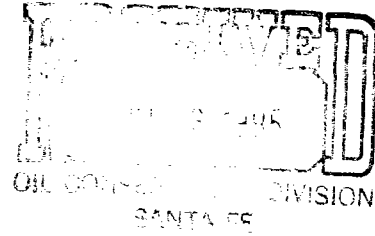




dugan production corp.

May 31, 1985



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

Attn: Michael A. Stogner
Hearing Examiner

Re: Case No. 8608

Dear Mr. Stogner:

Enclosed please find proposed draft Order which I have prepared at your request in the above referenced matter on behalf of Dugan Production Corp. and Emery Arnold, et al.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Robert G. Stovall
General Counsel

RGS:rw

enc.

cc: William F. Carr
Campbell & Black, PA
P.O. Box 2208
Santa Fe, NM 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8608

Order No. _____

APPLICATION OF SOUTHLAND ROYALTY
CO. FOR A NON-STANDARD GAS SPACING
AND PRORATION UNIT
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on May 22, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of June, 1985, the Division Director, having considered the testimony presented, 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, Southland Royalty Company, proposes to drill its Harper Valley #1 Well to the Dakota formation in the Northwest quarter of Section 15, Township 29 North, Range 14 West, which is in the Basin Dakota Pool, and it seeks an order establishing a non-standard 160 acre spacing and proration unit.

(3) That applicant seeks the establishment of a non-standard unit based upon interpretation of geological data by which Southland projects the Dakota formation to have developable gas reserves only under the NW/4 of Section 15.

(4) That there have been no penetrations of the Dakota formation within Section 15, and further that the nearest penetration of the Dakota formation is one-half mile north in the applicant's McWhorter-Duncan #1 Well, which has not yet been placed on production, and the nearest Dakota well with production history is applicant's Locke #1 Well in Section 3, 1.5 miles to the North.

(5) That there have been no other penetrations of the Dakota formation within 2 miles in the Easterly, Westerly or Southerly direction, the nearest well to the South being 2.1 miles, to the East & West 3.3 miles, and to the Southwest 4.9 miles.

(6) That the pool rules for the Basin Dakota Pool have established that 320 acres is the proper spacing and proration unit for the development of the pool, and the rules, as amended by Order No. R-1670-V, further provide that an additional infill well may be drilled if the operator determines that a single well is incapable of draining 320 acres.

(7) That there is no reason that a standard spacing and proration unit cannot be formed for the Dakota formation within the bounds of the Basin Dakota Pool.

(8) That based upon the evidence presented at hearing, there is insufficient geological control to establish that the 320 acre spacing of the Basin Dakota Pool is inappropriate in Section 15, Township 29 North, Range 14 West, NMPM, or to establish that the productive limit of the Dakota formation in Section 15 is confined to the Northwest Quarter.

(9) If this application is approved, it will not result in the prevention of waste or conservation of resources and correlative rights of other mineral interest owners or operators in said Section 15 may be impaired.

(10) That the Application in Case 8608 should be denied.

IT IS THEREFORE ORDERED:

(1) That the application in Case 8608 is hereby denied.

(2) 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

Richard L. Stamets,
Director

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8608

Order No. _____

APPLICATION OF SOUTHLAND ROYALTY
CO. FOR A NON-STANDARD GAS SPACING
AND PRORATION UNIT
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on May 22, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of June, 1985, the Division Director, having considered the testimony presented, 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, Southland Royalty Company, proposes to drill its Harper Valley #1 Well to the Dakota formation in the Northwest quarter of Section 15, Township 29 North, Range 14 West, which is in the Basin Dakota Pool, and it seeks an order establishing a non-standard 160 acre spacing and proration unit.

(3) That applicant seeks the establishment of a non-standard unit based upon interpretation of geological data by which Southland projects the Dakota formation to have developable gas reserves only under the NW/4 of Section 15.

(4) That there have been no penetrations of the Dakota formation within Section 15, and further that the nearest penetration of the Dakota formation is one-half mile north in the applicant's McWhorter-Duncan #1 Well, which has not yet been placed on production, and the nearest Dakota well with production history is applicant's Locke #1 Well in Section 3, 1.5 miles to the North.

(5) That there have been no other penetrations of the Dakota formation within 2 miles in the Easterly, Westerly or Southerly direction, the nearest well to the South being 2.1 miles, to the East & West 3.3 miles, and to the Southwest 4.9 miles.

(6) That the pool rules for the Basin Dakota Pool have established that 320 acres is the proper spacing and proration unit for the development of the pool, and the rules, as amended by Order No. R-1670-V, further provide that an additional infill well may be drilled if the operator determines that a single well is incapable of draining 320 acres.

(7) That there is no reason that a standard spacing and proration unit cannot be formed for the Dakota formation within the bounds of the Basin Dakota Pool.

(8) That based upon the evidence presented at hearing, there is insufficient geological control to establish that the 320 acre spacing of the Basin Dakota Pool is inappropriate in Section 15, Township 29 North, Range 14 West, NMPM, or to establish that the productive limit of the Dakota formation in Section 15 is confined to the Northwest Quarter.

(9) If this application is approved, it will not result in the prevention of waste or conservation of resources and correlative rights of other mineral interest owners or operators in said Section 15 may be impaired.

(10) That the Application in Case 8608 should be denied.

IT IS THEREFORE ORDERED:

(1) That the application in Case 8608 is hereby denied.

(2) 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

Richard L. Stamets,
Director

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. VES
LOURDES A. MARTINEZ

JEFFERSON PLACE
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SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 3, 1985

RECEIVED

JUN 3 1985

OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office 2088
Santa Fe, New Mexico 87501

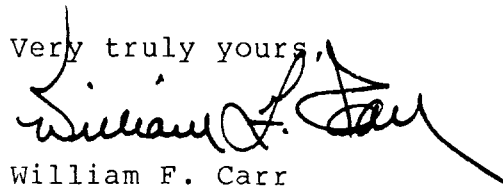
Re: Case No. 8608: Application of Southland Royalty Company for
a Non-Standard Gas Spacing and Proration Unit, San Juan
County, New Mexico.

Dear Mr. Stogner:

Pursuant to your request of May 22, 1985 I enclose Southland
Royalty Company's proposed order granting its application in the
above-referenced case.

If you need anything further from Southland in this case,
please advise.

Very truly yours,



William F. Carr

WFC/ba
Enclosure

cc: Robert G. Stovall
General Counsel
Dugan Production Corp.
Post Office Box 208
Farmington, NM 87499

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. 8608
Order No. R-

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR A NON-STANDARD GAS
SPACING AND PRORATION UNIT, SAN
JUAN COUNTY, NEW MEXICO.

SOUTHLAND ROYALTY COMPANY'S
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:00 a.m. on May 22, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of June, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(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) The applicant, Southland Royalty Company, seeks approval of a 160-acre non-standard gas spacing and proration unit comprising the the NW/4 of Section 15, Township 29 North, Range 14 West, N.M.P.M., to be dedicated to a well to be drilled at a standard location in the NW/4 of said Section 15.

(3) The entire non-standard proration unit may reasonably be presumed productive of gas from the Basin-Dakota Pool and the non-standard proration unit can be efficiently and economically drained and developed by the proposed well thereby preventing waste.

(4) At the time of hearing, certain other interest owners in said Section 15 appeared in opposition to the application.

(5) The evidence available showed that there was a probability that neither the NE/4 nor the SW/4 of said Section 15 contained commercial gas reserves in the Basin-Dakota Pool.

(6) Formation of a standard spacing and proration unit comprised of either the N/2 or the W/2 of said Section 15 would impair the correlative right of the interest owners in the NW/4 of said Section 15 for they would be required to share production with the owners of acreage that would not contribute reserves to the well, thereby denying the interest owners in the NW/4 of said Section 15 the opportunity to produce their just and fair share of the reserves under their lands.

(7) Granting this application will not impair the correlative rights of the owners of the NE/4 and the SW/4 of said Section 15 for there is sufficient remaining acreage in that section for them to develop their lands with either a standard or non-standard spacing and proration unit should data subsequently become available which would warrant such development.

(8) Oil Conservation Division Order R-1670-V provides for infill drilling of the Blanco-Dakota Pool and finds that to efficiently and effectively drain the reservoir a second well is necessary on the proration unit thereby creating an effective 160-acre spacing pattern for the Basin-Dakota Pool.

(9) That approval of the subject application and development of the Basin-Dakota Pool with a non-standard unit comprised of the NW/4, Section 15, Township 29 North, Range 14, N.M.P.M., will afford the applicant the opportunity to produce his just and equitable share of the gas in the Basin-Dakota Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Southland Royalty Company's application is hereby granted and a 160-acre non-standard gas spacing and proration unit in the Basin-Dakota Pool comprising the NW/4 of Section 15, Township 29 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, is hereby established to be dedicated to a well to be drilled by Southland Royalty Company at a standard location in the NW/4 of said Section 15.

(2) 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

RICHARD L. STAMETS
Director

S E A L