

CASE NO.

63/2

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
30 August 1978

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation) CASE
Division on its own motion to consider the) 6312
amendment of Order No. R-1670-T, Rule 2(A),)
Blanco Mesaverde Pool, San Juan and Rio)
Arriba Counties, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
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I N D E X

A. R. KENDRICK

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1 MR. NUTTER: We'll call next Case 6312, which
2 is in the matter of the hearing called by the Oil Conserva-
3 tion Division on its own motion to consider the amendment
4 of Rule -- of Order Number R-1670-T, Rule 2(A), Blanco
5 Mesaverde Pool, San Juan and Rio Arriba Counties, New Mexico,
6 to provide that the initial well drilled on a proration unit
7 shall be located not closer than 790 feet to any outer
8 boundary of the quarter section on which the well is located,
9 and not closer than 130 feet to any quarter quarter section
10 line or subdivision inner boundary.

11 I'll call for appearances in this case.

12 MS. TESCHENDORF: Lynn Teschendorf appearing on
13 behalf of the Division. I have one witness.

14 (Witness sworn.)

15 MR. NUTTER: Are there other appearances?

16 Please proceed.

17

18 A. R. KENDRICK

19 being called as a witness and having been duly sworn upon
20 his oath, testified as follows, to-wit:

21

22 DIRECT EXAMINATION

23 BY MS. TESCHENDORF:

24 Q Please state your name, by whom you're employed
25 and in what capacity?

1 A. A. R. Kendrick, District Supervisor of District
2 III for the New Mexico Oil Conservation Division.

3 Q. Have you testified before the Division before
4 and are your credentials a matter of record?

5 A. I have and they are.

6 MS. TESCHENDORF: Is the witness considered
7 qualified?

8 MR. NUTTER: Yes, he is qualified.

9 Q. (Ms. Teschendorf continuing.) Mr. Kendrick,
10 have you investigated the history of well spacing in the
11 Mesaverde formation?

12 A. Yes.

13 Q. And what are your recommendations concerning the
14 spacing rules?

15 A. I recommend that the pool rule be changed based
16 on this history:

17 In October, 1948, Case Number 163, the resulting
18 Order was 799, which stated that such wells shall be located
19 330 feet from the center of either the northeast or south-
20 west quarter of the section, subject to variation of 200
21 feet for topographical conditions.

22 In November of 1950, Case Number 237, resulted
23 in Order R-46, which stated in part that orthodox locations
24 shall be located in the approximate center of the northwest
25 quarter and the southeast quarter of each section within the

1 confines of the La Plata, Northwest La Plata, and Southwest
2 La Plata pools, under 320-acre spacing for the Mesaverde
3 formation.

4 And in paragraph five, that orders are -- excuse
5 me, that Orders Numbers 748 and 815, relative to Kutz Canyon,
6 and Fulcher-Kutz Pool and 799, relating to the Blanco Mesa-
7 verde shall remain in full force and effect.

8 Now, those two orders, 799 and R-46, were ad-
9 verse positions within the sections.

10 Case Number 291, heard in 1951, resulted in
11 Order R-89, which consolidated the pools and left the spacing
12 to a rigid pattern, being in the northeast quarter and
13 southwest quarter of the sections.

14 Order 110, entered in November of 1951, still
15 continued the footage pattern as being 300 feet from the
16 center of either the northeast or southwest quarters of the
17 sections, subject to 200 feet variations for topographical
18 conditions.

19 Order 1670 was initially entered in 1960; the
20 latest revision being Order 1670-T, which was entered Novem-
21 ber the 14th, 1974.

22 The spacing pattern within that order in Rule
23 2-A, says the initial well drilled on a proration unit shall
24 be located 990 feet from the outer boundary of either the
25 northeast or southwest quarter of the section, subject to a

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1 variation of 200 feet for the topographic conditions.

2 Now, the statewide Rule 104 in Section C, Sub-
3 section 2, paragraph (B), for gas wells in San Juan, Rio
4 Arriba, and Sandoval Counties says that unless otherwise
5 provided in special pool rules, each development well for
6 a defined gas pool shall be located on a designated drilling
7 tract consisting of 160 surface contiguous acres more or
8 less substantially in the form of a square which is a quarter
9 section, being a legal subdivision of the U. S. Public Land
10 Survey, and shall be located not closer than 790 feet to
11 any outer boundary of the tract, nor closer than 130 feet
12 to any quarter quarter section line or subdivision inner
13 boundary.

14 I would recommend that the new Rule 2(A) in
15 Order R-1670-T, which relates to the Blanco Mesaverde Pool
16 read very similarly, and thus it would read as follows:

17 The initial well drilled on a proration unit
18 shall be located not closer than 790 feet to any outer
19 boundary of the quarter section on which the well is located
20 and not closer than 130 feet to any quarter quarter section
21 line or subdivision inner boundary.

22 This would eliminate the rigid pattern spacing
23 requiring the initial well to be drilled either in the
24 northeast or southwest quarter of the section.

25 Q. What are your reasons for making this recommenda-

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1 tion?

2 A The pool has been developed for more than twenty
3 years. There are more than 2200 drill tracts already com-
4 pleted. This year there have been seven cases called asking
5 for exceptions to the rule, involving ten wells that have
6 been drilled in this pool or that locations have been re-
7 quested this year. I know of at least three other wells
8 which have had locations requested which would be off-pattern
9 to this.

10 Of the 2200 drill tracts developed, applications
11 to drill infill wells have been filed on 880 of these; 645
12 of these have been completed, so that the wells -- or excuse
13 me, the pool is very well defined and all the locations to
14 be drilled will essentially be edge locations and the oper-
15 ators will need all the advantage they can get to make com-
16 mercial wells at the edge locations.

17 Q Do you have anything further you wish to add?

18 A I think the rule has served its purpose and is
19 due to be changed to flexibility.

20 MS. TESCHENDORF: I have nothing further.

21
22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Kendrick, the pool has been developed on the
25 spacing of northeast-southwest quarters of the sections for

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1 all intents and purposes, is that correct?

2 A Well, both of the pools. There is a section in
3 there in the old La Plata, Northwest La Plata, South La Plata
4 areas that was developed on the opposite pattern.

5 Q And anything that's being drilled now is an edge
6 well that is on the flanks of the pool.

7 A Essentially so, yes, sir.

8 Q And of course the infill drilling program puts
9 the wells on the opposite quarter sections from the original
10 well, anyway, doesn't it?

11 A Yes, the call to this case did not affect the
12 paragraph that would require the infill well to be drilled
13 in the opposite quarter section from the original well on the
14 tract.

15 Q So where the initial well can be drilled in
16 either quarter section, it would follow, then, under the in-
17 fill drilling rule that the second well would have to be
18 drilled on the other quarter section in the 320's.

19 A That's right. That rule would not be affected.

20 MR. NUTTER: Are there any further questions of
21 Mr. Kendrick? He may be excused.

22 Does anyone have anything to offer in Case Number
23 6312? Mr. Manning?

24 MR. MANNING: E. R. Manning with El Paso Natural
25 Gas, and El Paso urges the Commission to adopt Mr. Kendrick's

1 recommendation, and further, we recommend that this be made
2 retroactive to any well that may be unorthodox now in which
3 the hearing has not been held, and it will not be necessary
4 to have a hearing for that.

5 MR. NUTTER: Thank you, Mr. Manning. Are there
6 any other statements or comments?

7 We'll take the case under advisement.

8 (Hearing concluded.)
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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY
CERTIFY that the foregoing and attached Transcript of
Hearing before the Oil Conservation Division was reported
by me; that said transcript is a full, true, and correct
record of the hearing, prepared by me to the best of my
ability, knowledge, and skill from my notes taken at the
time of the hearing.

Sally Walton Boyd CSR

Sally Walton Boyd, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6212
heard by me on 8/30 1978.

[Signature] Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO
CONSIDER THE AMENDMENT OF ORDER
NO. R-1670-T, RULE 2(A), BLANCO
MESAVERDE POOL, SAN JUAN AND RIO
ARRIBA COUNTIES, NEW MEXICO.

CASE NO. 6312
Order No. R-16/U-U

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 30, 1978,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of September, 1978, 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) That Rule 2(A) of the Oil Conservation Division Special
Rules and Regulations for the Blanco Mesaverde Pool as promulgated
by Division Order No. R-1670, as amended, provides that the
initial well drilled on a proration unit shall be located 990
feet from the outer boundary of either the Northeast or Southwest
quarter of the section, subject to a variation of 200 feet for
topographic conditions.

(3) That said rule, providing for the location of wells
in alternate quarter sections, was adopted early in the life of
Blanco Mesaverde Pool development, and has materially contributed
to the orderly development of over 2000 proration units.

(4) That by Order No. R-1670-T, dated November 14, 1974,
the special rules for the Blanco Mesaverde Pool were amended to
permit the drilling of a second well on each proration unit,
said second well to be drilled in the opposite quarter section
of the proration unit, with the deliverability of the wells to
be additive for the purpose of calculating the unit's allowable.

-2-

Case No. 6312
Order No. R-1670-U

(5) That subsequent to the issuance of said Order No. R-1670-T, over 600 infill wells have been drilled.

(6) That all future development in the Blanco Mesaverde Pool will consist of further infill drilling and some additional primary drilling on the edges of the pool where production is often of a marginal characteristic as the limits of production are approached.

(7) That the fixed spacing pattern described in Findings Nos. (2) and (3) above has been satisfactory and even preferable in development of the pool, but the edge drilling to establish the ultimate productive limits of the pool requires additional flexibility in the location of wells which the fixed spacing does not provide.

(8) That the pool rules for the Blanco Mesaverde Pool in San Juan and Rio Arriba Counties, New Mexico, should be amended to permit the first well on the proration unit to be drilled on either 160-acre tract comprising the unit, so long as the well is no closer than 790 feet to the outer boundary of the quarter section line and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(9) That to amend said pool rules in the aforesaid manner is in the interest of conservation, may prevent waste, and will protect rather than impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 2(A) of the Special Pool Rules for the Blanco Mesaverde Pool, as promulgated by Order No. R-1670, and as amended, particularly by Order No. R-1670-T, is hereby amended to read in its entirety as follows:

"RULE 2 (A). The initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located, and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary."

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Case No. 6312

Order No. R-1670-U

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Joe D. Ramey
JOE D. RAMEY
Director

fd/

Memo

8-31-78
From

A. R. KENDRICK
Supervisor

To Lynn:

Here are my notes
for case No. 6312.
You ~~maybe~~ could
use them for your
findings.

Al

CASE No. 6312

Case No. 163
Order 799

heard October 28, 1948
entered February 25, 1949

Blanco Mesaverde

- (c) Such well shall be located 330 feet from the center of either the Northeast or Southwest quarter of the section subject to variation of 200 feet for topographic conditions.

Case No. 237
Order R-46

heard November 21, 1950
entered December 29, 1950

2. That orthodox locations shall be in the approximate center of the NW/4 and SE/4 of each section within the confines of La Plata, Northwest La Plata and South La Plata pools, under 320 acre spacing for Mesaverde production.
5. That Order Nos. 748, 815, relative to Kutz Canyon - Fulcher Basin Pool and 799, relating to Blanco Mesaverde, shall remain in full force and effect.

Case No. 291
Order R-89

heard July 24, 1951
entered September 20, 1951

- (1) That the application of the Oil Conservation Commission upon its own motion for the consolidation of the Northwest La Plata area, La Plata, and South La Plata, Largo Pools and other lands with the Blanco Pool (Mesaverde) be and the same hereby is approved,
- (3) That that part of Order R-46, relating to spacing and location patterns for Northwest La Plata, La Plata, and South La Plata pools, is hereby rescinded, together with all other orders in conflict herewith.

Case No. 317
Order R-110

heard October 23, 1951
entered November 9, 1951

Special pool rules for Blanco-Mesaverde Pool, Section 1

- (c) Such well shall be located 330 feet from the center of either the Northeast or Southwest quarter of the section, subject to variation of 200 feet for topographical conditions. Further tolerance

The Order R-128 series did not affect well locations.

Case No. 1937
Order R-1670
Order R-1670 T

heard April 13, 1960
entered May 20, 1960
entered November 14, 1974

- Rule 2 (a) The initial well drilled on a proration unit shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance

Statewide Rule 104

C. Acreage and well Location Requirements for Development Wells

II Gas Wells

(b) San Juan, Rio Arriba and Sandoval Counties.

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Survey, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter - quarter section line or subdivision inner boundary.

I recommend that Rule 2 (a) of Order R-1670-T be revised to read as follows:

Rule 2 (a) The initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter - quarter section line or subdivision inner boundary.

Exceptions Requested During 1978

Case No.	Operator	Well	Location
6243	Caulkins Oil Co.	Breech E #104	P-05-26-06
		" #587	J-04-26-06
		" A #207	J-10-26-06
		#679	J-09-26-06
6276	Jerome P. McHugh	Cris #4	J-09-27-03
6294	El Paso Natural Gas Co.	EPNG 8 #1	O-28-32-06
6268	Southland Royalty Co.	Reid #25	I-19-28-09
6309	"	Jicarilla 468 #1	NW/ 32-28-03
		Jicarilla 446 #1	SE/ 08-27-03
6310	Southland Royalty Co.	Jicarilla 101 #7	P-12-26-04

Infill Well Information as/of August 18, 1978

Applications to drill - 880

Completed wells - 645



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

September 22, 1978

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. E. R. Manning
El Paso Natural Gas Company
Box 1492
El Paso, Texas 79978

Re: CASE NO. 6312
ORDER NO. R-1670-U

Applicant:

Oil Conservation Division

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other _____



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

June 22, 1978

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-8178

Ms. Lynn Teschendorf
Energy & Minerals Department- OCD
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Lynn:

Please docket a case of the July 19, 1978, hearing called by the Division on its own motion for the revision of Order R-1670, General Rules for Northwestern New Mexico. Rule 2 to read as follows:

"Each well drilled or recompleted on a standard gas proration unit within a gas pool regulated by this order shall be located not closer than 790 feet to any outer boundary of the quarter section nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary."

and to revise Rule 2 (A) of the Special Pool Rules of the Blanco Mesaverde Pool to be the same as the above General Rule.

The reason for the revisions are for clarifying the terminology of the General Rule and to remove the rigid pattern provision in the Blanco-Mesaverde Pool Rule.

There are slightly over 2100 proration units in the Blanco Mesaverde Pool on which 846 infill wells have been requested of which 593 have been completed.

The rule has served its purpose.

The following companies have no objection to this revision:

Dugan Production Corporation
Southland Royalty Company
El Paso Natural Gas Company
Kimbark Operating Company
Palmer Oil & Gas Company

Northwest Pipeline Corp.

Several applications have been filed lately for off-pattern locations. This would eliminate several more such cases.

Rule 3 covers the ^{future} ~~future~~ tolerance problem without it having to be stated in Rule 2.


This revision almost copies Rule 104 from the Rules and Regulations which is much more clear to me.

Enclosed are copies of R-1670 General Rule 2, Blanco-Mesaverde Special Rule 2(A) and Rule 104 as it applies to pool wells in this area.

Ms. Lynn Texchendorf
June 22, 1978
Page 2

If there are questions, please call.

Yours very truly,


A. R. Kendrick
Supervisor, District #3

ARK:mc

Encls. as stated

CASE No. 1937
Order No. R-1670

I. GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF
NORTHWESTERN NEW MEXICO

(See Special Pool Rules in each pool for orders applicable to those pools only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: Any well drilled to the producing formation of a gas pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2: Except as provided in the Special Pool Rules, after the effective date of this order each well drilled or recompleted on a standard gas proration unit within a gas pool regulated by this order shall be located at least 990 feet from the outer boundary line of the proration unit, provided however, that a tolerance of 200 feet is permissible.

RULE 3: The Secretary-Director of the Commission shall have authority to grant exception to the requirements of Rule 2 where application has been filed in due form and such exception is required because of conditions resulting from previously drilled wells in the area or the necessity for exception is based upon topographic conditions.

Applicants shall furnish all operators of leases offsetting the lease containing subject well, a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all such operators, together with a written statement that all such operators have been properly notified by registered mail. The Secretary-Director of the Commission shall wait at least 20 days before approving any such exception, and shall approve such exception only in the absence of objection of any offset operators. In the event any operator objects to the exception, the Commission shall consider the matter only after proper notice and hearing.

NOTE: Rule 3 does not apply to Blanco Mesaverde or Tapacito-Pictured Cliffs Gas Pools - See Special Pool Rules, Rule 2.

BLANCO-MESAVERDE GAS POOL
San Juan County, New Mexico

Order No. R-1670, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Northwestern New Mexico, for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico, May 20, 1960, as Amended by Order No. R-1670-A, June 10, 1960, Order No. R-2307, August 28, 1962, and Order No. R-1670-T, November 14, 1974.

(Order No. R-1670 Supersedes Order No. 799, Adopting Rules for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico, February 25, 1949, as Amended by Order No. R-110, November 9, 1951; Order No. R-128, March 6, 1952; Order No. R-128-A, November 10, 1953; Order No. R-128-B, December 17, 1953; Order No. R-128-C, December 16, 1954; Order No. R-128-D, October 13, 1955; Order No. R-128-E, March 29, 1956; and Order No. R-967, April 23, 1957.)

(The Blanco-Mesaverde Gas Pool was created February 25, 1949 and prorationing was instituted March 1, 1955. The Blanco-Mesaverde Gas Pool now includes acreage that was formerly included in the LaPlata Mesaverde, Northwest LaPlata Mesaverde, South LaPlata Mesaverde, and the Largo Mesaverde Gas Pools.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2. (As Amended by Order No. R-1670-T, November 14, 1974.) (A) The initial well drilled on a proration unit shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

RULE 2 (B). The second well drilled on a proration unit shall be located in the quarter section of the unit not containing a well, and shall be located with respect to the unit boundaries as described in Rule 2 (A) above.

The plats (Form C-102) accompanying the Application for Permit to Drill (OCC Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined thereon the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed new well.

RULE 2 (C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so.

RULE 5 (A). A standard gas proration unit in the Blanco-Mesaverde Gas Pool shall be 320 acres.

RULE 9 (A). (As Added by Order No. R-1670-T, November 14, 1974.) The product obtained by multiplying each proration unit's acreage factor by the calculated deliverability (expressed as MCF per day) for the well(s) on the unit shall be known as the AD Factor for the unit. The acreage factor shall be determined to the second decimal place by dividing the acreage within the proration unit by 320, subject to the acreage tolerances provided in Rule 5 (A). The AD Factor shall be computed to the nearest whole number.

RULE 9 (B). (As Added by Order No. R-1670-T, November 14, 1974.) The monthly allowable to be assigned to each marginal proration unit shall be equal to its latest available monthly production.

RULE 9 (C). (As Added by Order No. R-1670-T, November 14, 1974.) The pool allowable remaining each month after deducting the total allowable assigned to marginal proration units shall be allocated among the non-marginal units entitled to an allowable in the following manner:

1. Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's "AD Factor" bears to the total "AD Factor" for all non-marginal units in the pool.

2. Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's acreage factor bears to the total acreage factor for all non-marginal units in the pool.

RULE 9 (D). (As Added by Order No. R-1670-T, November 14, 1974.) The current deliverability tests, taken in accordance with the "Gas Well Testing Procedures-San Juan Basin, New Mexico," shall be used in calculating allowables for the proration units in the pool for the 12-month period beginning April 1 of the following year.

RULE 9 (E). (As Added by Order No. R-1670-T, November 14, 1974.) When calculating the allowable for a proration unit containing two wells, in accordance with Rule 9 of these rules, the deliverability of both wells shall be added in calculating the AD Factor and the unit allowable may be produced from both wells.

RULE 10. (C). (As Added by Order No. R-1670-T, November 14, 1974.) The calculated deliverability at the "Deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless it is located on a marginal proration unit.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 11. (As Added by Order No. R-2307, August 28, 1962.) A minimum allowable of 1000 MCF per month per proration unit will be assigned in order to prevent the premature abandonment of wells.

RULE 12. (As Added by Order No. R-1670-T, November 14, 1974.) The full production of gas from each well, including drilling gas, shall be charged against the proration unit's allowable regardless of the disposition of the gas; provided, however, that gas used in maintaining the producing ability of the well shall not be charged against the allowable.

RULE 14 (A). (As Added by Order No. R-1670-T, November 14, 1974.) Underproduction: Any non-marginal proration unit which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14 (B). (As Added by Order No. R-1670-T, November 14, 1974.) Production during any one month of a gas proration period in excess of the allowable assigned to a proration unit for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

(C-DRILLING - Cont'd.)

In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

III. All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any wildcat well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS (As Amended by Order No. R-4383, September 6, 1972, and Order No. R-5113, November 1, 1975.)

I. Oil Wells, All Counties (As Amended by Order No. R-4383, September 6, 1972.)

Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

II. Gas Wells

(a) Lea, Chaves, Eddy, and Roosevelt Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Commission prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Commission prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Commission after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Commission after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the 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. (For the purpose of this rule, 'side' boundary and 'end' boundary are as defined in Section B I (a) of this rule.)

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(c) All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Commission within 10 days following completion of the tests. (See Rule 401.)

Date of completion for a gas well shall be the date a Christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the Commission will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The Secretary-Director of the Commission may grant administrative approval to non-standard gas units 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 U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

In the matter of the hearing called by
the OED on its own motion to
consider the amendment of Order
No. R-1670-T, Rule 2(A), Blanco
Mesaverte Pool, San Juan ~~County~~ and
Rio Arriba Counties, NM, to
provide that the initial well drilled
on a proration unit shall be located
not closer than 790 feet to any outer
boundary of the quarter section ~~on~~
which the well is located, ~~and~~
not closer than 130 feet to any
quarter-quarter section ^{line} or subdivision
inner boundary.



dugan production corp.

August 28, 1978

Joe D. Ramey, Division Director
New Mexico Oil Conservation Division
Energy and Minerals Department
Box 2088
Santa Fe, NM 87501

RECEIVED
AUG 30 1978
Oil Conservation Commission

Re: Amendment of Order No. R-1670-T
and Rule 2(A) of the Blanco Mesa
Verde Special Pool Rules
Case No. 6312
San Juan and Rio Arriba Counties
New Mexico

Dear Mr. Ramey:

Case No. 6312 has been called before the Oil Conservation Division for the purpose of amending the captioned Order and Rule to delete the requirement of drilling an initial Blanco Mesa Verde well in either the SW/4 or NE/4 of a 320 acre gas proration unit. The proposed amendment will provide that the initial Blanco Mesa Verde well on a proration unit will be located not closer than 790 feet to any outer boundary of the quarter section on which the well is to be located nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

As an operator of several Blanco Mesa Verde wells in San Juan and Rio Arriba Counties, New Mexico, some of which we had to initiate an Oil Conservation Division hearing because the initial well was not in the SW/4 or the NE/4 of a proration unit, we are in favor of the proposed amendment for several reasons.

First, the old Order and Rule have served the purpose of providing for the orderly development of the Blanco Mesa Verde Pool. The Pool has been extensively drilled and produced by locating the initial well in the SW/4 or NE/4 of a section, and the current drilling programs of many companies is primarily the drilling of infill Mesa Verde wells on the remaining quarter section of the 320 acre proration unit.

Second, the old Rule and Order are causing problems and the initiation of unneeded hearings before the Division to secure exceptions to the initial well location for those operators who are trying to drill

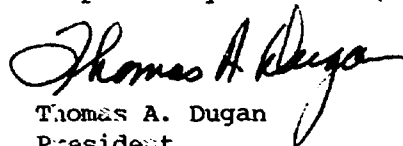
Joe D. Ramey, Division Director
New Mexico Oil Conservation Division
Energy and Minerals Department
Page 2
August 28, 1978

wells on the perimeter of the Blanco Mesa Verde Pool. Because of the old Rule and Order the operator sometimes finds itself in the position of having to drill the initial well in either the SW/4 or the NE/4 of a section, and the location of the well in either of these quarter sections is not sound economically or geologically for a fringe or step-out well. There is a remedy available to the operator to request an exception to the Rule and Order, but this remedy is too costly in the losses of time and money in calling and then attending the hearing for the purposes that are served.

The proposed Rule and Order will eliminate the necessity of calling these hearings for the fringe or step-out wells, and the proposed Rule and Order will provide for a faster and less costly development of the remaining Blanco Mesa Verde Pool.

For the foregoing reasons, we wish to request that the Oil Conservation Division adopt the proposed amendment to Order No. R-1670-T and to Special Pool Rule 2(A) of the Blanco Mesa Verde Pool Rules.

Respectfully submitted,


Thomas A. Dugan
President

RT/vs

Dockets Nos. 29-78 and 30-78 are tentatively set for hearing on September 13 and 27, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 30, 1978

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 6208: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 1105 of the Division Rules and Regulations to require the filing of two copies of all well logs instead of one.
- CASE 6312: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-1670-T, Rule 2(A), Blanco Mesaverde Pool, San Juan and Rio Arriba Counties, New Mexico, to provide that the initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located, and not closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
- CASE 6299: Application of Wm. G. Ross for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause seeks approval for its South Lea Unit Area comprising 1,753 acres, more or less, of state land in Township 21 South, Range 34 East, Lea County, New Mexico.
- CASE 6300: Application of The Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Atoka and Morrow production in the wellbore of its Parkway West Unit Well No. 1, located in Unit C of Section 28, Township 19 South, Range 29 East, Parkway West (Atoka) Field, Eddy County, New Mexico.
- CASE 6301: Application of The Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Strawn and Morrow production in the wellbore of its Superior Federal Well No. 4, located in Unit I of Section 5, Township 20 South, Range 29 East, East Burton Flat Field, Eddy County, New Mexico.
- CASE 6302: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6303: Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Indian Hills State Com. Well No. 2 to be drilled 660 feet from the South line and 660 feet from the East line of Section 36, Township 20 South, Range 24 East, Eddy County, New Mexico, to test the Morrow formation, the S/2 of said Section 36 to be dedicated to the well.
- CASE 6304: Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the S/2 NE/4 of Section 26, Township 24 South, Range 36 East, Lea County, New Mexico, to form an 80-acre non-standard proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6305: Application of Flag-Redfern Oil Company for two unorthodox locations and two non-standard oil proration units, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 61.14-acre non-standard unit comprising Unit K and Lot 3 of Section 16, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, to be dedicated to a well to be drilled 2130 feet from the South line and 2972 feet from the West line of said Section 16; also a 60.43-acre unit comprising Unit N and Lot 4 of said Section 16 to be dedicated to a well to be drilled 810 feet from the South line and 2850 feet from the West line of the section.
- CASE 6306: Application of Texaco Inc. for an unorthodox location, permission to inject water, and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Vacuum Unit Well No. 139 to be located 85 feet from the South line and 958 feet from the East line of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, and directionally drilled to a 100' square bottom hole target location with the center of the target being 60 feet from the South line and 1310 feet from the East line of said Section 36, and approval to inject water into the San Andres formation in said well.

- CASE 6307: Application of Exxon Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard and Wantz-Abo production in the wellbore of its F. F. Hardison B Well No. 10, located in Unit A of Section 34, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6308: Application of Petroleum Corporation of Texas for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 8, Township 8 South, Range 37 East, Roosevelt County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6309: Application of Southland Royalty Company for an exception to Rule 2(A) of Order No. R-1670, as amended, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox locations of its Jicarilla 468 Well No. 1, located in the NW/4 of Section 32, Township 28 North, Range 3 West and its Jicarilla 446 Well No. 1, located in the SE/4 of Section 8, Township 27 North, Range 3 West, Rio Arriba County, New Mexico, as off-pattern wells in said pool.
- CASE 6310: Application of Southland Royalty Company for an exception to Rule 2(A) of Order No. R-1670, as amended, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox location of its Jicarilla 101 Well No. 7, to be located in the SE/4 SE/4 of Section 12, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, as an off-pattern well in said pool.
- CASE 6311: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico:
- (a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Nacimiento production and designated as the Arch-Nacimiento Pool. The discovery well is El Paso Natural Gas Company San Juan 32-9 Unit Well No. 84 located in Unit N of Section 14, Township 31 North, Range 10 West, NMPM. Said pool would comprise:

TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM
Section 14: SW/4

- (b) EXTEND the Blanco Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 4 WEST, NMPM
Section 5: SE/4

- (c) EXTEND the Blanco-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
Section 35: SE/4
Section 36: S/2

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM
Section 32: NE/4 and S/2

TOWNSHIP 32 NORTH, RANGE 11 WEST, NMPM
Section 30: N/2

TOWNSHIP 32 NORTH, RANGE 12 WEST, NMPM
Section 24: E/2
Section 25: S/2
Section 26: SE/4
Section 36: N/2

- (d) EXTEND the South Blanco-Pictured Cliffs Pool in Rio Arriba, San Juan, and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM
Section 3: SW/4
Section 4: S/2
Section 10: N/2
Section 11: NW/4

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM
Section 2: SE/4
Section 11: NE/4

- (e) EXTEND the Cha Cha-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM
Section 25: W/2 NW/4

- (f) EXTEND the Chacon-Dakota Associated Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 3 WEST, NMPM
Section 2: W/2

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM
Section 4: NE/4
Section 27: W/2
Section 28: E/2
Section 34: NW/4 and SE/4
Section 35: SW/4

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM
Section 29: SW/4
Section 30: S/2 (partial)
Section 31: NW/4 (partial)
Section 32: E/2
Section 33: W/2 and SE/4

- (g) EXTEND the Choza Mesa-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 4 WEST, NMPM
Section 15: N/2 and SW/4
Section 22: W/2

- (h) EXTEND the Dufers Point Gallup-Dakota Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 9 WEST, NMPM
Section 12: E/2

- (i) EXTEND the South Gallegos-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM
Section 14: NE/4

- (j) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM
Section 1: N/2

TOWNSHIP 25 NORTH, RANGE 4 WEST, NMPM
Section 30: SE/4
Section 32: SW/4

- (k) EXTEND the Mount Nebo-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 32 NORTH, RANGE 10 WEST, NMPM
Section 28: S/2
Section 33: NW/4

- (l) EXTEND the Otero-Chacra Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM
Section 18: N/2

- (m) EXTEND the Rusty-Chaera Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM
Section 24: SE/4
Section 27: NE/4

- (n) EXTEND the Tapacito-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
Section 2: NW/4

- (o) EXTEND the Tocito Dome-Pennsylvanian D Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
Section 14: SW/4
Section 23: W/2

- (p) EXTEND the WAW-Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM
Section 2: NE/4
Section 4: All
Section 5: SE/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM
Section 27: SW/4

Docket No. 27-78

DOCKET: COMMISSION HEARING - WEDNESDAY - AUGUST 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6289: (Continued from August 9, 1978, Commission Hearing)

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

CASE 6222: (Rehearing) (Continued from August 9, 1978, Commission Hearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco, Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO
CONSIDER THE AMENDMENT OF ORDER
NO. R-1670-T, RULE 2(A), BLANCO
MESAVERDE POOL, SAN JUAN AND RIO
ARRIBA COUNTIES, NEW MEXICO.

JAR

CASE NO. 6312

R-1670-U

Order No. ~~R-6614~~

JS

[Signature]

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 30, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of September, 1978, 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) That Rule 2(A) of the Oil Conservation Division Special rules and Regulations for the Blanco Mesaverde Pool as promulgated by Division Order No. R-1670, as amended, provides that the initial well drilled on a proration unit shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions.

JS

(3) That said rule, providing for the location of wells in alternate quarter sections, was adopted early in the life of Blanco Mesaverde Pool development, and has materially contributed to the orderly development of over 2000 proration units.

(4) That by Order No. R-1670-T, dated November 14, 1974, the special rules for the Blanco Mesaverde Pool were amended to permit the drilling of a second well on each proration unit, said second well to be drilled in the opposite quarter section of the proration unit, with the deliverability of the wells to be additive for the purpose of calculating the unit's allowable.

(5) That subsequent to the issuance of said Order No. R-1670-T, over 600 infill wells have been drilled.

(6) That all future development in the Blanco Mesaverde Pool will consist of ^{further} ~~additional~~ infill drilling and some ^{additional} ~~primary~~ drilling on the edges of the pool where production is often of a marginal characteristic as the limits of production are approached.

(7) That the fixed spacing pattern described in Findings Nos. (2) and (3) above has been satisfactory and even preferable in development of the pool, but the edge drilling to establish the ultimate productive limits of the pool requires additional flexibility in the location of wells which the fixed spacing does not provide.

(8) That the pool rules for the Blanco Mesaverde Pool in San Juan and Rio Arriba Counties, New Mexico, should be amended to permit the first well on the proration unit to be drilled on either 160-acre tract comprising the unit, so long as the well is no closer than 790 feet to the outer boundary of the quarter section line and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

-3-

Case No. 6312

Order No. R-~~5814~~ 1670-21

(9) That to amend said pool rules in the aforesaid manner is in the interest of conservation, may prevent waste, ~~and~~ ~~will prevent waste,~~ and will protect rather than impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 2(A) of the Special Pool Rules for the Blanco Mesaverde Pool, as promulgated by Order No. R-1670, and as amended, particularly by Order No. R-1670-T, is hereby amended to read in its entirety as follows:

"RULE 2 (A). The initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located, and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary."

(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.