

Entered June 25, 1973
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. 4954
Order No. R-4555

NOMENCLATURE

APPLICATION OF CHACE OIL COMPANY
FOR POOL CREATION AND DOWN-HOLE
COMMINGLING AND SPECIAL POOL RULES,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 25, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 25th day of June, 1973, 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, Chace Oil Company, seeks the creation of a new oil pool for Gallup and Dakota production in Rio Arriba County, New Mexico, and the promulgation of temporary special rules and regulations governing said pool, including provisions for 160-acre spacing and proration units and limited well locations.

(3) That the applicant further seeks to have such temporary special pool rules apply to two drilling wells in Unit O of Section 21, Township 24 North, Range 4 West, and Unit E of Section 3, Township 23 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

(4) That Chace Oil Company's Jicarilla 70 Well No. 3, located in Unit C, Section 33, Township 24 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, has discovered a separate and common source of supply which should be designated the South Lindrith Gallup-Dakota Oil Pool; that the vertical limits of said pool should be the Gallup and Dakota formations and that the horizontal limits of said pool should be the NW/4 of said Section 33.

(5) That the evidence presently available indicates that

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one well in the South Lindrith Gallup-Dakota Oil Pool can efficiently and economically drain and develop 160 acres.

(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 units should be promulgated for the South Lindrith Gallup-Dakota Oil Pool.

(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 for the South Lindrith Gallup-Dakota Oil Pool should apply only to wells located within the horizontal limits of said pool except that they should immediately apply to the two Chace Oil Company wells described in Finding (3) above upon their completion as Gallup-Dakota oil wells.

(9) That this case should be reopened at an examiner hearing during the month of July, 1974, at which time operators in the South Lindrith Gallup-Dakota Oil Pool should appear and show cause why said pool should not be developed on 40-acre spacing.

IT IS THEREFORE ORDERED:

(1) That a new pool in Rio Arriba County, New Mexico, classified as an oil pool for Gallup and Dakota production, is hereby created and designated as the South Lindrith Gallup-Dakota Pool, consisting of the following described area:

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM
Section 33: NW/4

(2) That, effective July 1, 1973, Temporary Special Rules and Regulations for the South Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, are hereby promulgated as follows:

TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH LINDRITH GALLUP-DAKOTA OIL POOL

RULE 1. Each well completed or recompleted in the South Lindrith Gallup-Dakota Oil 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 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

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 consisting of less than 160 acres 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 no nearer than 330 feet to the outer boundary of the proration unit or to any governmental quarter-quarter section line nor nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

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 (158 through 162 acres) shall be assigned a 160-acre depth bracket allowable of 347 barrels for allowable purposes, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

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 160 acres.

IT IS FURTHER ORDERED:

(1) That the above pool rules shall apply only to wells completed within the horizontal limits of the South Lindrith Gallup-Dakota Oil Pool, provided however, that upon completion of applicant's wells in Unit O of Section 21, Township 24 North, Range 4 West, and Unit E of Section 3, Township 23 North, Range 4 West, NMPM, as Gallup-Dakota oil wells, said rules shall be applicable thereto prior to extension of the horizontal limits of the pool to include said wells.

(2) That the locations of all wells presently drilling to the South Lindrith Gallup-Dakota Oil Pool 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 July 1, 1973.

(3) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the South Lindrith Gallup-Dakota Oil Pool shall have dedicated thereto 160 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.

Failure to file new Forms C-102 with the Commission dedicating 160 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 well presently drilling to or completed in the South Lindrith Gallup-Dakota Oil Pool shall receive no more than one-fourth of a standard allowable for the pool.

(4) That this cause shall be reopened at an examiner hearing during the month of July, 1974, at which time the operators in the South Lindrith Gallup-Dakota Oil Pool may appear and show cause why said pool should not be developed on 40-acre spacing.

(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



I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member



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

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