

Entered April 29, 1975

A.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. 5453
Order No. R-5002

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR A NON-STANDARD GAS
PRORATION UNIT AND DOWNHOLE COMMINGLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 2, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of April, 1975, 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, Dugan Production Corporation, seeks approval of a 160-acre non-standard gas proration unit comprising the SW/4 of Section 14, Township 24 North, Range 5 West, NMPM, Basin-Dakota Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit L of said Section 14.

(3) That the applicant has made no attempt to achieve voluntary communitization with the owner of offsetting acreage to form a standard proration unit.

(4) That the application for the above-described non-standard gas proration unit should be denied.

(5) That the applicant further seeks authority to complete said well in such a manner as to commingle Otero-Gallup Oil and Basin-Dakota Gas production within the wellbore of the above-described well.

(6) That from the Otero-Gallup Oil zone, the subject well is projected to be capable of low marginal production only.

(7) That from the Basin-Dakota Gas zone, the subject well is projected to be capable of marginal production only.

(8) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate relative rights.

(9) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(10) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(11) That the applicant should cooperate with the supervisor of Aztec district office of the Commission to determine a proper formula for the allocation of the commingled production.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to complete a well on its Sunset Lease to be located in Unit L of Section 14, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, in such a manner as to commingle Otero-Gallup Oil and Basin-Dakota Gas production within the wellbore of the above-described well.

(2) That the operator of said well shall contact the supervisor of the Aztec district office of the Commission prior to the recompletion of said well to establish the procedures to be used to determine a formula for the allocation of production to the two zones.

(3) That no allowable will be assigned to said well until a proper allocation formula has been determined and filed with the Santa Fe office of the Commission.

(4) That the operator of the subject well shall immediately notify the Commission's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

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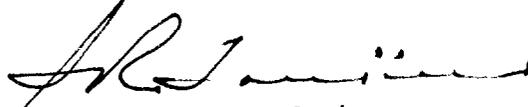
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(5) That the application of Dugan Production Corporation for a 160-acre non-standard gas proration unit in the Basin-Dakota Pool comprising the SW/4 of Section 14, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby denied.

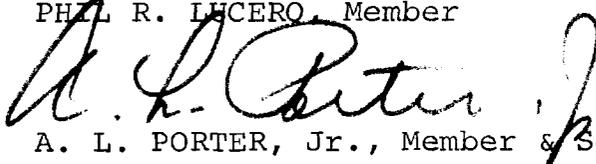
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


PHIL R. LUCERO, Member


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

S E A L

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