

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. 8822
Order No. R-8188

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR POOL CREATION AND
SPECIAL POOL RULES, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 5, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of March, 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 applicant, Amoco Production Company, seeks the creation of a new Gallup oil pool consisting of all of Sections 25, 26, 35, and 36, Township 26 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, and the concomitant contraction of the Ojito Gallup-Dakota Oil Pool by the deletion therefrom of said Sections 25, 26, 35, and 36.

(3) The applicant further seeks the promulgation of special pool rules for the proposed pool including a provision for 160-acre spacing and proration units.

(4) The Ojito Gallup-Dakota Oil Pool was created by Division Order No. R-4311 on June 1, 1972 and is governed by statewide 40-acre spacing and proration units.

(5) The area of the proposed new pool, hereafter referred to as the subject area, is currently within the pool boundaries of the Ojito Gallup-Dakota Oil Pool.

(6) The applicant is the owner of certain oil and gas interests in the subject area and is currently drilling or operating approximately ten wells on said acreage.

(7) Union Texas Petroleum Corporation and Minel Inc., two operators in the area to be affected by the proposed new pool, appeared at the hearing and presented evidence and testimony in opposition to the applicant.

(8) The applicant presented evidence at the hearing that shows that the initial potentials (IP) of some of their wells in the subject area are significantly higher than the majority of comparable wells in the Ojito Gallup-Dakota Oil Pool.

(9) Geologic evidence presented by the applicant indicates that the higher IP's are directly attributable to natural fractures in the Gallup formation underlying all or part of the subject area.

(10) As a result of these natural fractures, the applicant contends that the Gallup formation underlying the subject area is geologically distinct from the Gallup formation underlying the rest of the Ojito Gallup-Dakota Oil Pool.

(11) Evidence presented at the hearing indicates that there are certain wells within the Ojito Gallup-Dakota Oil Pool which had comparable IP's with the applicant's wells in the subject area.

(12) Well logs presented showed that the Gallup formation in the subject area can be correlated with the Gallup formation underlying the Ojito Gallup-Dakota Oil Pool.

(13) The Gallup pool underlying the subject subject area is a continuation and a part of the Ojito Gallup-Dakota Oil Pool and does not constitute a new common source of supply.

(14) The applicant failed to provide any engineering data to indicate that one well in the subject area would effectively and efficiently drain more than 40 acres.

(15) The applicant failed to provide sufficient evidence that continuation of 40-acre spacing in this common reservoir would cause the drilling of unnecessary wells.

(16) The evidence did not show that correlative rights would be violated or waste would occur if the subject application is denied.

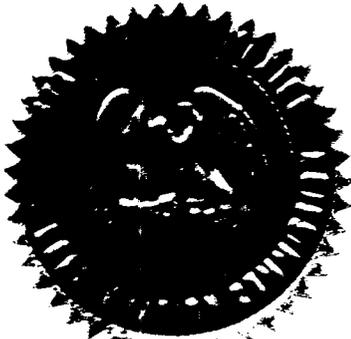
(17) The application by Amoco Production Company for pool creation and special pool rules should be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company for the creation of a new pool and special pool rules is hereby denied.

(2) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. Stamets
R. L. STAMETS
Director

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