

*Entered November 13, 1972
A.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. 4850
Order No. R-4434

APPLICATION OF DALPORT OIL
CORPORATION FOR AMENDMENT
OF THE DOUBLE L-QUEEN POOL
RULES, CHAVES COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 1, 1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of November, 1972, 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, Dalport Oil Corporation, is the operator of certain wells in the Double L-Queen Associated Pool, Chaves County, New Mexico.

(3) That by Order No. R-3981-A, the Commission promulgated Special Rules and Regulations for the Double L-Queen Associated Pool, including a provision for the classification of wells as oil wells or gas wells, providing for the dedication of 40 acres to oil wells and 160 acres to gas wells, and limiting the production from gas wells to that amount obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 40.

(4) That the applicant seeks the amendment of said special rules and regulations to provide for 40-acre spacing for oil wells and 320-acre spacing for gas wells.

(5) That the permeability and drainage characteristics of the Queen formation in the general area of the Double L-Queen Associated Pool indicate that one well will efficiently and economically drain the gas reserves underlying 320 acres.

(6) That the production from gas wells should continue to be limited, to avoid the possibility of reservoir damage and waste in the oil portion of the Double L-Queen Associated Pool.

(7) 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, the special rules and regulations for the Double L-Queen Associated Pool should be amended to provide for the dedication of 40 acres to oil wells and 320 acres to gas wells.

IT IS THEREFORE ORDERED:

(1) That Rules 2 and 3 of the Special Rules and Regulations for the Double L-Queen Associated Pool, as promulgated by Order No. R-3981-A, as amended, be and the same are hereby amended to read in their entirety as follows:

"RULE 2. (a) Each gas well shall be located on a tract comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision (half-section) of the U. S. Public Lands Survey. For purposes of these rules, a unit consisting of between 316 and 324 surface contiguous acres shall be considered a standard unit.

(b) Each oil well shall be located on a standard unit containing 40 acres, more or less, consisting of a governmental quarter-quarter section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 (a) 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 Land Surveys, 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 half 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 half 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."

(2) That Rule 7 of the Special Rules and Regulations for the Double L-Queen Associated Pool, as promulgated by Order No. R-3981-A, as amended, be and the same is hereby amended to read in its entirety as follows:

"RULE 7. An oil well which has 40 acres dedicated to it shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 40-acre oil proration unit, the operator may produce the allowable assigned to the 40-acre unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 40. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

IT IS FURTHER ORDERED:

(1) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing gas wells in the Double L-Queen Associated Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

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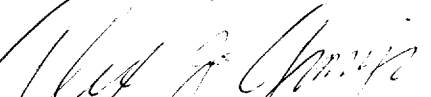
Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each gas well presently drilling to or completed in the Double L-Queen Associated Pool shall receive no more than one-half of a standard allowable for the pool.


(2) 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


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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

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