

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. 8039
Order No. R-7435

APPLICATION OF MERRION OIL AND GAS
CORPORATION FOR SPECIAL POOL RULES,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on January 18, 1984, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of January, 1984, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Merrion Oil and Gas Corporation, as owner of a large portion of the lands and approximately fifty percent of the active wells in the Dufers Point Gallup Dakota Oil Pool, San Juan County, New Mexico, seeks the promulgation of special pool rules for said pool, including a provision for 160-acre spacing and proration units.

(3) That said pool was discovered by the Royal Development Company's Paquenche Well No. 2, located 1650 feet from the North line and 850 feet from the East line of Section 3, Township 24 North, Range 8 West, NMPM, San Juan County, New Mexico, as a Dakota formation completion in July, 1958, and was originally designated as a Dakota oil pool, but since that time has been developed in the Gallup, Graneros, and Dakota formations, with formal consolidation of the aforesaid formations into a single pool occurring June 1, 1972, with the establishment of the

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Dufers Point Gallup-Dakota Oil Pool by Division Order No. R-4311.

(4) That defacto development in said pool has been on 160-acre or greater well locations.

(5) That little if any reservoir pressure work has been conducted in said pool despite its age and state of development.

(6) That the wide variation in reservoir conditions encountered in the various wells in the pool, including the presence and non-presence of the numerous pay zones (from the Gallup down through the Dakota) make reservoir analyses difficult if not impossible to perform.

(7) That there are various other oil pools in the San Juan Basin of northwestern New Mexico producing from these same formations which have been developed and produced successfully on 160-acre spacing and proration units.

(8) That the reservoir characteristics of the Dufers Point Gallup-Dakota Oil Pool are essentially the same as the reservoir characteristics in the aforesaid other oil pools.

(9) That the economics of drilling and producing wells in the subject pool are such that development on any spacing other than that which has voluntarily been used by the operators in the pool for over 20 years would probably result in non-profitable wells in said pool.

(10) That there are numerous undrilled locations within the Dufers Point Gallup-Dakota Oil Pool which may well be economically drilled, pursuant to continuation of the previously adopted 160-acre well spacing pattern on an official basis.

(11) That the promulgation of special rules and regulations for the Dufers Point Gallup-Dakota Oil Pool, including a provision for 160-acre spacing and proration units, is in the interest of conservation, will prevent waste and protect correlative rights, and should be approved.

(12) That special non-standard proration unit provisions should be made for the Noel Reynolds Paquenche Well No. 3, located on a 40-acre lease in the NE/4 NW/4 of Section 10, Township 24 North, Range 8 West, NMPM, San Juan County, New Mexico.

IT IS THEREFORE ORDERED:

(1) That Special Rules and Regulations for the Dufers Point Gallup-Dakota Oil Pool, San Juan County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
DUFERS POINT GALLUP-DAKOTA OIL POOL

RULE 1. Each well completed or recompleted in the Dufers Point Gallup-Dakota 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 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Division Director 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 consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. 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 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 Director has received the application.

RULE 4. Each well shall be located no nearer than 330 feet to the outer boundary of the proration unit or to any governmental quarter-quarter section line nor nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Division 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

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application by registered or certified mail, and the application shall state that such notice has been furnished. The 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 Director has received the application.

RULE 6. A standard proration unit (158 through 162 acres) shall be assigned a depth bracket allowable of 347 barrels, subject to the market demand percentage factor, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit in any proportion.

The allowable assigned to a non-standard unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

RULE 7. The limiting gas-oil ratio for the Dufers Point Gallup-Dakota Oil Pool shall be 2000 cubic feet of gas per barrel of oil produced.

IT IS FURTHER ORDERED:

(2) That the locations of all wells presently drilling to or completed in the Dufers Point Gallup-Dakota Oil Pool are hereby approved; that the operator of any well having an unorthodox location shall notify the Aztec District Office of the Division in writing of the name and location of the well on or before March 1, 1984.

(3) That, pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws 1969, Chapter 271, existing oil wells in the Dufers Point Gallup-Dakota Oil Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the 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

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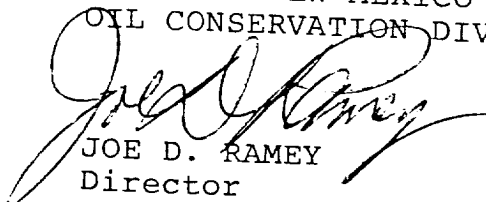
in the Dufers Point Gallup-Dakota Oil Pool shall receive no more than one-fourth of a standard allowable for the pool.

(4) That the Division Director shall, upon written notification from Noel Reynolds that he wishes to continue the dedication of but 40 acres to his Paquenche Well No. 3 in the NE/4 NW/4 of Section 10, Township 24 North, Range 8 West, NMPM, approve a non-standard 40-acre proration unit to be dedicated to said well.

(5) That 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


JOE D. RAMEY
Director

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