

Entered March 2, 1971
C.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. 4457
Order No. R-4084-A
NOMENCLATURE

APPLICATION OF TENNECO OIL COMPANY
FOR THE CREATION OF A NEW POOL,
ASSIGNMENT OF A DISCOVERY ALLOWABLE,
AND PROMULGATION OF SPECIAL POOL
RULES, MCKINLEY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 a.m. on February 17, 1971, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," and was continued to 9 a.m. on February 23, 1971.

NOW, on this 2nd day of March, 1971, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 after an examiner hearing, Commission Order No. R-4084, dated December 22, 1970, was entered creating the Lone Pine-Dakota "D" Oil Pool in McKinley County, New Mexico, assigning an oil discovery allowable to the discovery well, and denying the applicant's request for the promulgation of special pool rules governing said pool.

(3) That the applicant, Tenneco Oil Company, requested and was granted a hearing de novo before the Oil Conservation Commission.

(4) That the applicant, Tenneco Oil Company, seeks the creation of a new pool for the production of oil from the "D" zone of the Dakota formation, and the assignment of an oil discovery allowable to the discovery well.

(5) That the applicant further seeks the promulgation of special rules and regulations governing said pool, including a provision for 80-acre spacing units, with wells to be drilled in either quarter-quarter section.

(6) That the evidence presently available indicates that the Tenneco Oil Company Don Ne Pah Well No. 1, located in Unit D of Section 18, Township 17 North, Range 8 West, NMPM, McKinley County, New Mexico, having its top perforations at 2827 feet, has discovered a separate common source of supply which should be designated the Lone Pine-Dakota "D" Oil Pool; that the vertical limits of said pool should be the "D" zone of the Dakota formation as found in the interval from 2792 feet to 2834 feet on the log of the aforesaid Don Ne Pah Well No. 1, and that the horizontal limits of said pool should comprise the following-described lands:

McKINLEY COUNTY, NEW MEXICO
TOWNSHIP 17 NORTH, RANGE 8 WEST, NMPM
Section 18: N/2, SW/4, and W/2 SE/4

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM
Section 13: NE/4 and S/2
Section 24: N/2 NE/4

(7) That the above-described discovery is the deepest oil production in McKinley County.

(8) That the discovery well for said pool, the aforesaid Tenneco Oil Company's Don Ne Pah Well No. 1, is entitled to and should receive a bonus discovery oil allowable in the amount of 28,270 barrels, based upon the top perforations in said well at 2827 feet, to be assigned over a two-year period.

(9) That the applicant has established that one well in the Lone Pine-Dakota "D" Oil Pool can efficiently and economically drain and develop 80 acres.

(10) That in order to prevent the economic loss caused by 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, special rules and regulations providing for 80-acre spacing units should be promulgated for the Lone Pine-Dakota "D" Oil Pool; that the rules should provide that a well may be drilled in either or both of the quarter-quarter sections; and that a 40-acre proportional factor of 1.00 should remain in effect in the pool until such time as the pool has a gas gathering facility or the gas is being reinjected and thereafter an 80-acre proportional factor of 2.00.

(11) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(12) That Order No. R-4084 should be superseded.

IT IS THEREFORE ORDERED:

(1) That a new pool in McKinley County, New Mexico, classified as an oil pool for the production of oil from the "D" zone of the Dakota formation, is hereby created and designated the Lone Pine-Dakota "D" Oil Pool, with vertical limits comprising the "D" zone of the Dakota formation as found in the interval from 2792 feet to 2834 feet on the log of the Tenneco Oil Company Don Ne Pah Well No. 1, located in Unit D of Section 18, Township 17 North, Range 8 West, NMPM, McKinley County, New Mexico, and horizontal limits comprising the following-described area:

McKINLEY COUNTY, NEW MEXICO
TOWNSHIP 17 NORTH, RANGE 8 WEST, NMPM
Section 18: N/2, SW/4, and W/2 SE/4

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM
Section 13: NE/4 and S/2
Section 24: N/2 NE/4

(2) That the discovery well, the aforesaid Tenneco Oil Company Don Ne Pah Well No. 1, is hereby authorized an oil discovery allowable of 28,270 barrels to be assigned to said well at the rate of 39 barrels per day in accordance with Rule 509 of the Commission Rules and Regulations.

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(3) That Special Rules and Regulations for the Lone Pine-Dakota "D" Oil Pool, McKinley County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
LONE PINE-DAKOTA "D" OIL POOL

RULE 1. Each well completed or recompleted in the Lone Pine-Dakota "D" Oil Pool or in the "D" zone of the Dakota formation within one mile thereof, and not nearer to or within the limits of another designated Dakota "D" zone 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 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

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 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 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 closer than 330 feet to a quarter-quarter section line nor closer 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 (79 through 81 acres) shall be assigned a 40-acre proportional factor of 1.00 for allowable purposes until such time as the pool has a gas gathering facility or the gas is being reinjected and thereafter an 80-acre proportional factor of 2.00, and in the event there is more than one well on an 80-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 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Lone Pine-Dakota "D" Oil Pool or in the "D" zone of the Dakota formation within one mile thereof 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 April 1, 1971.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Lone Pine-Dakota "D" Oil Pool shall have dedicated thereto 80 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 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the effective

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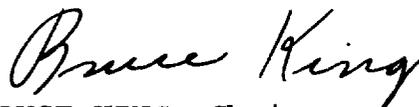
date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Lone Pine-Dakota "D" Oil Pool or in the "D" zone of the Dakota formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That Order No. R-4084, dated December 22, 1970, is hereby superseded.

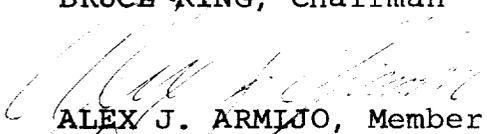
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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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