either drill two singles or to drill one well and dual complete it.

Q In your opinion will the granting of this Application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A Yes, I believe so.

Q Were Exhibits 1 through 6 either prepared by you directly or compiled under your direction and supervision?

A Yes, they were.

MR. KELLAHIN: I move the introduction of Exhibits 1 through 6.

MR. STAMETS: Exhibits 1 through 6 will be admitted into evidence.

(Whereupon, Applicant's Exhibits 1 through 6 were admitted into evidence.)

MR. KELLAHIN: That concludes our direct examination.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Dugan, did you make any attempt to communitize with other interest owners and form a standard 320-acre unit?

A I didn't make a real serious effort; I did write a couple of letters asking them to farm out or join and I never did even get an answer so I don't know, but I didn't ever call them or make a real strong attempt.

Q Did you consider forced pooling to form a standard unit?

A Really, at this point I think I feel that the only way to drill a well in there and make it an economic venture is to commingle both of these zones in the wellbore and if we forced pooled them then the interest would be different and it would be rather complicated and I don't believe that it would be advisable to try forced pooling. Originally when I -- it is my understanding that Amerada Hess owns the Gallup-Dakota rights on that other checker board in there, and when I originally wrote to them I was just considering a Dakota attempt.

Q If you were approached by the other interest owners on these other tracts with the idea of them joining

you and forming a standard unit, would you have any violent objection to that?

A No, I'm sure I wouldn't have a violent objection; I'm sure we could work something out. It is not that we are at odds at all; we're not even in communication really, but it is just a dead area that apparently most people have found uneconomical to work in and I probably wouldn't even be thinking about it either if I wasn't being pushed. I like the lease; I want to keep the lease and so I've got to do something and this is the way that I figured out that maybe I could make it pay.

Q I gather from your testimony you intend to use the Dakota's gas and the same type of situation to produce the Gallup oil?

A Yes, you use the energy from the Dakota gas to produce the Gallup oil and this is really one way that -- it has been quite successful I think over in the West Lindreth Gallup Pool and as I stated in the other case, it is quite successful in my Fullerton No. 1 to make what was really a doggy well into a paying proposition.

Q I gather from your testimony that it is your feeling that your chance of getting a really good well from either of these zones is very small?

A That's my feeling; I hope I am surprised, but I would doubt very seriously if it would make a very good well in either zone.

Q If you should happen to find a "barn burner" in either zone, would that affect the completion technique that you were supposed to use?

A It might, yes, it sure might, and I hope I have that problem.

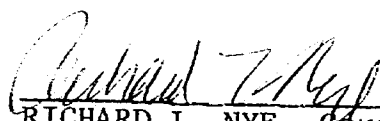
MR. STAMETS: Any other questions of this Witness? He may be excused. Anything further in this case? We will take the case under advisement.

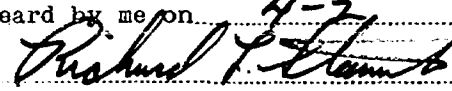
CASE 5453

Page 13

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5453, heard by me on 4-2, 1975.
, Examiner
New Mexico Oil Conservation Commission

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dugan production corp.

December 20, 1977

Al R. Kendrick
Supervisor, District III
New Mexico Oil Conservation Commission
1000 Rio Brazos Road
Aztec, NM 87410

Re: Sunset Lease
Jicarilla Apache Tribal Contract No. 37-A
Rio Arriba County, New Mexico

A New Dawn #1 Well
Rio Arriba County, New Mexico

Dear Al:

We are in receipt of your letter dated December 14, 1977 requesting a division of production for the captioned well as required by the NMOCC Order No. R-5002 dated April 29, 1975.

As you are probably aware, we spudded the A New Dawn #1 Well on October 2, 1977. After drilling to a total depth of 6,825 feet, we completed the well by commingling the Otero-Gallup oil pool and the Basin Dakota gas pool in the wellbore.

The well was tested after its completion date of November 16, 1977 by certain employees of Dugan Production Corp. and also by certain employees of Northwest Pipeline Corporation. It is the professional opinion of Thomas A. Dugan after reviewing these tests as well as his personal involvement in the completion of this well that the allocation of the production from these two zones should be as follows:

Gas Production

Basin Dakota	95%
Otero Gallup	5%

Oil Production

Basin Dakota	10%
Otero Gallup	90%

Stamets
RLL

Case 5453

Al R. Kendrick
Page 2
December 20, 1977

Accordingly, we hereby propose the adoption by the New Mexico Oil Conservation Commission of the above allocation for the oil and gas production from this well.

Respectfully submitted,

**ORIGINAL SIGNED BY
RICHARD TULLY**

Richard Tully
Landman

xc: ✓ Joe D. Ramey
Secretary-Director
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, NM 87501

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5453
Order No. R-5002

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR A NON-STANDARD GAS
PRORATION UNIT AND DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 2, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of April, 1975, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Dugan Production Corporation,
seeks approval of a 160-acre non-standard gas proration unit
comprising the SW/4 of Section 14, Township 24 North, Range 5
West, NMPM, Basin-Dakota Pool, Rio Arriba County, New Mexico,
to be dedicated to a well to be drilled at a standard location
in Unit L of said Section 14.

(3) That the applicant has made no attempt to achieve
voluntary communitization with the owner of offsetting acreage
to form a standard proration unit.

(4) That the application for the above-described non-
standard gas proration unit should be denied.

(5) That the applicant further seeks authority to
complete said well in such a manner as to commingle Otero-
Gallup Oil and Basin-Dakota Gas production within the wellbore
of the above-described well.

(6) That from the Otero-Gallup Oil zone, the subject well
is projected to be capable of low marginal production only.

-2-

Case No. 5453
Order No. R-5002

(7) That from the Basin-Dakota Gas zone, the subject well is projected to be capable of marginal production only.

(8) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(9) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(10) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(11) That the applicant should cooperate with the supervisor of Aztec district office of the Commission to determine a proper formula for the allocation of the commingled production.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to complete a well on its Sunset Lease to be located in Unit L of Section 14, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, in such a manner as to commingle Otero-Gallup Oil and Basin-Dakota Gas production within the wellbore of the above-described well.

(2) That the operator of said well shall contact the supervisor of the Aztec district office of the Commission prior to the recompletion of said well to establish the procedures to be used to determine a formula for the allocation of production to the two zones.

(3) That no allowable will be assigned to said well until a proper allocation formula has been determined and filed with the Santa Fe office of the Commission.

(4) That the operator of the subject well shall immediately notify the Commission's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

-3-

Case No. 5453
Order No. R-5002

(5) That the application of Dugan Production Corporation for a 160-acre non-standard gas proration unit in the Basin-Dakota Pool comprising the SW/4 of Section 14, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby denied.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



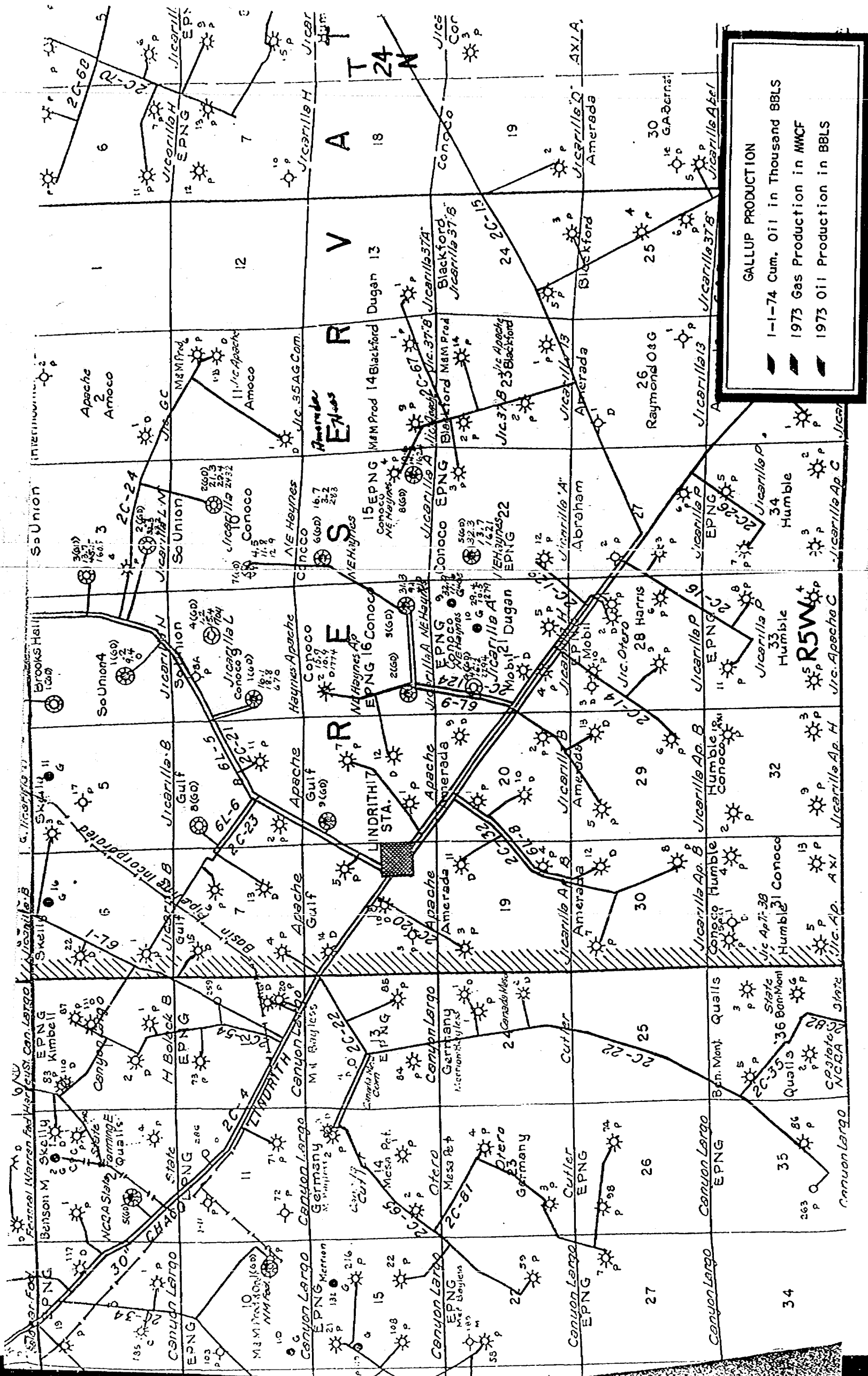
I. R. Trujillo
I. R. TRUJILLO, Chairman

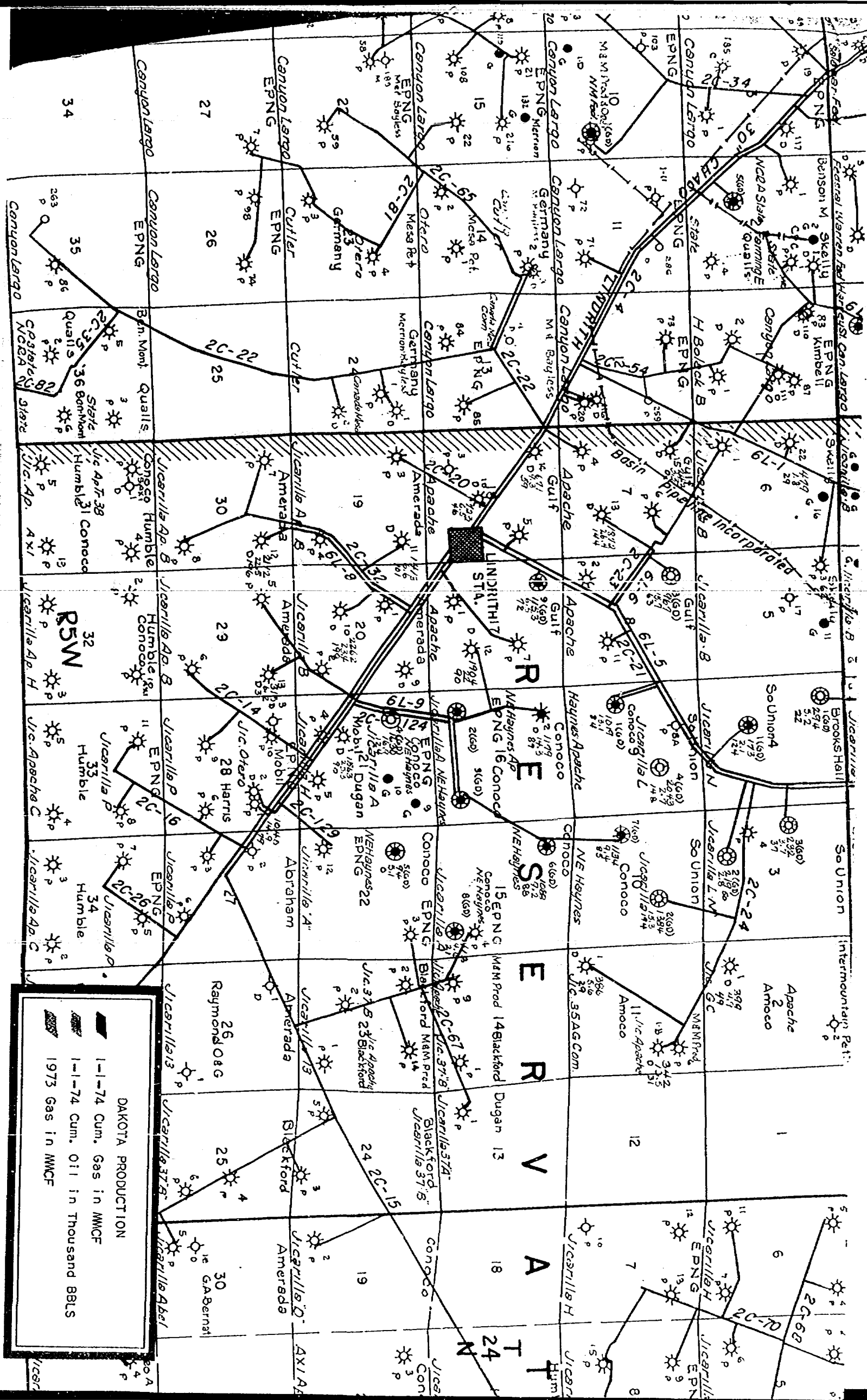
Phil R. Lucero
PHIL R. LUCERO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/





DAKOTA PRODUCTION
1-1-74 Cum. Gas in MMCF
1-1-74 Cum. Oil in Thousand BBLs
1973 Gas in MMCF

(g) EXTEND the D-K Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM
SECTION 30: SW/4

(h) EXTEND the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
SECTION 33: NE/4

(i) EXTEND the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
SECTION 23: NW/4

(j) EXTEND the Sawyer-San Andres Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM
SECTION 9: Lots 3 and 4 and $\frac{1}{2}$ SW/4

(k) EXTEND the North Shoe Bar-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
SECTION 14: SW/4

(l) EXTEND the Sulimar-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
SECTION 19: NW/4

(m) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 1: NW/4

Docket No. 8-75

Dockets Nos. 9-75 and 10-75 are tentatively set for hearing on April 16 and April 30, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 2, 1975

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
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 5408: (Continued from the March 5, 1975, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. E. Medlock and Reliance Insurance Company and all other interested parties to appear and show cause why the Queen Ridge No. 1 Well located in Unit M of Section 30, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5449: Application of Belco Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying the W/2 of Section 20, Township 22 South, Range 27 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to its Belco Martin Well No. 1, to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 5450: Application of Texaco Inc., for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle East Weir-Blaine and Skaggs-Drinkard production in the wellbore of its M. B. Weir "B" Federal Well No. 9, located in Unit C of Section 12, Township 20 South, Range 37 East, Lea County, New Mexico.

CASE 5451: Application of Consolidated Oil and Gas, Inc., for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Ballard-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Linda 1-31 Well, located in Unit M of Section 31, Township 27 North, Range 8 West, San Juan County, New Mexico.

CASE 5452: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Totah-Gallup Oil and Basin-Dakota Gas production in the wellbore of its Federal I well No. 1, located at a standard location in Unit E of Section 11, Township 29 North, Range 14 West, San Juan County, New Mexico.

CASE 5453: Application of Dugan Production Corporation for a non-standard gas proration unit and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SW/4 of Section 14, Township 24 North, Range 5 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, to be dedicated to a well at a standard location in Unit L of said Section 14. Applicant further seeks authority to commingle Otero-Gallup Oil and Basin-Dakota Gas production in the wellbore of said well.

CASE 5448: Southeastern New Mexico nomenclature case calling for the creation, extension, and abolishment of certain pools in Lea and Chaves Counties, New Mexico:

(a) CREATE A new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Legg-Morrow Gas Pool. The discovery well is the Brunson & McKnight, Inc. R. F. Leggett Well No. 1 located in Unit H of Section 33, Township 21 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
SECTION 33: E/2

(b) CREATE A new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the East Lusk-Bone Springs Pool. The discovery well is the Sun Oil Company Jennings Federal Com Well No. 1 located in Unit F of Section 15, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
SECTION 15: NW/4

(c) ABOLISH the East Skaggs-Drinkard Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 19: SE/4

(d) EXTEND the Skaggs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 18: N/2 and SE/4
SECTION 19: E/2

(e) EXTEND the Corbin-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
SECTION 36: NW/4

(f) EXTEND the South Corbin-Morrow Gas Pool in Lea County, New Mexico, to include therein:

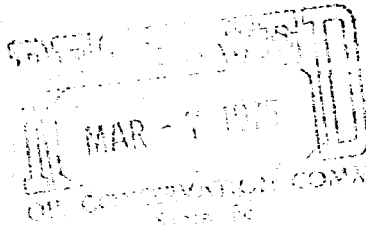
TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
SECTION 17: W/2
SECTION 18: E/2
SECTION 20: W/2

Case 5453

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505



March 6, 1975

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

Gentlemen:

Enclosed, in triplicate, are two applications filed on behalf of Dugan Production Corporation.

It is requested that these applications be set for hearing at the next available examiner hearing.

Yours very truly,

Jason W. Kellahin

Jason W. Kellahin

JWK/11

Enc.

DOCKET MAILED

Date 3/21/75

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF DUGAN PRODUCTION CORPORATION
TO COMMINGLE PRODUCTION IN THE
WELL-BORE, AND APPROVAL OF NON-
STANDARD UNITS, RIO ARriba COUNTY
NEW MEXICO

A P P L I C A T I O N

COMES NOW Dugan Production Corporation and applies to the Oil Conservation Commission of New Mexico for permission to commingle production of oil and gas in the well bore, Basin-Dakota Gas Pool, and Otero-Gallup Oil Pool, Rio Arriba County, New Mexico, and in support thereof would show the Commission:

1. Applicant proposes to drill a well, to be located in the SW/4 of Section 14, Township 24 North, Range 5 West, N.M.P.M., Rio Arriba County, New Mexico, and to complete it for production of oil from the Otero-Gallup Oil Pool, and Basin-Dakota Gas Pool.

2. Applicant proposes to commingle production from the two zones in the well-bore, making allocation for accounting purposes to the two zones on the basis of productive history of other wells in the vicinity.

3. Applicant further seeks approval of a 160-acre non-standard proration for Basin-Dakota production consisting of the SW/4 of Section 14, Township 24 North, Range 5 West. The forty-acre tract on which the well is located will be dedicated in the Otero-Gallup pool.

4. It is anticipated that production of oil from the Gallup formation will be marginal, and a dual completion of the well cannot be justified.

5. Approval of the application will result in the production of gas and oil that would not otherwise be recovered, will enable

Case 5453

applicant to obtain his just and equitable share of the hydrocarbons underlying his lands, and will prevent waste. Correlative rights of their interest owners will not be impaired by the commingling of production as proposed.

WHEREFORE applicant prays that this applicant be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the application as proposed.

Respectfully submitted,

DUGAN PRODUCTION CORPORATION

By

Jason W. Kellahin
KELLAHIN & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

dr/

[Handwritten mark]

Partial Denial Hold for Transcript
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5453

Order No. R-5002

APPLICATION OF DUGAN PRODUCTION CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT
AND DOWNHOLE COMMINGLING, RIO ARRIBA
COUNTY, NEW MEXICO.

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ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 2, 1975
at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this day of April, 1975, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Dugan Production Corporation, seeks
approval of a 160-acre non-standard gas proration unit comprising
the SW/4 of Section 14, Township 24 North, Range 5 West, NMPM,
Basin-Dakota Pool, Rio Arriba County, New Mexico, to be
dedicated to a well ^{to be drilled} at a standard location in Unit L of said
Section 14.

(3) That the applicant has made no attempt to achieve voluntary communitization with the owner of offsetting acreage to form a standard proration unit.

(4) That the application for the above-described non-standard gas proration unit should be denied.

(5) That the applicant further seeks authority to ~~re~~complete said well in such a manner as to commingle Otero-Gallup Oil and Basin-Dakota Gas production within the wellbore of the above-described well.

(6) That from the Otero-Gallup Oil zone, the subject well is projected to be capable of low marginal production only.

(7) That from the Basin-Dakota Gas zone, the subject well is projected to be capable of marginal production only.

(8) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(9) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(10) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(11) That the applicant should cooperate with the supervisor of Aztec district office of the Commission to determine a proper formula for the allocation of the commingled production.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to ~~re~~complete ~~a well on its Sunset lease, to be~~ located in Unit ~~6~~ of Section ~~14~~²⁴, Township ~~29~~²⁴ North, Range ~~14~~⁵ West, NMPM, ~~San Juan~~^{Rio Arriba} County, New Mexico, in such a manner as to commingle Otero-Gallup Oil and Basin-Dakota Gas production within the wellbore of the above-described well.

(2) That the operator of said ~~Federal 1 Well No. 1~~^{well} shall contact the supervisor of the Aztec district office of the Commission prior to the recompletion of said well to establish the procedures to be used to determine a formula for the allocation of production to the two zones.

(3) That no allowable will be assigned to said well until a proper allocation formula has been determined and filed with the Santa Fe office of the Commission.

(4) That the operator of the subject well shall immediately notify the Commission's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

(5) That the application of Dugan Production Corporation for a 150-acre non-standard gas proration unit in the Basin-Dakota Pool comprising the SW/4 of Section 14, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby denied.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.