

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. 8685
Order No. R-8090

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR THE CREATION OF A NEW
OIL POOL AND SPECIAL POOL RULES,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on August 28, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of December, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Dugan Production Corporation, seeks an order creating a new oil pool, the vertical limits to be from the top of the Gallup Sandstone member of the Mancos Formation to the top of the Greenhorn Limestone member of the Mancos Formation and for the promulgation of special pool rules therefor, including provisions for 80-acre spacing and proration units and well location requirements.
- (3) The applicant is the owner and operator of the December Dream Well No. 1 located 1060 feet from the North line and 1670 feet from the West line of Section 7, Township 23 North, Range 9 West, NMPM, San Juan County, New Mexico, plus twelve other wells in Township 23 North, Ranges 9 and 10 West, NMPM, San Juan County, New Mexico, all of which produce oil from the proposed new oil pool.
- (4) The evidence presently available from these wells indicates that the production from these thirteen wells is from a separate common source of supply within the vertical limits

as described in Finding Paragraph No. (2) above and that a new oil pool should therefore be created.

(5) The vertical limits of the new pool should be from the top of the Gallup Sandstone member of the Mancos Formation to the top of the Greenhorn Limestone member of the Mancos Formation from approximately 4095 feet to 5510 feet, respectively, as found on the type log from the aforesaid December Dream Well No. 1.

(6) The horizontal limits of said proposed pool should be as follows:

SAN JUAN COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 27: S/2 SW/4
Section 28: S/2 S/2
Section 32: E/2 E/2
Sections 33 and 34: All
Section 35: S/2

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Sections 1 through 3: All
Section 4: NE/4
Section 10: NE/4
Section 11: N/2, SE/4
Section 12: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 6: S/2
Sections 7 and 8: All

(7) The applicant proposes to designate the above-described pool as the Good Times Gallup Oil Pool, however, the name "Good Times" does not correspond to the Division's policy in referencing nearby geographical place names to a pool name and said pool should instead be designated the South Bisti-Gallup Oil Pool.

(8) In order to prevent the economic loss caused by the drilling of unnecessary wells, to encourage orderly development of the proposed pool, and to otherwise prevent waste and protect correlative rights, the evidence available indicates that the South Bisti-Gallup Oil Pool should be created with provisions for 80-acre spacing and proration units on a temporary basis.

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(9) The Temporary Special Rules and Regulations should provide for limited well locations in order to assure orderly development of the pool and to protect correlative rights.

(10) Said Temporary Special Rules and Regulations should be established for a two year period in order to allow the operator in the South Bisti-Gallup Oil Pool to gather reservoir information to establish whether the Temporary Rules and Regulations should be made permanent.

(11) This case should be reopened at an examiner hearing in December 1987, at which time the operators in the subject pool should be prepared to appear and show cause why the South Bisti Gallup Oil Pool should not be developed on 40-acre spacing and proration units.

(12) At the time of the hearing the applicant requested that a non-standard 40-acre oil spacing and proration unit, consisting of the SW/4 SW/4 of Section 1, Township 23 North, Range 10 West, NMPM, San Juan County, New Mexico, being contingent upon the approval of the South Bisti-Gallup Oil Pool Special Temporary Rules and Regulations, be granted to their Fairway Well No. 1, located 660 feet from the South and West lines of said Section 1.

(13) Said Fairway Well No. 1 was spudded January 14, 1985, and completed within the vertical limits of the proposed South Bisti-Gallup Oil Pool with a 40-acre dedication.

(14) Since no public notice of applicant's request for a non-standard 40-acre oil spacing and proration unit for said Fairway Well No. 1 was given, it is therefore beyond the scope of this case, and the request should therefore be denied.

(15) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the proposed South Bisti-Gallup Oil Pool shall have dedicated thereto 80 acres in accordance with the special Rules and Regulations; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may be granted non-standard spacing and proration units pursuant to Division rules and procedures.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in San Juan County, New Mexico, classified as an oil pool, is hereby created and designated the South Bisti-Gallup Oil Pool, with the vertical limits comprised of all formations from the top of the Gallup Sandstone member of

the Mancos Formation to the top of the Greenhorn Limestone member of the Mancos Formation as found from approximately 4095 feet to 5510 feet on the type log of the Dugan Production Corporation December Dream Well No. 1 located 1060 feet from the North line and 1670 feet from the West line of Section 7, Township 23 North, Range 9 West, NMPM, San Juan County, New Mexico; and with the horizontal limits consisting of the following described area:

SAN JUAN COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 27: S/2 SW/4
Section 28: S/2 S/2
Section 32: E/2 E/2
Sections 33 and 34: All
Section 35: S/2

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Sections 1 through 3: All
Section 4: NE/4
Section 10: NE/4
Section 11: N/2, SE/4
Section 12: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 6: S/2
Sections 7 and 8: All

(2) Temporary Special Rules and Regulations for the South Bisti-Gallup Oil Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE
SOUTH BISTI-GALLUP OIL POOL
SAN JUAN COUNTY, NEW MEXICO

RULE 1. Each well completed to or recompleted in the South Bisti-Gallup Oil Pool or in the Gallup formation as defined for this pool and within one mile of the South Bisti-Gallup Oil Pool, and not nearer to or within another designated Gallup pool shall be spaced, operated, drilled, and prorated in 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.

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 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 Division 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 Director has received the application.

RULE 4. To assure orderly development of the pool and to protect correlative rights each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the footage 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.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 222 barrels of oil per day. 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 THAT:

(1) The locations of all wells presently drilling to or completed in the South Bisti-Gallup Oil Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above within one mile thereof are hereby approved; the operator of any such well having an unorthodox oil well location shall notify the Aztec District Office of the Division in writing of the name and location of such well on or before January 31, 1986.

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(2) The request of the applicant, Dugan Production Corporation, for a 40-acre non-standard oil spacing and proration unit consisting of the SW/4 SW/4 of Section 1, Township 23 North, Range 10 West, NMPM, San Juan County, New Mexico, to be dedicated to their Fairway Well No. 1 located 660 feet from the South and West lines of said Section 1 is hereby denied.

(3) Pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, existing wells in the South Bisti-Gallup Oil Pool shall have dedicated thereto 80 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.

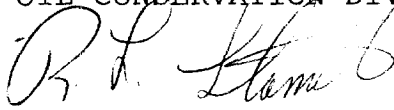
Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the South Bisti-Gallup Oil Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above or within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(4) This case shall be reopened at an examiner hearing in December 1987, at which time the operators in the subject pool may appear and show cause why the South Bisti-Gallup Oil Pool should not be developed on 40-acre spacing units.

(5) 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



R. L. STAMETS,
Director

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