

Entered July 28, 1982  
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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7619  
Order No. R-7034

APPLICATION OF MERRION OIL & GAS  
CORP. FOR POOL CREATION AND SPECIAL  
POOL RULES, RIO ARRIBA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 7, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of July, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Merrion Oil and Gas Corp., seeks the creation of a new Gallup Pool to comprise Sections 3, 4, 8, 9, 10, 14, and 15, Township 23 North, Range 6 West, and the promulgation of special rules therefor including 160-acre spacing for oil and gas, Rio Arriba County, New Mexico.
- (3) That the applicant is the operator of several wells within the proposed new Gallup pool.
- (4) That the evidence presented established that the proposed pool is an oil pool.
- (5) That the proposed Gallup oil pool was discovered by the Southern Union Exploration Company Yarborough Well No. 1 located in Unit J of Section 3, Township 23 North, Range 6 West, originally completed in the Gallup formation January 11, 1958, through perforations from 5540 to 5585.
- (6) That all of the Gallup oil wells within the proposed pool and within most of the Gallup oil pools in the general area

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are located as if 160-acre spacing units currently prevailed rather than the existing 40-acre spacing.

(7) That economic evidence presented relative to said wells showed that the average well in the general area expected to be completed in the proposed pool may be expected to be marginally profitable on 160-acre spacing.

(8) That there is insufficient engineering or geological evidence currently available upon which to base a finding that a well in the proposed pool will drain 160 acres.

(9) That creation of a new Gallup oil pool with temporary special pool rules providing for 160-acre proration units will permit operators to gather the engineering and geological data upon which to base such a determination while preventing the drilling of potentially unnecessary wells.

(10) That a new pool for Gallup oil production should be created, as requested by the applicant, to be designated as the Counselors-Gallup Oil Pool.

(11) That temporary special pool rules should be adopted for said Counselors-Gallup Oil Pool including provisions for 160-acre spacing and proration units.

(12) That this case should be reopened at an examiner hearing during August, 1985, at which time operators in said pool should appear and show cause why said pool should not be developed on spacing and proration units of less than 160 acres.

IT IS THEREFORE ORDERED:

(1) That a new pool for Gallup oil production is hereby created in Rio Arriba County, New Mexico, to be designated the Counselors-Gallup Oil Pool with vertical limits consisting of the Gallup formation and horizontal limits comprising the following described area:

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM  
Sections 3 and 4: All  
Sections 8 through 10: All  
Sections 14 and 15: All

(2) That the following temporary special pool rules are hereby adopted for said Counselors-Gallup Oil Pool:

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TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE  
COUNSELORS-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Counselors-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 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 Director of the Division 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 Director may approve the application upon receipt of written waivers from all offset operators or if no operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The 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 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 Director has received the application.

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RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a 160-acre depth bracket allowable in accordance with the statewide rules 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.

RULE 7. A limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil is established for the pool.

IT IS FURTHER ORDERED:

(1) That the location of all wells presently drilling to or completed in the Counselors-Gallup Oil Pool shall be approved; the operator of any well having an unorthodox location shall notify the Aztec Office of the Division in writing of the name and location of the well on or before October 1, 1982.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978 Comp., existing wells in the Counselors-Gallup Oil Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division 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 Counselors-Gallup Oil Pool or in the Gallup formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing during the month of August, 1985, at which time the operators in the Counselors-Gallup Oil Pool may appear and show cause why said pool should not be developed on less than 160-acre spacing with a depth bracket allowable in accordance with the statewide rules.

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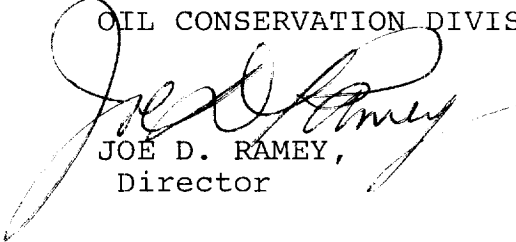
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(4) That the effective date of this order and the pool creation and special rules contained herein shall be August 1, 1982.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



JOE D. RAMEY,  
Director

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