

Decided January 2, 1964
R/P

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. 2935
Order No. R-2612
NOMENCLATURE

APPLICATION OF HUMBLE OIL & REFINING
COMPANY FOR THE CREATION OF A NEW POOL,
FOR SPECIAL RULES, AND FOR INTERFERENCE
TESTS, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 13, 1963, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 10th day of December, 1963, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Humble Oil & Refining Company, seeks an order creating a new Gallup oil pool in San Juan County, New Mexico, and promulgating special rules and regulations establishing 160-acre spacing for Gallup oil wells completed in the vicinity of said new oil pool for a temporary period of one (1) year.

(3) That the applicant also seeks authority to conduct interference tests in the subject area and to transfer allowables among producing wells on the same lease while such tests are being conducted.

(4) That a new Gallup oil pool should be created in San Juan County, New Mexico, and designated the South Waterflow Oil Pool.

(5) That the South Waterflow Oil Pool was discovered by the Humble Navajo Tract 12 Well No. 1 located in the NW/4 NE/4 of Section 19, Township 29 North, Range 15 West, NMPM, San Juan

-2-

CASE No. 2935

Order No. R-2612

County, New Mexico; that the top of the perforations in the Gallup formation in said well is at 4213 feet.

(6) 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 160-acre spacing for Gallup wells should be promulgated for the proposed area.

(7) 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.

(8) That the temporary special rules and regulations promulgated herein should be established for a one-year period in order to allow the operators in the spacing area created herein to gather reservoir information to establish the acreage that can be efficiently and economically drained and developed by one Gallup oil well.

(9) That an administrative procedure should be established whereby the operators in the spacing area created herein will be permitted to conduct interference tests and to transfer allowables among producing wells on the same lease during the temporary one-year period in order to facilitate the gathering of information pertaining to reservoir characteristics.

(10) That this case should be reopened in January, 1965, at which time the operators in the spacing area should appear and show cause why the spacing area created herein, or any portion thereof, should not be developed on either 80-acre or 40-acre spacing.

IT IS THEREFORE ORDERED:

(1) That a new oil pool in San Juan County, New Mexico, classified as an oil pool for Gallup production is hereby created and designated the South Waterflow Oil Pool, with vertical limits comprising the Gallup formation and horizontal limits consisting of the following-described area:

NEW MEXICO PRINCIPAL MERIDIAN

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 29 NORTH, RANGE 15 WEST

Section 18: S/2

Section 19: N/2

-3-

CASE No. 2935
Order No. R-2612

(2) That a spacing area for Gallup production is hereby created and designated the South Waterflow Spacing Area, consisting of the following-described area:

NEW MEXICO PRINCIPAL MERIDIAN

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 28 NORTH, RANGE 14 WEST
Fractional Section 7: All
Section 18: All

TOWNSHIP 28 NORTH, RANGE 15 WEST
Fractional Section 10: All
Fractional Section 11: All
Fractional Section 12: All
Section 13: All
Section 14: N/2, SE/4

TOWNSHIP 29 NORTH, RANGE 15 WEST
Section 7: All
Section 8: All
Section 15: SW/4
Section 16: All
Section 17: All
Section 18: All
Section 19: All
Section 20: All
Section 21: All
Section 22: All
Section 23: SW/4
Section 25: SW/4
Section 26: All
Section 27: All
Section 28: All
Section 29: All
Section 30: All
Section 32: N/2, SE/4
Section 33: All
Section 34: All
Section 35: All
Section 36: All

TOWNSHIP 29 NORTH, RANGE 16 WEST
Section 11: All
Section 12: All
Section 13: All
Section 14: All
Section 24: All

(3) That Special Rules and Regulations for the South Waterflow Spacing Area are hereby promulgated as follows, effective January 1, 1964.

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH WATERFLOW SPACING AREA

RULE 1. Each well completed or recompleted in the Gallup formation in the South Waterflow Spacing Area shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Gallup formation in the South Waterflow Spacing Area shall be located as follows:

(1) On a standard 160-acre unit comprising a single governmental quarter section; or

(2) On a non-standard 120-acre unit comprising three governmental quarter-quarter sections lying within a governmental quarter section and contiguous by common bordering sides; or

(3) On a non-standard 80-acre unit comprising two governmental quarter-quarter sections lying within a governmental quarter section and contiguous by a common bordering side; or

(4) On a non-standard 40-acre unit comprising a single governmental quarter-quarter section.

RULE 3. Each well projected to or completed in the Gallup formation in the South Waterflow Spacing Area shall be located within 150 feet of the center of a governmental quarter-quarter section; provided, however, that no well shall be located in the NW/4 NW/4 or the NW/4 SW/4 of any section adjoining and east of the line separating Range 15 West from Range 16 West, and no well shall be located in the SE/4 NE/4 or the SE/4 SE/4 of any section adjoining and west of said line.

RULE 4. The Secretary-Director of the Commission may grant an exception to the footage requirements of Rule 3 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 unorthodox 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 offset operators or if no offset operator has entered an objection to the unorthodox location within twenty (20) days after the Secretary-Director has received the application.

RULE 5. No Gallup well in the South Waterflow Spacing Area shall be assigned an allowable until the operator files Form C-128

-5-

CASE No. 2935
Order No. R-2612

with the Commission indicating the acreage to be dedicated to the well under the provisions of Rule 2.

A standard proration unit in the South Waterflow Spacing Area (158 through 162 acres) shall be assigned a 160-acre proportional factor of 4.00 for allowable purposes. Any proration unit comprising less than 158 acres or more than 162 acres shall be assigned a proportional factor in the same ratio to 4.00 as the acreage in the unit bears to 160.

IT IS FURTHER ORDERED:

(1) That the Secretary-Director of the Commission is hereby authorized to approve interference tests and the transfer of allowables to Gallup wells on the same lease or, if in a unitized area, to Gallup wells in the same participating area; provided, however, that any such authorization shall terminate no later than December 31, 1964. No transfer well shall be permitted to receive, in addition to its own allowable, more than one top unit allowable for the South Waterflow Spacing Area.

To obtain administrative approval for interference tests and the transfer of allowable, the operator shall submit in triplicate a request for such authority describing in detail the proposed method of conducting such tests and transferring the allowable. The application shall be accompanied by a plat showing thereon all Gallup wells with a radius of two (2) miles of the proposed shut-in well(s) and the transfer well(s). The plat shall also identify each lease or participating area as to ownership or operating rights. The application shall include evidence that all offset operators to the shut-in well(s) and the transfer well(s) have been furnished a complete copy of the application. It shall also be accompanied by Form C-116 for each shut-in well, showing the results of a pre-shut-in test to determine the amount of allowable to be transferred. The transferred allowable shall not exceed the volume of oil produced during the last 24 hours of a 72-hour period during which the well shall be produced at a constant rate. The Commission and offset operators to both the shut-in well(s) and the transfer well(s) may witness such tests if they so desire and shall be notified of the tests at least 48 hours prior to the commencement thereof.

The Secretary-Director of the Commission may grant approval of the interference tests and transfer of allowable upon receipt of waivers from all offset operators or upon expiration of a 20-day waiting period, provided no offset operator has objected to the proposed test and transfer.

(2) That any well drilling to or completed in the Gallup formation in the South Waterflow Spacing Area that will not comply with the well location requirements of Rule 3 is hereby granted an

-6-

CASE No. 2935
Order No. R-2612

exception to said rule. The operator of any such well shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before January 1, 1964.

(3) That any operator desiring to dedicate more than 40 acres to a well presently drilling to or completed in the Gallup formation in the South Waterflow Spacing Area shall file a new Form C-128 with the Commission on or before January 1, 1964.

(4) That this case shall be reopened in January, 1965, at which time the operators in the subject pool may appear and show cause why the South Waterflow Spacing Area, or any portion thereof, should not be developed on either 80-acre or 40-acre proration units.


(5) 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


JACK M. CAMPBELL, Chairman


E. S. WALKER, Member


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

S E A L

esr/