

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. 9101
Order No. R-8424

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR AN EXCEPTION TO
RULE 5(a)2(2) OF DIVISION ORDER
NO. R-8170, AS AMENDED, SAN JUAN
AND RIO ARriba COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of May, 1988, 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) At the time of the hearing Division Case Nos. 9096, 9097, 9098, 9099, 9100, and 9101 were consolidated for the purpose of testimony.

(3) The applicant, Dugan Production Corporation, seeks an exception to Rule 5(a)2(2) of the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended, permitting the application of a full deliverability factor in the AD portion of the allowable formula for the Basin-Dakota Pool for the four previously approved 160-acre non-standard gas spacing and proration units as described in Exhibit "A", attached hereto and made a part hereof.

(4) In utilizing the current formula for calculating gas allocations in the Basin-Dakota Pool as contained in said Order No. R-8170, according to the testimony presented at the hearing there exists an inequity in that the gas allowable assigned to

a standard 320-acre gas proration unit (GPU) containing two wells is greater than the sum of the gas allowables assigned to two adjacent 160-acre GPU's of equal deliverability.

(5) The effect of granting the application would be to substitute a deliverability (D) factor in place of the acreage times deliverability (AD) factor contrary to the applicable pool rules and would create other inequities in the pool.

(6) This particular variation of GPU sizes is a common phenomenon in the Basin-Dakota Pool; therefore, a pool-wide rule change would be a more appropriate approach to solving this problem rather than filing exceptions in each case such as this.

(7) Granting this application would also invite numerous applications for similar treatment and would discourage rather than encourage the formation of standard 320-acre GPU's, all of which could disrupt the allocation of gas on an equitable basis in the pool.

(8) This application should therefore be denied.

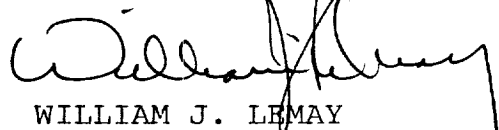
IT IS THEREFORE ORDERED THAT:

(1) The application of Dugan Production Corporation for an exception to Rule 5(a)2(2) of the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended, permitting the application of a full deliverability factor in the formula utilized in determining the allowable in the Basin-Dakota Pool for each of the four previously approved 160-acre non-standard gas spacing and proration units, as described in Exhibit "A", attached hereto and made a part hereof, is hereby denied.

(2) 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


WILLIAM J. LEMAY
Director

S E A L

EXHIBIT "A"
CASE NO. 9101
ORDER NO. R-8424

- A. The SW/4 of Section 14, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, approved by Division Order No. R-5066, dated July 22, 1975, and dedicated to the applicant's A New Dawn Well No. 1 located 1470 feet from the South line and 860 feet from the West line (Unit L) of said Section 14.
- B. The NE/4 of Section 34, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico, authorized under the grandfathering provisions set forth by Division Order No. R-1287, as amended by R-1287-A, R-1670-C (plus its subparts), and R-8170 (plus its subparts), and dedicated to the applicant's McAdams Well No. 3 located 1650 feet from the North line and 990 feet from the East line (Unit H) of said Section 34.
- C. The SE/4 of Section 34, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico, authorized under the grandfathering provisions set forth by Division Order No. R-1287, as amended by R-1287-A, R-1670-C (plus its subparts), and R-8170 (plus its subparts), and dedicated to the applicant's McAdams Well No. 2 located 1110 feet from the South line and 1010 feet from the East line (Unit P) of said Section 34.
- D. The NW/4 of Section 34, Township 28 North, Range 13 West, NMPM, San Juan County, New Mexico, approved by Division Order No. R-4418, dated October 10, 1972, and dedicated to the applicant's Fullerton Well No. 1 located 1850 feet from the North and West lines (Unit F) of said Section 34.