

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. 10413
Order No. R-4343-A

APPLICATION OF MERRION OIL & GAS
CORPORATION TO REVISE THE SPECIAL
RULES AND REGULATIONS FOR THE SNAKE
EYES-DAKOTA "D" GAS POOL AND FOR AN
UNORTHODOX GAS WELL LOCATION, SAN
JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of December, 1991, 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) By Order No. R-4343 issued in Case No. 4743 on July 19, 1972, the Division, upon application of Tenneco Oil Company, promulgated Special Rules and Regulations for the Snake Eyes-Dakota "D" Gas Pool, San Juan County, New Mexico, including a provision for 320-acre gas spacing with wells to be located no closer than 990 feet from the outer boundary of the dedicated tract nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(3) The applicant, Merrion Oil & Gas Corporation, seeks to amend the Special Rules and Regulations for the Snake Eyes-Dakota "D" Gas Pool by allowing the drilling of an optional second well on an existing standard 320-acre proration unit, provided such well would not be drilled in the quarter section containing a well, or IN THE ALTERNATIVE, to establish 160-acre gas spacing in said pool.

(4) The applicant further seeks to amend the well location requirements such that wells cannot be located closer than 330 feet from the outer boundary of the spacing unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary. In addition, in conjunction with the proposed rule changes, the applicant seeks approval for an unorthodox gas well location for the existing Santa Fe "20" Well No. 3 located 2220 feet from the North line and 990 feet from the East line (Unit H) of Section 20, Township 21 South, Range 8 West, NMPM.

(5) At the time of the hearing, the applicant requested that its proposed well location requirements be amended such that wells cannot be located closer than 790 feet from the outer boundary of the spacing unit nor closer than 130 feet from any quarter-quarter section line or subdivision inner boundary.

(6) According to Division records, the Snake Eyes-Dakota "D" Gas Pool currently comprises all of Sections 17 and 20, Township 21 South, Range 8 West, NMPM, San Juan County, New Mexico, and currently contains only two producing wells, the Santa Fe "20" Well No. 4 and the Snake Eyes Well No. 2 located, respectively, in Units I and K of said Section 20, both currently operated by the applicant.

(7) According to applicant's geologic evidence and testimony, the Snake Eyes-Dakota "D" Gas Pool is limited to portions of Sections 17, 20, 21, 28 and 29, and is characterized by permeabilities on the order of 1.1 md.

(8) Applicant's engineering evidence and testimony indicates that the two current producing wells (as described above) will recover, prior to reaching their economic limit, approximately 29 percent of the original gas in place underlying Section 20.

(9) The proposed recompletion of the Santa Fe "20" Well No. 3 will allow the applicant to economically recover an additional 0.6 BCF of gas from Section 20 which would not otherwise be recovered by the existing wells.

(10) The evidence presented in this case indicates that due to low permeability in the reservoir, wells in the Snake Eyes-Dakota "D" Gas Pool cannot effectively and economically drain and develop 320 acres.

(11) The evidence further indicates that all of Sections 20, 21, 28 and 29 comprise a single fee lease which is currently controlled and operated by the applicant.

(12) Future development of the Snake Eyes-Dakota "D" Gas Pool, according to applicant's evidence and testimony, will likely be limited to portions of Section 29.

(13) The Division generally does not approve the "downspacing" of a pool due to the fact that it may result in the disturbances of historical equities under pre-existing proration units which may result in the violation of correlative rights.

(14) The applicant has demonstrated that changing the spacing in the subject pool to 160 acres will not change current revenue streams and will not violate the correlative rights of any working and/or royalty interest owner in the pool.

(15) The applicant's proposed well setback requirements are consistent with current Division well location requirements for 160-acre gas pools within the San Juan Basin.

(16) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(17) Approval of the subject application will allow the applicant the opportunity to economically recover the remaining gas reserves in the Snake Eyes-Dakota "D" Gas Pool, thereby preventing waste and will not violate correlative rights.

(18) Rule Nos. (2), (3) and (4) of the Special Rules and Regulations for the Snake Eyes-Dakota "D" Gas Pool, as contained within Division Order No. R-4343, should be amended as proposed.

IT IS THEREFORE ORDERED THAT:

(1) Rule Nos. (2), (3) and (4) of the Special Rules and Regulations for the Snake Eyes-Dakota "D" Gas Pool, as promulgated by Division Order No. R-4343, are hereby amended as follows:

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 Lands Survey.

RULE 3. The Division Director may grant an exception to the requirements of Rule 2 without 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 Lands Survey. 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 offset 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 790 feet to the outer boundary of the proration unit nor nearer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

IT IS FURTHER ORDERED THAT:

(2) The locations of all wells presently drilling to or completed in the Snake Eyes-Dakota "D" Gas Pool are hereby approved; the operator of any well having an unorthodox location shall notify the Aztec district office of the Division in writing of the name and location of the well on or before February 1, 1992.

(3) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing gas wells in the Snake Eyes-Dakota "D" Gas 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.

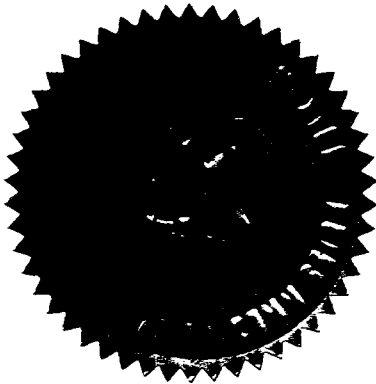
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Snake Eyes-Dakota "D" Gas Pool shall receive no more than one fourth of a standard allowable for the pool.

(4) The applicant's request for approval of an unorthodox gas well location for its existing Santa Fe "20" Well No. 3 located 2220 feet from the North line and 990 feet from the East line (Unit H) of Section 20, Township 21 South, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

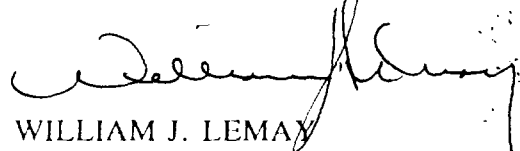
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director