

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9396
Order No. R-8694

APPLICATION OF BCO, INC. FOR
A NON-STANDARD OIL PRORATION
UNIT, RIO ARRIBA COUNTY, NEW
MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of July, 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) The applicant, BCO, Inc., seeks an order modifying the standard 40-acre spacing requirements for its State "J" Well No. 1 located 540 feet from the North line and 820 feet from the East line (Unit A) of Section 16, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, which is presently completed as an oil well in both the Undesignated Lybrook-Gallup Oil Pool and Graneros formation (DHC-672) and dedicated to the NE/4 NE/4 of said Section 16, by permitting the dedication of an additional 40 acres (NW/4 NE/4) to said unit, thereby forming a non-standard 80-acre oil spacing and proration unit consisting of the N/2 NE/4 of said Section 16; and making said order retroactive to the date of first production, October 13, 1987.

(3) Prior to the hearing the Graneros zone in the subject well was temporarily abandoned and that portion of this application seeking special provisions for Graneros production from the subject well should be dismissed.

(4) The subject well is within one mile of the outer boundary of the Lybrook-Gallup Oil Pool which was established on August 1, 1962 and, for a period of two years, was governed by Special Rules and

Regulations as promulgated by Division Order No. R-2267 and R-2267-A, which provided for 320-acre spacing for gas wells and 80-acre spacing for oil wells. By Division Order No. R-2267-B, dated September 8, 1964, said Special Rules were abolished based on evidence concerning the reservoir characteristics within the pool.

(5) Since September 8, 1964, said pool has been governed by statewide rules which require 40-acre oil spacing and proration units.

(6) The applicant failed to present sufficient geological and engineering evidence and testimony to show that the subject well is capable of adequately draining the proposed 80-acre non-standard proration unit.

(7) The applicant's request for an 80-acre non-standard oil spacing and proration unit for its State "J" Well No. 1 should be denied.

IT IS THEREFORE ORDERED THAT:

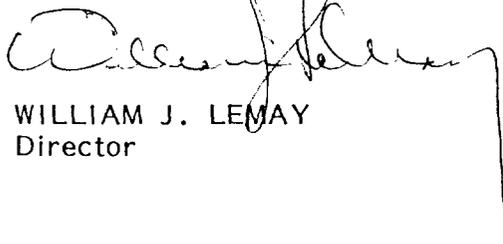
(1) The application of BCO, Inc., for an order modifying the standard 40-acre spacing requirements for its State "J" Well No. 1 located 540 feet from the North line and 820 feet from the East line (Unit A) of Section 16, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, which is presently completed as an oil well in both the Undesignated Lybrook-Gallup Oil Pool and Graneros formation (DHC-672) and dedicated to the NE/4 NE/4 of said Section 16, by permitting the dedication of an additional 40 acres (NW/4 NE/4) to said unit, thereby forming a non-standard 80-acre oil spacing and proration unit consisting of the N/2 NE/4 of said Section 16; and making said order retroactive to the date of first production, October 13, 1987, 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
described.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director