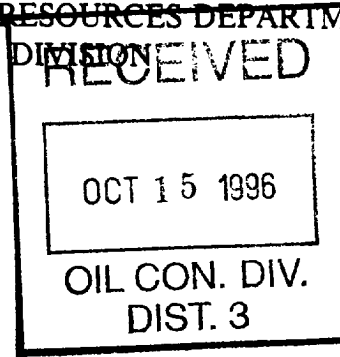


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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



Case 11586

APPLICATION OF AMOCO PRODUCTION COMPANY FOR AN UNORTHODOX
"INFILL" GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, SAN
JUAN COUNTY, NEW MEXICO.

ORDER NO. R-10682 and
DIVISION ADMINISTRATIVE ORDER NSL-3717

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 8, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of October, 1996 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) On July 16, 1996 Amoco Production Company ("Amoco") filed with the New Mexico Oil Conservation Division ("Division"), an application for an exception to Division General Rule 104.D(3) to continuously and concurrently produce Ute Dome-Dakota Pool gas production from both its proposed Ute Indians "A" Well No. 22, to be drilled at a standard gas well location in the NW/4 equivalent of Section 2, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico, and from its existing Ute Indians "A" Well No. 17 (API No. 30-045-24604), located at a standard gas well location 1120 feet from the North and West lines (Lot 4/Unit D) of said Section 2, and for the simultaneous dedication of both wells to the 160.24-acre gas spacing and proration unit

comprising Lots 3 and 4 and the E/2 NW/4 (NW/4 equivalent) of said Section 2.

(3) The Ute Dome-Dakota Pool is at this time considered an "unprorated gas pool" and therefore is not governed by the "*General Rules for the Prorated Gas Pools of New Mexico*", as promulgated by Division Order No. R-8170, as amended. The Ute Dome-Dakota Pool is therefore subject to the Division's Statewide Rule 104.C(3)(a), which require standard 160-acre gas spacing and proration units with wells to be located no closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

(4) The Ute Indians "A" Well No. 17 was drilled in 1981 and completed in the Ute Dome-Dakota Pool. Its location 1120 feet from the North and West lines of said Section 2 was based on established and surveyed section lines to the east and projected into the then unsurveyed Ute Mountain Indian Reservation. According to the evidence presented by the applicant and to records on file with the State of New Mexico, the Chief Cadastral Surveyor for New Mexico accepted on behalf of the United States Department of the Interior - Bureau of Land Management on April 27, 1987 an official survey of Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico.

(5) Pursuant to the 1987 survey the location of the Ute Indians "A" Well No. 17 is actually 1150 feet from the North line and 1050 feet from the West line (Lot 4/Unit D) of said Section 2, which is still considered to be a standard gas well location for this pool.

(6) On August 8, 1996, immediately after the hearing and upon the hearing examiner's request, Amoco submitted a request for administrative review of its application for the subject Ute Indians "A" Well No. 22 to be drilled at an unorthodox gas well location, based on the 1987 survey, 1880 feet from the North line and 2150 feet from the West line (Unit F) of said Section 2.

(7) Since issues common to both applications were discussed on the record at the time of the examiner's hearing both applications should be jointly considered, reviewed, and, if applicable, a single order by the Division should be issued for clerical and administrative purposes.

(8) As indicated by Amoco with its administrative request filed pursuant to the provisions of Division General Rule 104.F, revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996 and through testimony and evidence presented at the time of the hearing, necessity for the unorthodox location of the proposed Ute Indians "A" Well No. 22 is both geologic and topographic:

(a) Geologically, the gas bearing Dakota interval in the immediate area indicates a dome that is shattered and broken

up with numerous faults. Seismic data available to Amoco indicates the existence of a southwest/northeast trending fault between the existing Ute Indians "A" Well No. 17 and the proposed Ute Indians "A" Well No. 22 and without the second well the Dakota interval to the east of this fault would not be adequately drained by the existing well.

(b) Topographically, it is deemed advantageous to both surface use agencies involved in this matter, the United States Bureau of Land Management and the Ute Mountain Ute Indian Tribe, to utilize existing drilling pads where available. In this particular instance the Amoco Ute Indians "A" Well No. 7 (API No. 30-045-11049), a Ute Dome-Paradox Pool gas producing well, is situated within the SE/4 NW/4 (Unit F) of said Section 2 at an accessible location to accommodate the proposed Ute Indians "A" Well No. 22.

(9) All of said Section 2 and all immediate offsetting sections are included within a single 4,200-acre lease from the Ute Mountain Ute Indians to Amoco, therefore, no other interest owners or properties are adversely affected by the proposed unorthodox "infill" gas well location or the inclusion of a second well on the existing 160.24-acre Ute Dome-Dakota Pool gas spacing and proration unit.

(10) Approval of the subject application is in the best interest of conservation, exhibits sound reservoir engineering practices, will not violate correlative rights, will afford the applicant the opportunity to produce its just and equitable share of the gas in the Ute Dome-Dakota Pool, and will serve to prevent waste.

IT IS THEREFORE ORDERED THAT:

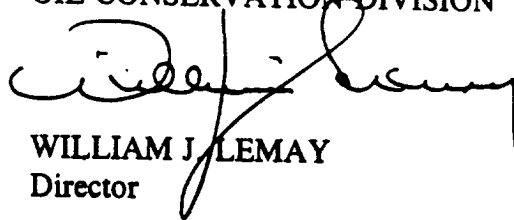
(1) The application of Amoco Production Company to drill its Ute Indians "A" Well No. 22 at an unorthodox "infill" gas well location in the Ute Dome-Dakota Pool, 1880 feet from the North line and 2150 feet from the West line (Unit F) of Section 2, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico is hereby approved.

(2) The applicant's request for an exception to Division General Rule 104.D(3) to continuously and concurrently produce Ute Dome-Dakota Pool gas production from both its proposed Ute Indians "A" Well No. 22 and from its existing Ute Indians "A" Well No. 17 (API No. 30-045-24604), located at a standard gas well location 1150 feet from the North line and 1050 feet from the West line (Lot 4/Unit D) of said Section 2, and for the simultaneous dedication of both wells to the 160.24-acre gas spacing and proration unit comprising Lots 3 and 4 and the E/2 NW/4 (NW/4 equivalent) of said Section 2, is also approved.

(3) 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



WILLIAM J. LEMAY
Director

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