

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

In the matter of the petition of the Southern Union Production Company for an order fixing the spacing of wells in the Kuts Canon-Pulcher Basin Gas fields of San Juan County (as they may be extended) on the basis of one well to a drilling unit of approximately 160 acres with suitable provisions for any related matters, including special approval of non-conforming well locations where necessary.

ORDER NO. _____

CASE NO. 126

WHEREAS, after due notice as required by law the Commission held a public hearing in Santa Fe on February 17, 1948, to consider the petition of Southern Union Production Company for the adoption of an order fixing the spacing of wells hereafter drilled in the Kuts Canon-Pulcher Basin gas fields, San Juan County, New Mexico, and related matters; and

WHEREAS, the Commission having considered the evidence adduced at such hearing, pertinent information otherwise available in the Commission's records, the statements made and viewpoints expressed by interested parties at or in connection with such hearing,

FINDS, from the evidence adduced:

A. That the Kuts Canon and Pulcher Basin gas fields are productive of natural gas from the Pictured Cliff sandstone formation, that such fields are contiguous and from all information available to date appear to be one continuous gas producing area or pool in the Pictured Cliff, with a total of over 75 producing gas wells at the present time;

B. That such pool has produced natural gas for more than 15 years, during which time the average of well-head pressures has declined to approximately 385 P.S.I. gauge from an initial field pressure of approximately 585 P.S.I. gauge, the difference indicating the substantial quantities of gas heretofore produced from the pool;

C. That by reason of rules of this Commission previously applicable to the pool, of the general practices of certain operators in the area and of policies of the U. S. Geological Survey (having jurisdiction over oil and gas practices

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affecting the substantial federal acreage involved), a fairly uniform spacing of one well to 160 acres has heretofore prevailed in the pool;

D. That one well will, except in unusual instances, economically and effectively drain the recoverable gas in an orderly manner from at least 160 acres of the Pictured Cliff pool and, accordingly, that more dense spacing in the pool will, as a general rule, result in waste or in unnecessary hazards conducive to waste and unnecessarily increase the costs of development and production;

E. That, except in unusual instances, the volume of recoverable gas in the pool does not under existing conditions afford economic justification for the drilling of wells on units of less than 160 acres, more dense spacing being, therefore, likely to result in retardation of development, premature abandonment of wells and in other conditions wasteful or conducive to waste;

F. That for wells hereafter drilled a general spacing pattern of one centrally located well on a unit of 160 acres, substantially in the shape of a square, is required to protect the equities of those having interests in wells heretofore drilled on 160-acre tracts, for which general spacing pattern the pooling of properties should be encouraged when necessary;

G. That the gas productive area of the pool is likely to be substantially more extensive, in one or more directions, than the presently developed portion thereof;

H. That the definition of the pool, contained herein, is reasonable and is necessary to the efficacy of this spacing order; and

I. That waste will result in the drilling of wells in the pool, as herein after defined, unless special rules and regulations are adopted for the prevention thereof, and that the special rules and regulations provided below are necessary to prevent such waste and hazards conducive to waste, to protect present equities and to provide for the orderly development and operation of such pool, as it may be extended.

WHEREFORE, IT IS ORDERED that, effective immediately, the following rules and regulations shall apply to wells hereafter authorized by the Commission to be drilled or completed or recompleted to the Pictured Cliff pool in the Kuts

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Cannon-Fulcher Basin area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not in conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit with respect to a well shall be granted or drilling location otherwise permitted to become effective, unless

(a) such well be located on a designated drilling unit of not less than one hundred sixty (160) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or authorized for completion, in the pool;

(b) such drilling unit be in the shape of a square except for normal variations in legal subdivisions of the United States Land Surveys; and

(c) such well be located on its drilling unit at a distance from the outside unit boundaries of not less than seven hundred fifty feet (750'); provided, if such proposed new well is to be an offset to any then producing gas well completed in the pool, or the drilling of which was authorized, prior to the effective date of this order, located on an adjoining unit in which the interests are not identical with those in the unit proposed to be drilled, such proposed well may be located and drilled offsetting the existing well and as close to the common unit boundary line as the well to be so offset.

Section 2. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conform-

ing to the requirements of Section 1 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, and shall also find one or more of the following conditions to exist:

(a) that consolidation or pooling of the property sought to be drilled with necessary adjoining land, notwithstanding diligent efforts made in good faith, is impossible or impractical;

(b) that the property sought to be drilled is located within a then developed portion of the pool and its non-conforming size or shape is due to the adjoining developed properties in the pool;

(c) that because of the nature of the terrain, location of the proposed well at a lesser distance from one of the outer boundaries of its drilling unit should be permitted; or

(d) that by reason of the location of the property sought to be drilled along the southwest or northeast flank of a developed portion of the area; it appears improbable that gas which can be produced in paying quantities will be encountered if the well conforms to Section 1, in which case the Commission may modify the requirements of Section 1 as to such well to the extent it deems necessary; provided, it shall be the general policy of the Commission in any such case to require the pooling of properties to consolidate interests in at least 160 acres if practical to do so, whether or not in the shape of a square, and to require that the well be located, if practical to do so, at least thirteen hundred twenty feet (1320') from each other well completed, or authorized for completion, in the pool;

or, irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, hazards conducive to waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

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The Commission reserves the right to impose any and all reasonable conditions upon the granting of any such exception, and to take all other proper actions in the exercise of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the New Mexico Nomenclature Committee approved and adopted by this Commission, the Pictured Cliff gas producing pool in the Kutz Canon-Pulcher Basin area, to which this order applies, is defined to include initially the following described land in San Juan County, New Mexico:

Township 30 North, Range 12 West

Sections 28, 29, 30,
32, 33, 34: All
Sections 19 & 20 : $S\frac{1}{2}$
Section 31 : $N\frac{1}{2}$ & $SE\frac{1}{4}$
Section 35 : $S\frac{1}{2}$ & $NW\frac{1}{4}$
Section 36 : $S\frac{1}{2}$
Section 27 : $S\frac{1}{2}$ & $NW\frac{1}{4}$

Township 29 North, Range 12 West

Sections 1, 2, 3, 10,
11, 12, 13: All
Sections 4 & 24 : $N\frac{1}{2}$ & $SE\frac{1}{4}$
Section 14 : $N\frac{1}{2}$
Section 15 : $N\frac{1}{2}$

Township 29 North, Range 11 West

Sections 7, 18, 19,
20, 21, 28,
29, 33, 34: All
Section 6 : $SW\frac{1}{4}$
Sections 16 & 26 : $SW\frac{1}{4}$
Section 27 : $S\frac{1}{2}$ & $NW\frac{1}{4}$
Section 35 : $W\frac{1}{2}$ & $SE\frac{1}{4}$
Section 17 : $S\frac{1}{2}$
Sections 30 & 32 : $E\frac{1}{2}$ & $NW\frac{1}{4}$

Township 28 North, Range 11 West

Sections 11, 12, 13,
14, 24 : All
Sections 10 & 15 : $E\frac{1}{2}$
Section 22 : $NE\frac{1}{4}$
Section 23 : $N\frac{1}{2}$ & $SE\frac{1}{4}$
Section 25 : $E\frac{1}{2}$

Township 28 North, Range 10 West

Sections 7, 18, 19,
20, 29, 30,
32, 28, 33: All
Section 21 : $SW\frac{1}{4}$
Section 34 : $W\frac{1}{2}$

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Township 27 North, Range 10 West
 Section 4 : All
 Section 3 : W $\frac{1}{2}$

and also to include, without the necessity of further action by the Committee or this Commission, all additional lands located within three-fourths ($\frac{3}{4}$) mile of any part of a drilling unit established hereunder which includes land in the pool as it is initially defined or as it may be extended by the application of this provision; provided, however, that such pool shall in no event be automatically extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool or field in the Pictured Cliff; provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Kutz Canon-Pulcher Basin pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from the Pictured Cliff.

Entered and adopted by the Oil Conservation Commission this _____ day of _____, 1948.

 Chairman

 Commissioner

 Commissioner

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