

*Entered July 18, 1967
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. 3598
Order No. R-3274
NOMENCLATURE

APPLICATION OF DUGAN PRODUCTION CORPORATION
FOR THE CREATION OF A NEW GAS POOL, SPECIAL
POOL RULES AND THREE UNORTHODOX GAS WELL
LOCATIONS, 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, 1967,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 18th day of July, 1967, 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, Dugan Production Corporation, is
the owner and operator of the Thomas A. Dugan Shiprock Lease
comprising all of Section 14, Township 30 North, Range 18 West,
NMPM, San Juan County, New Mexico.

(3) That the applicant seeks the creation of a new gas pool
for Gallup production and the promulgation of special rules and
regulations governing said pool, including a provision to authorize
exception to the pump-plug method of cementing required by Rule
107 (a) of the Commission Rules and Regulations.

(4) That the Thomas A. Dugan Shiprock Well No. 3, located in
Unit B of Section 14, Township 30 North, Range 18 West, NMPM, San
Juan County, New Mexico, has discovered a separate common source

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of supply which should be designated the North Shiprock-Gallup Gas Pool; that the vertical limits of said pool should be the Gallup formation; and that the horizontal limits of said pool should be the N/2 and SE/4 of Section 14, Township 30 North, Range 18 West, NMPM, San Juan County, New Mexico.

(5) That the applicant has not established the necessity for special rules and regulations governing the proposed pool, and therefore the proposed pool should be governed by the state-wide rules relative to the drilling, spacing, and production of gas wells.

(6) That the applicant cemented the production casing in the following three wells by pouring a cement and sand slurry down the annulus behind the 2 7/8-inch production casing:

TOWNSHIP 30 NORTH, RANGE 18 WEST, NMPM
SAN JUAN COUNTY, NEW MEXICO

LEASE	WELL NO.	LOCATION
Thomas A. Dugan Shiprock	5	1650 FNL and 1870 FEL of Section 14
Thomas A. Dugan Shiprock	7	990 FNL and 2310 FWL of Section 14
Thomas A. Dugan Shiprock	8	2310 FSL and 660 FEL of Section 14

(7) That the method of cementing employed by the applicant will adequately protect all oil- and/or gas-bearing strata encountered in the aforesaid wells provided the applicant performs additional cementing of the aforesaid casing in said Wells 5 and 7 sufficient to bring the cement to the surface.

(8) That the applicant also seeks approval of unorthodox gas well locations for the above-described three wells.

(9) That the subject wells were originally projected as oil wells for the production of oil from the Gallup formation and were drilled at standard oil well locations but were completed as gas wells for the production of gas from the Gallup formation.

(10) That approval of the requested unorthodox gas well locations will prevent waste and will not violate correlative rights.

(11) That the applicant further seeks authority, as an exception to Rule 403 of the Commission Rules and Regulations, to meter production from all wells on the aforementioned lease in the

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proposed Gallup gas pool through one meter and to allocate production to the individual wells on the basis of well tests.

(12) That there is common ownership of the working interest and common ownership of the royalty interest.

(13) That approval of the requested exception to said Rule 403 will allow the applicant to operate its Thomas A. Dugan Shiprock Lease in the most economic manner and will be in the interest of conservation, the prevention of waste and the protection of correlative rights provided the producing capability of each well is tested prior to commingling of production and yearly thereafter.

IT IS THEREFORE ORDERED:

(1) That a new pool in San Juan County, New Mexico, classified as a gas pool for Gallup production, is hereby created and designated the North Shiprock-Gallup Gas Pool, with vertical limits comprising the Gallup formation, and horizontal limits comprising the N/2 and SE/4 of Section 14, Township 30 North, Range 18 West, NMPM, San Juan County, New Mexico.

(2) That the applicant's request for the promulgation of special rules and regulations governing the aforesaid pool is hereby denied.

(3) That the applicant is hereby granted an exception to the pump and plug method of cementing required by Rule 107 (a) of the Commission Rules and Regulations to permit the cementing of the production casing in the following three wells by pouring a cement and sand slurry down the annulus behind the 2 7/8-inch casing:

TOWNSHIP 30 NORTH, RANGE 18 WEST, NMPM
SAN JUAN COUNTY, NEW MEXICO

LEASE	WELL NO.	LOCATION
Thomas A. Dugan Shiprock	5	1650 FNL and 1870 FEL of Section 14
Thomas A. Dugan Shiprock	7	990 FNL and 2310 FWL of Section 14
Thomas A. Dugan Shiprock	8	2310 FSL and 660 FEL of Section 14

PROVIDED HOWEVER, that the applicant shall perform additional cementing of the aforesaid casing in said Wells 5 and 7 sufficient to bring the cement to the surface;

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PROVIDED FURTHER, that the aforesaid additional cementing shall be completed on or before August 10, 1967, and the applicant, Dugan Production Corporation, shall notify the Aztec District Office of the Commission of the date and hour said recementing is to be commenced.

(4) That the applicant is hereby authorized unorthodox gas well locations in the North Shiprock-Gallup Gas Pool for the above-described three wells.

(5) That the applicant is hereby granted an exception to Rule 403 of the Commission Rules and Regulations to permit the metering of production from all gas wells on the aforementioned Thomas A. Dugan Shiprock Lease, North Shiprock-Gallup Gas Pool, through one meter and to allocate production to the individual wells on the basis of well tests;

PROVIDED HOWEVER, that the operator shall conduct a 24-hour test of each well prior to commingling of production, by flowing the well through the common meter, and yearly thereafter. Tests shall be reported to the Aztec District Office of the Commission within 30 days following completion of said tests;

PROVIDED FURTHER, that the aforementioned authority to meter gas production through one meter shall remain in effect only so long as the North Shiprock-Gallup Gas Pool remains an unprorated gas pool.

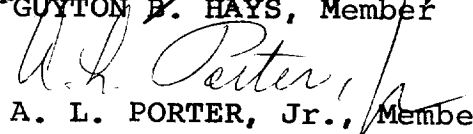
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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

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