

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 9359
Order No. R-8751

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR A NON-STANDARD OIL
PRORATION UNIT, SANDOVAL COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 14, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of September, 1988, 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, Dugan Production Corporation, seeks an exception to the Special Rules and Regulations for the Rio Puerco-Mancos Oil Pool as promulgated by Division Order No. R-7471, as amended, to form a 160-acre non-standard oil spacing and proration unit for said pool comprising the NW/4 of Section 25, Township 21 North, Range 4 West, NMPM, Sandoval County, New Mexico, to be dedicated to the existing Husky Federal Well No. 2 located at a standard location 990 feet from the North and West lines (Unit D) of said Section 25.

(3) The Special Rules and Regulations for the Rio Puerco-Mancos Oil Pool, as promulgated by said Order No. R-7471, dated March 7, 1984, require standard oil proration units consisting of 320 acres.

(4) The subject well was originally drilled in 1983 as an Undesignated Gallup Pool oil well spaced on 40-acre spacing, and was completed in the Gallup formation with an initial potential of approximately 28 barrels of oil per day and a gas amount too small to measure.

(5) By Nomenclature Order No. R-8180 dated March 14, 1986, the Division extended the horizontal limits of the Rio Puerco-Mancos Oil Pool to include all of said Section 25.

(6) Due to the low productive capabilities of the Husky Federal Well No. 2, which is currently capable of producing approximately 2.5 barrels of oil per day, the applicant has been unable to form a standard 320-acre proration unit by seeking the joinder of interest owners in the SW/4 of said Section 25.

(7) The evidence presented by the applicant further indicates that it is unlikely that the subject well is capable of draining 320 acres.

(8) No offset operator or interest owner in the SW/4 of said Section 25 objected to the proposed non-standard proration unit.

(9) The proposed non-standard proration unit can be effectively and economically drained and developed by the aforesaid well.

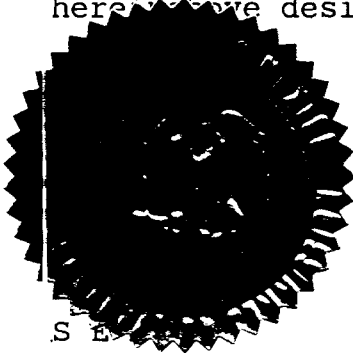
(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the Rio Puerco-Mancos Oil Pool, will prevent the economic loss caused by the drilling of unnecessary wells and avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

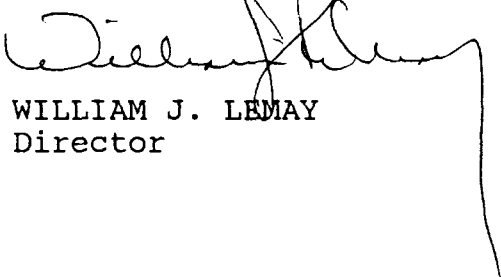
(1) A 160-acre non-standard oil proration unit in the Rio Puerco-Mancos Oil Pool comprising the NW/4 of Section 25, Township 21 North, Range 4 West, NMPM, Sandoval County, New Mexico, is hereby established and dedicated to the existing Dugan Production Corporation Husky Federal Well No. 2 located at a standard location 990 feet from the North and West lines (Unit D) of said Section 25.

(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 hereinafter designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director