

CASE 4743: Application of TENNECO
for pool contraction, redefinition
of a pool and special pool rules.

Case Number

4743

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 28, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Tenneco Oil Company
for pool contraction redefinition of
a pool and special pool rules, San Juan
County, New Mexico.

CASE NO. 4743

BEFORE: Elvis A. Utz
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4743.

2 MR. HATCH: Application of Tenneco Oil Company for
3 pool contraction, redefinition of a pool and special pool
4 rules, San Juan County, New Mexico.

5 MR. KELLY: Booker Kelly of White, Koch, Kelly, and
6 McCarthy, Santa Fe, appearing on behalf of the Applicant.

7 MR. UTZ: Any other appearances in this Case?

8 (No response.)

9 MR. KELLY: Mr. Examiner, for the record, the
10 Application in this Case was to create a gas pool with pool
11 rules and because of the confusion on whether an oil pool had
12 been created, the publication seems to be somewhat erroneous.
13 However, I think that it is sufficient because it is covering
14 what we are actually asking for, the creation of a gas pool
15 with special pool rules and 320 acre spacing.

16 Does Mr. Hatch have any doubt about the legality?

17 MR. HATCH: No.

18 * * * * *

19 WILLIAM E. BABYAK,

20 was called as a witness and, after being duly sworn, testified
21 as follows:

22 DIRECT EXAMINATION

23 BY MR. KELLY:

24 Q Would you state your name and position and employer,
25 please?

1 A William E. Babyak, I am a petroleum engineer and am
2 employed by Tenneco Oil Company.

3 Q And you have previously testified in your field of
4 expertise before this Commission?

5 A Yes, I have.

6 Q Referring to the location plat, would you state what
7 Tenneco seeks by this Application?

8 A Exhibit 1 is a map showing the area in question,
9 Sections 17 and 20, Township 21 North, Range 8 West,
10 San Juan County, New Mexico. In this Application,
11 Tenneco is seeking to have this pool which is currently
12 designated as a Basin-Dakota pool designated as a
13 Snake Eyes-Dakota "D" pool. We are also seeking special
14 rules for proration of this pool.

15 In addition, I would like to mention that production
16 is approximately 25 miles away from the nearest Basin-
17 Dakota production.

18 Q What is the status of the wells shown in those two
19 sections?

20 A The wells in Section 17 are operated by Anderson Oil
21 Company and they concur and support our Application for
22 this Hearing. The wells in Section 20 are operated by
23 Tenneco.

24 The well located in Section 17, in the eastern
25 half of the section, is currently a pumping high gas-oil

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1 ratio well. The El Norte Number 2 is currently a
2 flowing gas well in Section 20. The Number 1 well in
3 the north half of the section is currently a shut-in
4 well and we cannot establish production, at this time.

5 The Number 2 well in Section 20 is a flowing gas
6 well.

7 Q And the El Norte Number 1?

8 A That is plugged and abandoned.

9 Q All right, now, do you have Exhibit Number 2 which is
10 a calculation of the test well data?

11 A Yes. Exhibit 2 is a table showing the most recent
12 well test data on the wells in the field. I believe that
13 on the basis of this Exhibit, and also on Exhibit Number
14 3, that they show the accumulative production of all of
15 these wells as of the 1st of June and also, along with
16 the accumulative production, the GOR indicates that
17 while initially this was thought to be an oil field
18 on the basis of an 800 to 1 GOR, the production proves
19 that it is now a gas field essentially.

20 Q Your Exhibit Number 4 are the proposed rules, are they
21 essentially the same as the Basin-Dakota rules?

22 A Yes, insofar as spacing and where you can place your
23 wells, they are.

24 Q What would be the proration units assigned to the
25 various wells?

1 A Referring back to Exhibit 1, the wells in Section 17
2 which are operated by Anderson are lined up on a north-
3 south line; the wells in Section 20 would be lined up
4 on an east-west dip and a 320 acre spacing alignment.

5 Q Now, were Exhibits 1 through 4 prepared by you or under
6 your supervision?

7 A Yes, they were.

8 MR. KELLY: At this time I move for the introduction
9 of those Exhibits.

10 MR. UTZ: Without objection, Exhibits 1 through 4
11 will be entered into the record.

12 (Whereupon Applicant's Exhibits 1 through
13 4 were entered in evidence.)

14 MR. KELLY: Mr. Examiner, this is all I will have
15 of this witness. I have a geologist who will testify as to
16 the ability of the reservoir to drain.

17 MR. UTZ: Do you want to present him for cross-
18 examination now?

19 MR. KELLY: Yes.

20 * * * * *

21 CROSS-EXAMINATION

22 BY MR. UTZ:

23 Q What is the purpose of this Application, Mr. Babyak?

24 A Just to get the pools designated.

25 Q You want the rules to be the same as the Basin-Dakota

1 pool at this time?

2 A The same as far as spacing, but not as far as proration.

3 Q This is to get out from under proration?

4 A Yes, sir.

5 Q In other words, the allowable for the Basin-Dakota pool
6 is not enough to satisfy you as far as this pool is
7 concerned?

8 A I can't exactly say that at this time since I haven't
9 exactly evaluated it.

10 Q Who are you selling the gas to?

11 A Southern Union Gas Company through a pipeline which is
12 owned by the operators in the field.

13 Q And the capacity of this well will be approximately
14 60,000,000 a month?

15 A Yes.

16 Q And Southern Union is buying that much?

17 A Yes.

18 Q Year around?

19 A I can't answer that question.

20 Q And you say the nearest Basin-Dakota production is an
21 area 25 miles to the northeast?

22 A Yes.

23 Q On Exhibit 4, your proposed rules, rule 4, you request
24 that each well be located no nearer than 660 feet to
25 the Quarter-Quarter Section line; do you know that it is

1 possible to drill a well in any tract on these two
2 Sections and be 660 feet from the nearest Quarter-Quarter
3 Section line?

4 A No, sir, we are 330 feet.

5 Q 660 feet would be the precise center of the standard
6 40 acre tract, even though I'm not sure any 40 acre tract
7 in this Section would be standard?

8 A The wells that were initially drilled were on oil well
9 spacing.

10 Q What I mean, is can you allow a little flexibility in
11 this order so that every well would not be at a non-
12 standard location?

13 A Yes, we can allow for that.

14 Q Is it your belief that the accumulation of gas in this
15 area has the same common source of supply as that in the
16 Basin-Dakota area?

17 A Yes, sir.

18 Q You think that this gas is the same gas as the Basin-
19 Dakota gas?

20 A It is at the same stratigraphic interval.

21 Q Is the gas in the same structure?

22 A There will be geological testimony later, I do not
23 believe I am qualified to answer that.

24 MR. UTZ: No further questions.

25 * * * * *

REDIRECT EXAMINATION

BY MR. KELLY:

Q Do you propose that Exhibit 4 be amended to allow more flexibility in spacing?

A Yes.

MR. UTZ: It is my understanding that you desire to have the Basin-Dakota rules as to spacing in their entirety; is that correct?

MR. KENDRICK: None of these wells would qualify, I don't believe, because these wells were drilled at approximately 660 feet from the boundaries of the Quarter-Quarter Section line and none of the wells here would be standard, but if Mr. Babyak and Tenneco have no objections to the Basin-Dakota requirements that any additional wells would be drilled at least 790 feet from the outer boundaries of the 320 acre dedicated tract, this would move the wells into a more central position within the dedicated acreage.

THE WITNESS: We would have no objection.

MR. KELLY: We respectfully request then, that the spacing provision of the Basin-Dakota be made part of the rules.

MR. UTZ: If you can answer this: In your opinion, is the pool fully developed or do you expect more?

THE WITNESS: In our opinion it is fully developed at this time.

1 MR. UTZ: We won't excuse you, we might want
2 to call you back.

3 (Whereupon, the witness was temporarily excused.)

4 * * * * *

5 MARTIN W. BARTOS,

6 was called as a witness and, after being duly sworn, testified
7 as follows:

8 DIRECT EXAMINATION

9 BY MR. KELLY:

10 Q Will you state your name, position and employer?

11 A Martin W. Bartos, B-a-r-t-o-s, I am presently an
12 employee of Tenneco Oil Company as a geological
13 engineer.

14 Q Have you previously testified and qualified as an
15 expert witness before this Commission?

16 A No, I have not.

17 Q Would you give the Examiner a brief resume of your
18 educational and employment background?

19 A I was graduated from Michigan Tech with a Bachelor
20 of Science Degree in geology and geological engineering.
21 I worked for the Shell Oil Company for five years and
22 then I came to work for Tenneco Oil Company and have
23 worked in my present capacity for two years. Part of
24 my present responsibilities is the area of northwestern
25 New Mexico in which this acreage falls.

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1 MR. KELLY: Are the witness' qualifications
2 acceptable?

3 MR. UTZ: Yes, they are. Would you spell your
4 name again, please?

5 THE WITNESS: B-a-r-t-o-s.

6 Q (By Mr. Kelly) Referring you to Exhibit 5, which is
7 a structure map, would you explain the significance of
8 it to the Examiner, please?

9 A Yes, Exhibit 5 is a structure map of the Dakota "D"
10 sand in and around the Sanke Eyes area which again, lies
11 approximately 25 miles south of the northeast Basin-
12 Dakota and subsequently dipping to the northeast. This
13 map in front of you here shows the Dakota "D" sand is
14 a low reef, running northwest-southeast. You can see that
15 it is crossed by several faults.

16 The El Norte Number 1 well's defined lower limits
17 of hydrocarbons within this in this fault shows
18 penetration of the "D" sand at 1944 feet and the well
19 was cored and it had saturation in the upper 6 feet and
20 a completion attempt was made. However, the well was
21 never able to establish commercial production, I think
22 the testimony was 6 barrels of oil a day and 250 barrels
23 of water a day. It was subsequently abandoned.

24 The Hanson Number 2 well was penetrated at 1954 feet
25 and the well was coordinated and did have saturation

1 throughout, however, the well came in as an oil well
2 and the GOR rapidly declined until recently. The well
3 right now has a 1400 to 1 GOR.

4 The El Norte Number 2 well came in almost equivalent
5 to the discovery well and came in as a flowing gas well
6 with some oil production and very little GOR, it now
7 has in excess of 100,000 to 1 GOR.

8 The discovery well is the highest well in the fault
9 block and it came in and was completed and produces about
10 2.8 million MCF a day and 10 barrels of condensate --
11 20 barrels of water a day. I believe this is the
12 northern fault block up here (indicating) and it has been
13 adequately defined and I don't believe there will be any
14 more development drilling in the north fault block. The
15 south fault block has been established and the Snake
16 Eyes 2 well has developed that and is the only producing
17 well.

18 The two other wells were drilled in the south fault
19 block and both were unsuccessful thus limiting the Number
20 2 well as the only well in the field, or in that south
21 fault block.

22 Directly west is the Snake Eyes Number 2 and the
23 Snake Eyes Number 5 which are to the southeast in
24 Section 21. These wells were drill stem tested and
25 coordinated and both drill stem tests recovered water

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1 from both wells.

2 The difference between this stuff and the Basin-
3 Dakota well is the permeability and porosity of the
4 wells here are substantially higher than has been seen
5 in the Basin-Dakota rock which is another reason why
6 we want to label this as the Snake Eyes-Dakota "D" pool.

7 Q In summary, you feel that the dry holes and faults pretty
8 well define the proposed pools in these two sections?

9 A Yes, I do.

10 Q And no more drilling will be contemplated; is that
11 right?

12 A That's right.

13 Q And you feel you are dealing with a separate reservoir
14 from the Basin-Dakota?

15 A Yes, sir.

16 Q Go on to Exhibit 6.

17 A Exhibit 6 is a log section of the Snake Eyes Number 1
18 well and the discovery well and it establishes the
19 vertical limits of the Dakota "D" sand from 4570 feet
20 to 4650 feet.

21 I believe this comprises the vertical limits of
22 the Dakota "D" sand within the field limits.

23 Q And Exhibit 7 is the bottom hole pressure data?

24 A Yes, Exhibit 7 is a summary of the bottom hole pressure
25 surveys taken in the four wells. As you can see, the

1 Hanson Federal Number 1 is in the far left column
2 and then it goes over to the El Norte-Snake Eyes.
3 You can see what the top pressure was and all of the
4 wells are pretty much within 17 pounds of each other.

5 As production proceeded, the Hanson Number 1 and
6 the El Norte Number 2 were producing whereas the Snake
7 Eyes Number 1 had been shut-in.

8 On the next pressure survey, which occurred on
9 2/27/72, the pressure had substantially declined on the
10 Hansen Number 1 and the El Norte Number 2. It also
11 shows the Snake Eyes number 1 as being shut-in.

12 You can see from the pressure data taken on 6/4/72,
13 that, between the Hansen Number 1 and the El Norte Number
14 2, there are indications of good communication between
15 the two.

16 Again, the Snake Eyes Number 1 has been shut-in and
17 has also declined again to 1792 pounds. The Snake Eyes
18 Number 2 was started at 1907 pounds and production
19 occurred and then it declined to 1760 pounds. This
20 decline indicates strictly the amount of recoverable
21 hydrocarbon capability being produced from the fault
22 block and is just a production decline.

23 Q You feel that there is no communication between that
24 well and the other wells?

25 A That's right, except for the reservoir characteristics --

1 Hanson Federal Number 1 is in the far left column
2 and then it goes over to the El Norte-Snake Eyes.
3 You can see what the top pressure was and all of the
4 wells are pretty much within 17 pounds of each other.

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12 You can see from the pressure data taken on 6/4/72,
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15 the two.

16 Again, the Snake Eyes Number 1 has been shut-in and
17 has also declined again to 1792 pounds. The Snake Eyes
18 Number 2 was started at 1907 pounds and production
19 occurred and then it declined to 1760 pounds. This
20 decline indicates strictly the amount of recoverable
21 hydrocarbon capability being produced from the fault
22 block and is just a production decline.

23 Q You feel that there is no communication between that
24 well and the other wells?

25 A That's right, except for the reservoir characteristics --

1 Q The reservoir characteristics are similar except for
2 the fault?

3 A Yes, sir, they are.

4 Q In your opinion, based upon your geological surveys and
5 the bottom hole pressure data, do you feel that one well
6 will drain 320 acres?

7 A Yes.

8 Q I take it that, in your opinion as a professional, this
9 would be classified as a gas reservoir?

10 A Yes.

11 Q In your opinion, would the granting of this application
12 allow the hydrocarbons to be efficiently produced,
13 thereby preventing waste?

14 A Yes.

15 Q Were Exhibits 5 through 7 prepared by you or under
16 your supervision?

17 A Yes.

18 MR. KELLY: I move for the introduction of
19 Tenneco's Exhibits 5 through 7, at this time.

20 MR. UTZ: Without objection, Exhibits 5 through
21 7 will be entered into the record of this Case.

22 (Whereupon, Applicant's Exhibits 5 through
23 7 were entered in evidence.)

24 MR. KELLY: That concludes our Direct Testimony.

25 * * * * *

CROSS-EXAMINATION

BY MR. UTZ:

Q In your opinion, is that pool fully developed?

A Yes, I believe it is, sir.

MR. UTZ: Any other questions of the witness?

* * * * *

CROSS-EXAMINATION

BY MR. KENDRICK:

Q Do you believe that this gas or this petroleum production has a separate source of supply from that of the Basin-Dakota pool?

A I believe that the hydrocarbons within the Basin all came from a similar source of supply. I believe that the trapping mechanism here is different in the Basin structure. I believe that the source is similar, but the trapping mechanism is different; plus, I believe, the rock is substantially different on the basis of the permeability and porosity.

Q Our definition of common source of supply would mean that the production is currently entrapped within the same area and motivated by the same reservoir. Under that definition, would the reservoir in this area be the same as the Basin-Dakota reservoir?

A I would say no.

MR. KENDRICK: Thank you.

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MR. UTZ: Any other questions?

(No response.)

MR. UTZ: The witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this Case?

(No response.)

MR. UTZ: The Case will be taken under advisement.

dearnley, meier & mc cormick

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, RICHARD E. McCORMICK, a Certified Shorthand Reporter,
5 in and for the County of Bernalillo, State of New Mexico,
6 do hereby certify that the foregoing and attached Transcript
7 of Hearing before the New Mexico Oil Conservation Commission
8 was reported by me; and that the same is a true and correct
9 record of the said proceedings to the best of my knowledge,
10 skill and ability.

11 *Richard E. McCormick*
12 CERTIFIED SHORTHAND REPORTER
13
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22 do hereby certify that the foregoing is
23 a true and correct copy of the

24 *June 25 1972*
25 *[Signature]*
New Mexico Oil Conservation Commission

I N D E XWITNESS:PAGEWILLIAM E. BABYAK

Direct Examination by Mr. Kelly

3

Cross-Examination by Mr. Utz

6

Redirect Examination by Mr. Kelly

8

MARTIN W. BARTOS

Direct Examination by Mr. Kelly

10

Cross-Examination by Mr. Utz

16

Cross-Examination by Mr. Kendrick

16

E X H I B I T SAPPLICANT'SOFFEREDADMITTED

Tenneco Oil Company

Exhibit Number 1

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Exhibit Number 2

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Exhibit Number 3

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Exhibit Number 4

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Exhibit Number 5

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Exhibit Number 6

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Exhibit Number 7

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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMJO
MEMBER**

**STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR**

July 19, 1972

Mr. Booker Kelly
White, Koch, Kelly & McCarthy
Attorneys at Law
Post Office Box 787
Santa Fe, New Mexico

Re: Case No. 4743
Order No. R-4343
Applicant:
Tenneco Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

Other _____

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. 4743
Order No. R-4343

NOMENCLATURE

APPLICATION OF TENNECO OIL
COMPANY FOR POOL CONTRACTION
REDEFINITION OF A POOL AND
SPECIAL POOL RULES, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 28, 1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 19th day of July, 1972, 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, Tenneco Oil Company, seeks the creation of a new gas pool for Dakota "D" zone production in San Juan County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 320-acre spacing and proration units.
- (3) That the Tenneco Oil Company Snake Eyes Well No. 1, located in Unit C of Section 20, Township 21 North, Range 8 West, NMPM, San Juan County, New Mexico, having its top perforations at 4606 feet, has discovered a separate common source of supply which should be designated the Snake Eyes-Dakota "D" Gas Pool; that the vertical limits of said pool should be the Dakota "D" formation and that the horizontal limits of said pool should be Sections 17 and 20.
- (4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells,

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CASE NO. 4743
Order No. R-4343

to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 320-acre spacing units should be promulgated for the Snake Eyes-Dakota "D" Gas Pool.

(5) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That the horizontal limits of the Basin-Dakota Pool should be contracted by deleting therefrom all of Sections 17 and 20, Township 21 North, Range 8 West, NMPM, San Juan County, New Mexico.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the Basin-Dakota Pool are hereby contracted by the deletion therefrom of the following described area:

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 21 NORTH, RANGE 8 WEST, NMPM
Section 17: All
Section 20: All

(2) That a new pool in San Juan County, New Mexico, classified as a gas pool for Dakota "D" zone production, is hereby created and designated the Snake Eyes-Dakota "D" Gas Pool, with vertical limits comprising the Dakota "D" zone and horizontal limits comprising the following-described area:

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 21 NORTH, RANGE 8 WEST, NMPM
Section 17: All
Section 20: All

(3) That Special Rules and Regulations for the Snake Eyes-Dakota "D" Gas Pool, San Juan County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SNAKE EYES-DAKOTA "D" GAS POOL

RULE 1. Each well completed or recompleted in the Snake Eyes-Dakota "D" Gas Pool or in the Dakota formation within one mile thereof, and not nearer to or within the limits of another designated Dakota gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Lands Survey. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no closer than 990 feet to the outer boundary of the dedicated tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by

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CASE NO. 4743
Order No. R-4343

registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Snake Eyes-Dakota "D" Gas Pool or in the Dakota "D" zone within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before August 1, 1972.

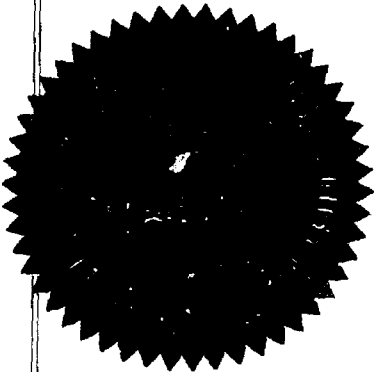
(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Snake Eyes-Dakota "D" Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable.

(3) 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



Bruce King
BRUCE KING, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

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

S E A L

dr/

4743

Heard 6-28-72

Rec. 7-11-72

Grant Jennings request
for redelineations of the
Basin - Dr. Parby removing
sections 17 & 20 - 21 N - 8 W.
+ naming ~~the~~ pool as the
Snake Eyes - Dakota D' Gas Pool.

Thos Ode

(Case 4741 continued)

Said acreage to be dedicated to a well to be drilled 1980 feet from the North line and 660 feet from the West line of said Section 16. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4728: (Continued from the June 7, 1972, Examiner Hearing)
Application of Texaco Inc. for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the East Weir-Tubb Pool, Lea County, New Mexico, including provisions for 80-acre proration units and a limiting gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil.

CASE 4742: Application of Tenneco Oil Company for dual completions, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its Well No. 12 located in Unit B of Section 13, Township 17 North, Range 9 West, McKinley County, New Mexico, in such a manner as to inject gas into Lone Pine-Dakota "D" Oil Pool through tubing and produce gas from the "A" zone of the Dakota formation through the casing-tubing annulus. Applicant also seeks authority to complete its Well No. 13 located in Unit F of said Section 13 in such a manner as to produce oil from the Lone Pine-Dakota "D" Oil Pool through tubing and gas from the "A" zone of the Dakota formation through the casing-tubing annulus.

CASE 4743: Application of Tenneco Oil Company for pool contraction, redefinition of a pool and special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to contract the horizontal limits of the Basin-Dakota Pool by deleting therefrom all of Section 17 and 20, Township 21 North, Range 8 West, San Juan County, New Mexico. Applicant further seeks to redefine the Snake Eyes-Dakota "D" Oil Pool as a gas pool with horizontal limits comprising the above-described Sections 17 and 20. Applicant further seeks the promulgation of special pool rules for the redefined pool including a provision for 320-acre spacing.

CASE 4744: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 8, Township 19 South, Range 25 East, Eddy County, New Mexico. Said acreage to be dedicated to applicant's Johnston "BE" Well No. 1 located 330 feet from the North and East lines of said Section 8. Also to be considered will be the costs

Docket No. 14-72

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 28, 1972

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4735: (Continued and readvertised from the June 7th examiner hearing)
Application of El Paso Natural Gas Company for capacity production, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rules 14 (A), 15 (A), and 15 (B), of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico, to produce six wells located in Sections 29, 30, 31, and 32 of Township 32 North, Range 9 West and Section 36, Township 32 North, Range 10 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, at full capacity for approximately one year from February 1, 1972.

Applicant further seeks authority to offset any over-production accrued to the above-described six wells during the one-year period by underproduction attributable to any underproduced wells or marginal wells located within the participating area of the San Juan 32-9 Unit.

CASE 4739: Application of Texas Pacific Oil Company for rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dedicate the 160-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the NW/4 of Section 1, Township 23 South, Range 36 East, Lea County, New Mexico, simultaneously to its Emery King "NW" Wells Nos. 1 and 4 located, respectively, in Units E and F of said Section 1 and to produce the allowable for the unit from either well in any proportion.

CASE 4740: Application of Amoco Production Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas and condensate production from the Flora Vista-Gallup and Basin-Dakota Pools in the wellbores of its L. C. Kelly Wells Nos. 3 and 5 located, respectively, in Unit F of Section 4 and Unit I of Section 3, Township 30 North, Range 12 West, San Juan County, New Mexico.

CASE 4741: Application of Robert, Koch & Cartwright for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 16, Township 19 South, Range 25 East, Eddy County, New Mexico.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 28, 1972

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CASE 4741: Application of Robert, Koch & Cartwright for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 16, Township 19 South, Range 25 East, Eddy County, New Mexico.

- CASE 4748: Application of Pubco Petroleum Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Humble City-Strawn Pool, Lea County, New Mexico, including provisions for 160-acre proration units and wells to be located within 150 feet of the center of any quarter-quarter section.
- CASE 4749: Application of Harding Oil Company for a discovery allowable and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units and for the assignment of an oil discovery allowable to its E. D. Shipp Well No. 1 located in Unit K of Section 11, Township 17 South, Range 37 East.
- CASE 4750: Application of Cities Service Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing well in its Southeast Maljamar Grayburg-San Andres Unit Waterflood Project Area at an unorthodox location 1155 feet from the South line and 1385 feet from the East line of Section 29, Township 17 South, Range 33 East, Maljamar Pool, Lea County, New Mexico. Applicant further seeks a procedure whereby additional injection and production wells within the project area at unorthodox locations may be approved administratively.
- CASE 4751: Application of Sun Oil Company for pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the horizontal limits of the Lusk-Morrow Gas Pool, Lea County, New Mexico to include all of Sections 15 and 16 of Township 19-South, Range 32 East.
- CASE 4752: Application of Claude C. Kennedy for permission to flare casinghead gas, McKinley, County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-4070, to flare casinghead gas produced by his BSK Edna Well No. 1 located in Unit F of Section 8, Township 17 North, Range 8 West, Lone Pine Dakota "D" Pool, McKinley County, New Mexico.

(Case 4744 continued)

of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

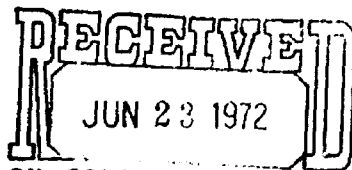
CASE 4745: Application of Yates Petroleum Corporation for pool re-definition and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the re-definition of the Penasco Draw San Andres-Yeso Pool, Eddy County, New Mexico, as an associated oil and gas pool. Applicant further seeks the promulgation of special rules for said associated pool, including provisions defining a gas well as one producing with a gas-liquid ratio of 10,000 or more cubic feet of gas per barrel of oil, a gas-liquid ratio limitation for oil wells of 3,000 cubic feet of gas per barrel of oil, and 320-acre spacing units for gas wells. Applicant further seeks authority to commingle on the surface gas production from various wells prior to metering and to report said gas production on a lease basis. Applicant further seeks authority to commingle on the surface all casing-head gas prior to metering and to allocate said casinghead gas to the various wells on the basis of gas-oil ratio tests.

CASE 4746: Application of Mobil Oil Corporation for an unorthodox well location and amendment of Order No. R-2914, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing well at an unorthodox location 1450 feet from the North line and 70 feet from the West line of Section 19, Township 18 South, Range 34 East, in the E-K Queen Water-flood Project Area authorized by Order No. R-2914. Applicant further seeks a procedure whereby additional production and injection wells at orthodox and unorthodox locations may be approved administratively.

CASE 4747: Application of Union Texas Petroleum, a Division of Allied Chemical Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests below the base of the Devonian formation underlying the N/2 of Section 33, Township 25 South, Range 37 East, Crosby Field, Lea County, New Mexico. Said acreage to be dedicated to its well to be located 1650 feet from the North line and 2310 feet from the East line of said Section 33. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

DAVIS OIL COMPANY

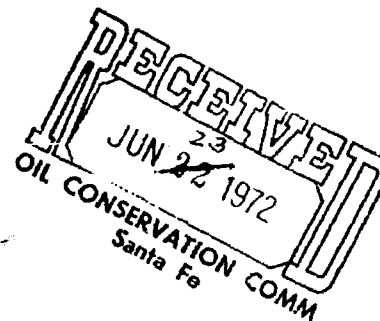
1230 DENVER CLUB BLDG.
DENVER, COLORADO 80202
TELEPHONE 255-4661



NEW YORK
NEW ORLEANS
CALGARY

OIL CONSERVATION COMM.
Santa Fe

June 21, 1972



Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Tenneco Oil
Company for the Creation
of a New Gas Pool, San Juan
County, New Mexico

Dear Mr. Porter:

Reference is made to Tenneco Oil Company's letter application of May 30, 1972 for the creation of a new gas pool designated as the Snake Eyes Dakota "D" Gas Pool. Davis Oil Company as a working interest owner within the proposed spaced area hereby gives notice that it concurs and supports the afore-said application.

Yours very truly,

R. W. Willingham
Production Manager

RWW/DH

cc: R. A. Williford
District Production Manager
Tenneco Oil Company
Suite 1200
Lincoln Tower Building
Denver, Colorado 80203

File #23 PD



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
1000 RIO BRAZOS ROAD - AZTEC

87410

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Tenneco Oil Co.
Suite 1200
Lincoln Tower Building
Denver, Colorado 80203

Attention: Mr. R. A. Williford

Re: Testing Allowable Extension
Snake Eyes Area, San Juan County, New Mexico

Dear Mr. Williford:

Tenneco Oil Company has made application to the New Mexico Oil Conservation Commission for hearing to create a gas pool in the Dakota formation in the Snake Eyes Area in Township 21 North, Range 8 West. The producing wells in this pool have been producing under a testing allowable to determine the necessary reservoir information to properly define the pool.

You are hereby authorized to continue production testing of your wells in this pool until August 1, 1972, or until a Commission Order has been entered creating a pool and establishing production rules.

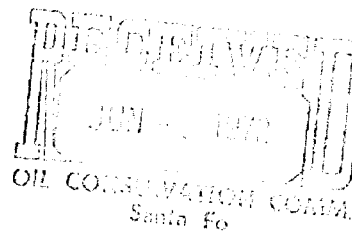
I am also notifying Anderson Oil Co., the other operator in the pool, of this extension.

Yours very truly,


Emery C. Arnold
Supervisor, District #3

ECA:mc

cc: Oil Conservation Commission
Santa Fe, New Mexico





OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
1000 RIO BRAZOS ROAD - AZTEC

87410

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Anderson Oil Co.
635 Majestic Building
209 Sixteenth Street
Denver, Colorado 80202



Attention: Mr. A. S. Deans

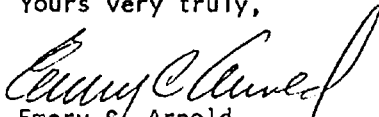
Dear Mr. Deans:

Tenneco Oil Company filed an application with the New Mexico Oil Conservation Commission last week for hearing to create a gas pool in the Snake Eyes Area, Township 21 North, Range 8 West, San Juan County, New Mexico.

I am notifying Tenneco that they are authorized to continue production testing until August 1, 1972, or until an order has been entered by the Commission creating a pool and establishing production rules.

Anderson Oil Company is also hereby authorized to continue production testing as specified above.

Yours very truly,


Emery C. Arnold
Supervisor, District #3

ECA:mc

cc: Oil Conservation Commission
Santa Fe, New Mexico

SNAKE EYES FIELD
SAN JUAN COUNTY, NEW MEXICO

RECENT WELL TEST DATA

<u>Well</u>	<u>BOPD</u>	<u>BWPD</u>	<u>MCF/D</u>	<u>GOR</u>	<u>FTP</u>	<u>Date</u>
Schram-Han- Fed #1	14	19	200	14,286	450*	6/20/72
El Norte #2	9	2	900	100,000	450	6/20/72
Snake Eyes #1	Shut-In					
Snake Eyes #2	14	100	2,000	142,857	450	6/20/72

30
60,000

Per Ann & Doby
S.H.A.

* Separator and Annulus connected to gas pipeline- well is on pump.

BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2
CASE NO.	4743
Submitted by	Tenneco
Hearing Date	JUNE 28, 1972

SNAKE EYES FIELD
SAN JUAN COUNTY, NEW MEXICO

CUMULATIVE HYDROCARBON PRODUCTION BY WELL
TO JUNE, 1972

<u>Well</u>	<u>BO</u>	<u>MCF</u>	<u>BC</u>	<u>GOR</u>
Schram-Hanson Fed. #1	16,381	132,635	-0-	8,097
El Norte #2	6,691	258,259	-0-	38,958
Snake Eyes #1	614	4,987	-0-	8,122
Snake Eyes #2	-0-	149,620	1,526	98,047
TOTAL FIELD	23,686	545,501	1,526	

$$\text{Produced GLR} = \frac{545,501}{25,212} = 21,637 \frac{\text{SCF}}{\text{BBL}}$$

BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION	
EXHIBIT NO. <u>3</u>	
CASE NO. <u>4743</u>	
Submitted by <u>Tenneco</u>	
Hearing Date <u>JUNE 28, 1972</u>	

SPECIAL RULES AND REGULATIONS FOR THE
SNAKE EYES DAKOTA "D" GAS POOL

RULE 1: Each well completed or recompleted in the Snake Eyes Dakota "D" Gas Pool or in the "D" zone of the Dakota formation within one mile thereof, and not nearer to or within the limits of another designated Dakota "D" zone gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

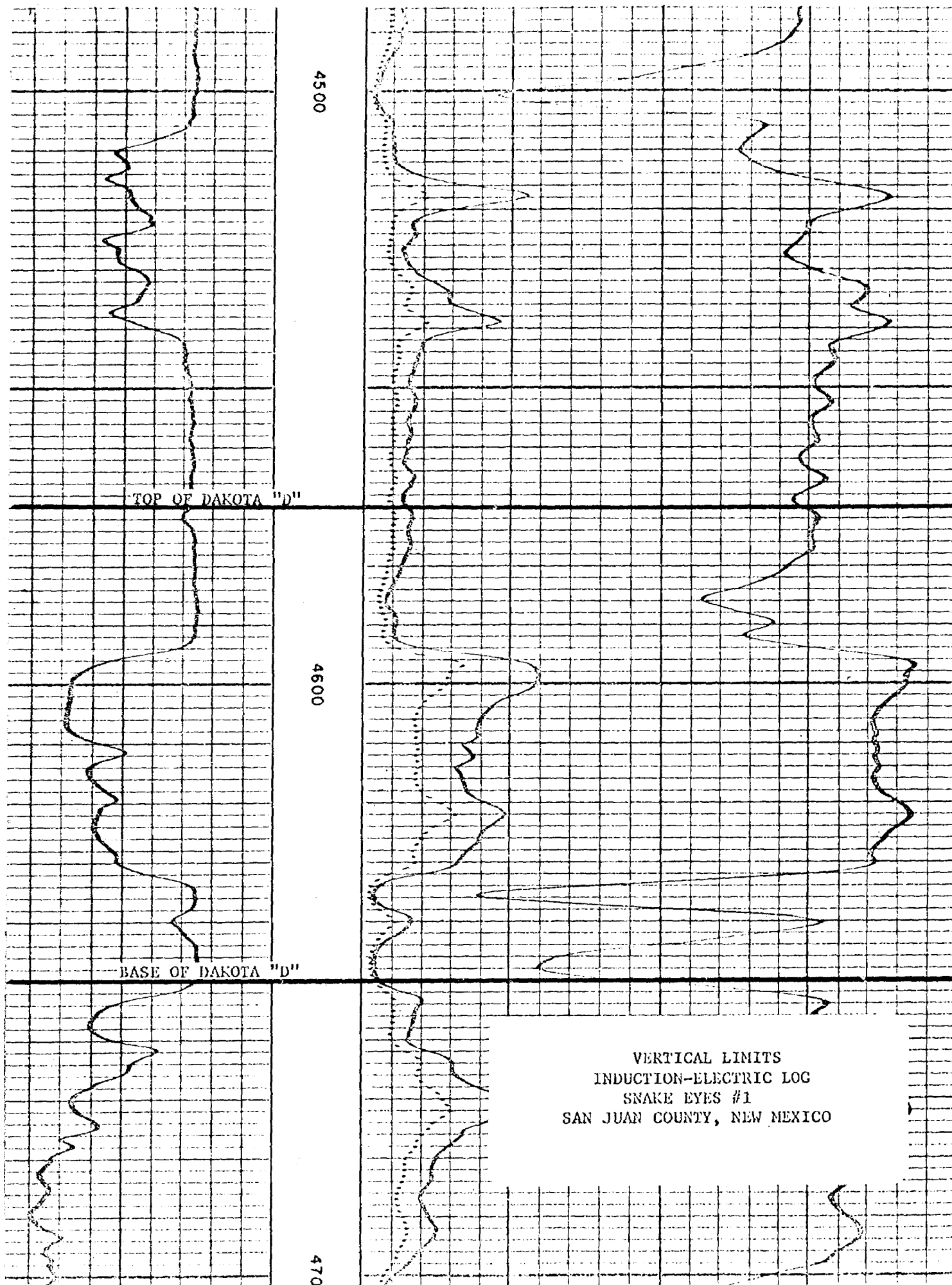
RULE 2: Each well shall be located on a standard unit containing 320 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental section: provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter section in the unit.

RULE 3: The Secretary - Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a nonstandard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed nonstandard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-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 Secretary-Director has received the application.

RULE 4: Each well shall be located no closer than 660 feet to a quarter-quarter section line nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5: The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	4
CASE NO.	4743
Submitted by:	TENNeco
Hearing Date	JUNE 28, 1972



BOTTOMHOLE PRESSURE SURVEYS
 SNAKE EYES
 SAN JUAN COUNTY, NEW MEXICO

Date	Schram-Hanson Fed. #1	(all in psig) El Norte #2	Snake Eyes #1	Snake Eyes #2
12/11/71	1900	1890	1903	1907
2/27/72 +	1686	1628	1838	1943
6/4/72 *	1404	1406	1793	1760

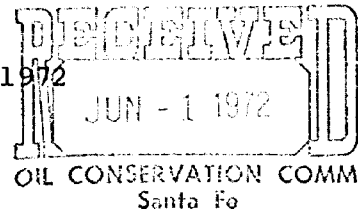
COMMENTS

- + Only SHF #1 and El Norte #2 producing previously
- * Snake Eyes #1 unable to produce since last pressure survey

BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION	
CASE NO. <u>4743</u>	EXHIBIT NO. <u>7</u>
Submitted by <u>Tenneco</u>	
Hearing Date <u>JUNE 28, 1972</u>	

WHITE,
KOCH, KELLY
&
McCARTHY

May 30, 1972



Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Tenneco Oil Company for the Creation
of a new Gas Pool, San Juan County, New Mexico

Dear Mr. Porter:

Tenneco Oil Company, by this letter, requests that the Commission set down for public hearing on June 28, 1972, Tenneco's Application for the creation of a new gas pool, designated the Snake Eyes Dakota "D" gas pool. The horizontal limits of the proposed pool are all of Section 17 and Section 20, Township 21 North, Range 8 West, San Juan County, New Mexico. The vertical limits are defined as the "D" Zone of the Dakota formation as found from 4570 feet to 4650 feet on the log of the Snake Eyes #1 well located in the SW 1/4 Section 20, Township 21 North, Range 8 West, San Juan County, New Mexico.

I have included with this application a plat of the two sections comprising the proposed pool, a portion of the log on the Snake Eyes #1 Well showing the vertical limits and a list of proposed rules covering the new pool which include 320 Acre spacing with the provision that no well be located closer than 660 feet to a quarter-quarter section line nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

All working interest owners have been notified of this application.

Sincerely,

W.B. Kelly
W. B. KELLY

WBK:cc
Enclosures

RECEIVED

Date *6-13-72*

L.C. White
Sumner S. Koch
William Booker Kelly
John F. McCarthy, Jr.
Kenneth Baleman
Benjamin Phillips
William W. Gilbert (Of Counsel)

Attorneys and Counselors at Law 220 Otero Street, Santa Fe, New Mexico 87501 Box 787 Telephone (505) 982-4374

R 300

T
21
N
—

Schram & Harso

R. Chorney

*Pool
outline*

Tenneco

Tenneco

Tenneco

SFPRR

SFPRR

SFPRR

Tenneco

TENNECO OIL COMPANY
SUBSIDIARY OF TENNECO INC.

Snake Eyes
Dakota
Oil Pool
Case 4743
Feb. 16/1977
R-4260
3-11-16
12
Discovered by Oil Co.
SFPRR

SNAKE EYES AREA
SANDOVAL, SAN JUAN & MC KINLEY COUNTIES
NEW MEXICO

Horizontal Limits

Case 4743

SCALE IN FEET

2000 1000 0 2000 4000

DENVER, COLORADO

Case 4743

SPECIAL RULES AND REGULATIONS FOR THE
SNAKE EYES DAKOTA "D" GAS POOL

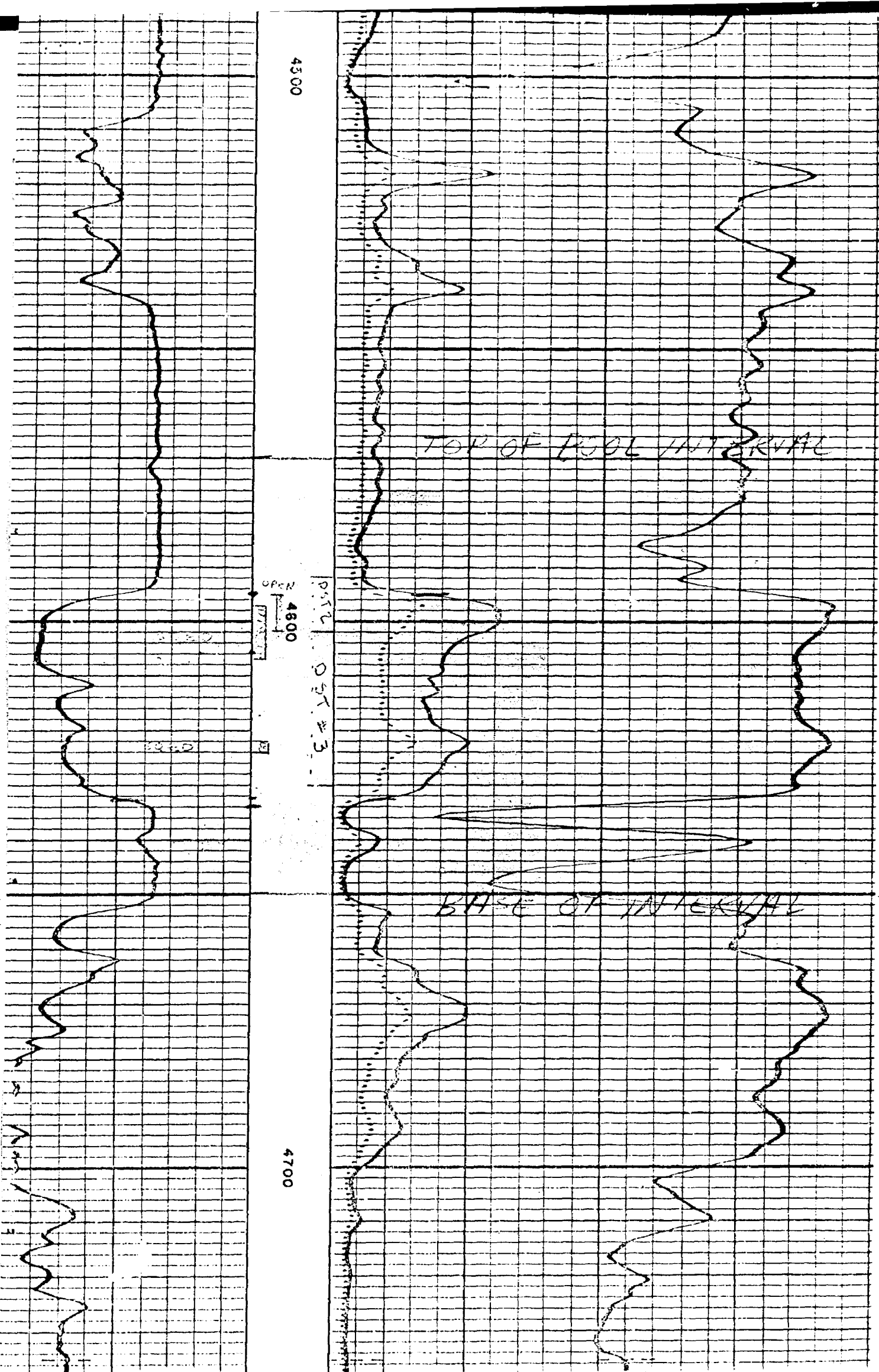
RULE 1: Each well completed or recompleted in the Snake Eyes Dakota "D" Gas Pool or in the "D" zone of the Dakota formation within one mile thereof, and not nearer to or within the limits of another designated Dakota "D" zone gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2: Each well shall be located on a standard unit containing 320 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental section: provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter section in the unit.

RULE 3: The Secretary - Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a nonstandard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed nonstandard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-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 Secretary-Director has received the application.

RULE 4: Each well shall be located no closer than 660 feet to a quarter-quarter section line nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5: The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.



DRAFT

GMM/dr

(dr)

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:

SM

ASP

CASE No. 4743

Order No. R- 4343

Nomenclature

APPLICATION OF TENNECO OIL
COMPANY FOR POOL CONTRACTION,
REDEFINITION OF A POOL AND
SPECIAL POOL RULES, SAN JUAN
COUNTY, NEW MEXICO.

JS

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 28, 1972,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this day of July, 1972, 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, Tenneco Oil Company, seeks the
creation of a new gas pool for Dakota "D" zone production in San
Juan County, New Mexico, and the promulgation of special rules
and regulations governing said pool, including a provision for
320-acre spacing and proration units.

(3) That the Tennessie Oil Company, Snake Eyes No. 1, located in Unit C of Section 20, Township 21 North, Range 8 West, NMPM, San Juan County, New Mexico, having its top perforations at 4600 feet, has discovered a separate common source of supply which should be designated the Snake Eyes-Dakota "D" Gas Pool; that the vertical limits of said pool should be the Dakota "D" formation and that the horizontal limits of said pool should be Sections 17 and 20.

4576
(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, ~~temporary~~ special rules and regulations providing for 320-acre spacing units should be promulgated for the Snake Eyes-Dakota "D" Gas Pool.

(5) That the ~~temporary~~ special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

~~(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.~~

~~(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Snake Eyes-Dakota "D" Gas Pool, at which time the operators in the subject pool should appear and~~

(6) That the horizontal limits of the Basin-Dakota Pool should be contracted by deleting therefrom all of sections 17 and 20, Township 21 North, Range 8 West, San Juan County, New Mexico.

-3-

CASE NO. 4743

Order No. R-

~~show cause why the Snake Eyes-Dakota "D" Gas Pool should not be developed on 320-acre spacing units.~~

~~(8) That the first operator to obtain a pipeline connection for a well in the Snake Eyes-Dakota "D" Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.~~

IT IS THEREFORE ORDERED:

(2) that a new pool in San Juan County, New Mexico, classified as a gas pool for Dakota ^{"D" zone} production, is hereby created and designated the Snake Eyes-Dakota "D" Gas Pool, with vertical limits comprising the ~~Dakota~~ ^{"D" zone} formation and horizontal limits comprising the following-described area:

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 21 NORTH, RANGE 8 WEST, NMPM

Section 17: ~~all~~

Section 20: ~~all~~

(3) ~~That~~ ^{That} ~~the~~ ^{Special Rules and Regulations for the} ~~Special Rules and Regulations for the~~ Snake Eyes-Dakota "D" Gas Pool, San Juan County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SNAKE EYES-DAKOTA "D" GAS POOL

RULE 1. Each well completed or recompleted in the Snake Eyes-Dakota "D" Gas Pool or in the Dakota formation within one mile thereof, and not nearer to or within the limits of another designated Dakota gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States

(1) That the horizontal limits of the Basin-Dakota Pool are hereby contracted by the deletion therefrom of the following described area:
San Juan County, New Mexico
Township 21 North, Range 8 West, N.M.P.M.
Section 17: all
Section 20: all

Public Lands Survey. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no closer than ⁹⁹⁰~~660~~ feet to the ^{outer}~~nearest side~~ boundary of the dedicated tract nor closer than ~~1980 feet to the nearest end boundary nor closer~~ than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Snake Eyes-Dakota "D" Gas Pool or in the ~~Dakota "D" zone~~ formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before

August 1, 1972.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Snake Eyes-Dakota "D" Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission 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 or in the Dakota formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.~~

~~(3) That this cause shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the Snake Eyes-Dakota "D" Gas Pool, at which time the operators in the subject pool may appear and show cause why the Snake Eyes-Dakota "D" Gas Pool should not be developed on 160-acre spacing units.~~

~~(4) That the first operator to obtain a pipeline connection for a well in the Snake Eyes-Dakota "D" Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.~~

(3) ~~1st~~ 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.

CASE 4744: Application of YATES
PETROLEUM FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.