

*Entered June 8, 1965
R.L.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. 3243
Order No. R-2919

APPLICATION OF MONSANTO COMPANY
FOR SPECIAL POOL RULES, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 28, 1965, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of June, 1965, 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, Monsanto Company, seeks the promulgation of special pool rules for the Dagger Draw-Strawn Gas Pool and the Dagger Draw-Morrow Gas Pool in Eddy County, New Mexico, including provisions for 640-acre spacing and fixed well locations.

(3) That the Monsanto Dagger Draw Well No. 1, located 660 feet from the South line and 1980 feet from the East line of Section 6, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, is the only well presently completed in the subject pools.

(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

-2-

CASE No. 3243

Order No. R-2919

of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing should be promulgated for the Dagger Draw-Morrow Gas Pool.

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

(6) That in order to protect correlative rights, a well location in the NW/4 NE/4 of Section 7, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, no nearer than 660 feet to the North line of said Section 7 and no nearer than 330 feet to any other boundary of said quarter-quarter section should be authorized.

(7) That the temporary special rules and regulations for the Dagger Draw-Morrow Gas Pool 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 in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(8) 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 Dagger Draw-Morrow Gas Pool, at which time the operators in the subject pool should appear and show cause why the Dagger Draw-Morrow Gas Pool should not be developed on 320-acre spacing.

(9) That the first operator to obtain a pipeline connection for a well in the Dagger Draw-Morrow 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.

(10) That the applicant has not established that the proposed temporary special rules and regulations for the Dagger Draw-Strawn Gas Pool would prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, or otherwise prevent waste.

-3-

CASE No. 3243

Order No. R-2919

(11) That the applicant's request for special rules and regulations governing the Dagger Draw-Strawn Gas Pool should be denied.

IT IS THEREFORE ORDERED:

(1) That the applicant's request for special rules and regulations governing the Dagger Draw-Strawn Gas Pool in Eddy County, New Mexico, is hereby denied.

(2) That temporary special rules and regulations for the Dagger Draw-Morrow Gas Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
DAGGER DRAW-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Dagger Draw-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow 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 640 acres, more or less, consisting of a governmental section.

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 Lands Survey, 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 nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

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 Dagger Draw-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before July 1, 1965.

(2) That as an exception to the Special Rules and Regulations governing the Dagger Draw-Morrow Gas Pool, a well may be drilled in the NW/4 NE/4 of Section 7, Township 20 South, Range

-5-

CASE No. 3243

Order No. R-2919

25 East, NMPM, Eddy County, New Mexico, no nearer than 660 feet to the North line of said Section 7 and no nearer than 330 feet to any other boundary of said quarter-quarter section.

(3) That each well presently drilling to or completed in the Dagger Draw-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive a 320-acre allowable until a Form C-102 dedicating 640 acres to the well has been filed with the Commission.

(4) 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 Dagger Draw-Morrow Gas Pool, at which time the operators in the subject pool may appear and show cause why the Dagger Draw-Morrow Gas Pool should not be developed on 320-acre spacing units.

(5) That the first operator to obtain a pipeline connection for a well in the Dagger Draw-Morrow 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.


(6) 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


GUYTON B. HAYS, Member


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

S E A L

esr/