

Entered August 11, 1966
A.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. 3422
Order No. R-3103
NOMENCLATURE

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR CREATION OF A NEW POOL,
SPECIAL POOL RULES AND FOUR NON-STANDARD
PRORATION UNITS, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 29, 1966,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 11th day of August, 1966, 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, Pan American Petroleum Corporation,
seeks the creation of a new oil pool for Gallup production in San
Juan County, New Mexico, and the promulgation of special rules and
regulations governing said pool, including a provision for 160-
acre spacing units and specified well locations.

(3) That the applicant further seeks approval of the follow-
ing non-standard oil proration units in Township 28 North, Range
12 West, NMPM, San Juan County, New Mexico:

A 164.44-acre unit comprising Lots 2, 3, and 4
and the S/2 SW/4 of Section 9;

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A 176.14-acre unit comprising Lot 1 and the S/2 SE/4 of Section 9 and Lot 4 and the SW/4 SW/4 of Section 10;

A 163.29-acre unit comprising Lots 1, 2, and 3 and the SW/4 SE/4 and SE/4 SW/4 of Section 10; and

A 175.14-acre unit comprising the SE/4 SE/4 of Section 10 and the S/2 SW/4 and Lots 3 and 4 of Section 11.

(4) That the evidence fails to establish that one well in the proposed pool can efficiently and economically drain and develop 160 acres.

(5) That the evidence does indicate that one well in the proposed pool can efficiently and economically drain and develop 80 acres.

(6) That the horizontal limits, as requested by the applicant for the subject pool, have not been adequately established by wells producing from the Gallup formation in the subject area.

(7) That the application for 160-acre spacing and pool limits, as defined by the applicant, should be denied.

(8) That inasmuch as the Commission finds that the application for 160-acre spacing should be denied, it becomes unnecessary at this time for the Commission to rule upon the applicant's request for approval of the above-described four non-standard proration units.

(9) That the Pan American Petroleum Corporation Gallegos Canyon Unit Well No. 250, located in Unit N of Section 14, Township 28 North, Range 12 West, NMPM, San Juan County, New Mexico, has discovered a separate common source of supply which should be designated the Piñon-Gallup Oil Pool; that the vertical limits of said pool should be the Gallup formation; and that the horizontal limits of said pool should consist of:

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM
Section 14: SW/4 NE/4, S/2 NW/4, SW/4,
and W/2 SE/4
Section 15: SE/4 NE/4 and E/2 SE/4
Section 23: N/2 NW/4 and NW/4 NE/4

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(10) 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, special rules and regulations providing for 80-acre spacing units should be promulgated for the Piñon-Gallup Oil Pool.

(11) 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.

IT IS THEREFORE ORDERED:

(1) That the applicant's request for 160-acre spacing is hereby denied.

(2) That the application for pool limits, as defined by the applicant, is hereby denied.

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

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM
Section 14: SW/4 NE/4, S/2 NW/4, SW/4,
and W/2 SE/4
Section 15: SE/4 NE/4 and E/2 SE/4
Section 23: N/2 NW/4 and NW/4 NE/4

(4) That Special Rules and Regulations for the Piñon-Gallup Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
PIÑON-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Piñon-Gallup Oil Pool or in the Gallup formation within one mile thereof, and not nearer to or within the limits of another designated Gallup oil pool, shall be spaced, drilled, operated, and produced in

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accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections 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 non-standard 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 non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The 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 within 150 feet of the center of either governmental quarter-quarter section or lot.

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.

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 2.33 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

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The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Piñon-Gallup Oil Pool or in the Gallup 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 September 1, 1966.

(2) That each well presently drilling to or completed in the Piñon-Gallup Oil Pool or in the Gallup formation within one mile thereof shall receive a 40-acre allowable until a Form C-102 dedicating 80 acres to the well has been filed with the Commission.

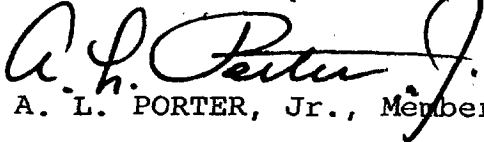
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


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

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