

CASE 3677: Application of DUGAN
PRODUCTION FOR SPECIAL RULES FOR
THE SALT CREEK-DAKOTA OIL POOL.

CASE No.

3677

Application,

TRANSCRIPTS,

SMALL Exhibits

ETC.

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

November 13, 1967


Mr. Thomas A. Dugan
Dugan Production Corporation
Post Office Box 234
Farmington, New Mexico 87401

Re: Case No. 3677
Order No. R-3338
Applicant:
DUGAN PRODUCTION CORP.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,


A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

Other _____

Post Office Box 234
Zip Code 87401

DUGAN PRODUCTION CORP.

THOMAS A. DUGAN, President

709 BLOOMFIELD RD.
FARMINGTON, NEW MEXICO
September 27, 1967

TELEPHONE: 325-9184 Office
325-5691 Home

Area Code 505

*Oct 25
long
Case 3677*

A. L. Porter
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

I am requesting the New Mexico Oil Conservation Commission to establish special pool rules for the Salt Creek Dakota oil pool in Sections 4 & 5, T 30 N, R 17 W, San Juan County, New Mexico. We are requesting 2 1/2 acre spacing with the following provisions:

1. Each well completed or recompleted in the Salt Creek Dakota oil pool or the Dakota formation within 1 mile thereof shall be spaced, drilled, operated and produced in accordance with the special rules and regulations hereinafter set forth.
2. Each well shall be located no nearer than 165' to the outer boundary of the quarter-quarter section on which it is located and no nearer than 200' to any other well producing from the same pool.
3. A 40-acre proration unit shall not produce in excess of the 40-acre top unit allowable for wells in the 0 - 5000' depth range in Northwest New Mexico, regardless of the number of wells on the unit.

Sincerely,

Thomas A. Dugan
Thomas A. Dugan

sc

MAILED 10

67 SEP 28 PM 2

DOCKET MAILED

Date 10-11-67

Cash. 3677

Heard. 10-25-67

Rec. 10-30-67

Grant Dugan and 2^{1/2} ac. spanning
order for. the Salt Creek - Hokatan
oil Pool.

Use. Order R-3252 as guide.

Use 200 from any other well rather
than 300 as in Rule 2 of above order.

The present Pool limit. is.

30 N-17 W.

SW NW - 4

NW SW - 4

SE NE - 5

NE SE - 5

Take 1 mile rule will give line
the use of sec. 4 & 5 as requested.

John D. Dugan

April 7, 1967, to August 3, 1967, to their Irene Brainard Well No. 1 located in Unit E of Section 20, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, said period being from the date of completion of the well to the date of approval by the Federal Power Commission for the sale of gas from said well.

CASE 3673: Application of Ralph Lowe for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates formation in the interval 2964 feet to 2982 feet in his Humble State Well No. 1 located in Unit G of Section 36, Township 25 South, Range 36 East, Jalmat Pool, Lea County, New Mexico.

CASE 3674: Application of Robert N. Enfield for the amendment of Order No. R-3189, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3189 which pooled all mineral interests in the Chaveroo-San Andres Pool underlying the NW/4 NW/4 of Section 11, Township 8 South, Range 33 East, Chaves County, New Mexico. Applicant specifically seeks the amendment of paragraph (9) of Order No. R-3189 to fix \$125.00 per month as a reasonable charge for supervision and operational overhead for the subject well and to authorize the applicant to withhold from production the proportionate share of said \$125.00 and the proportionate share of actual operating costs of said well attributable to each non-consenting working interest.

CASE 3675: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Hackberry Yates Unit Area comprising 720 acres, more or less, of Federal Lands in Sections 23 and 24, Township 19 South, Range 30 East, Eddy County, New Mexico.

CASE 3676: Application of Gulf Oil Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Yates formation through eight wells in Sections 23 and 24, Township 19 South, Range 30 East, North Hackberry-Yates Pool, Eddy County, New Mexico.

CASE 3677: Application of Dugan Production Corporation for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Salt Creek-Dakota Oil Pool, San Juan County, New Mexico, to permit the drilling of wells on 2 1/2 acre spacing provided that no well be located nearer than 165 feet to the outer boundary of the quarter-quarter section and no nearer than 200 feet to another well producing from the same pool, and provided further, that a 40-acre proration unit would be subject to a 40-acre allowable regardless of the number of wells on the unit.

CASE 3678: Application of Ryder Scott Management Company for a waterflood expansion, waterflood buffer zone, and several unorthodox locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the expansion of its Artesia-Nichols Waterflood Project,

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 25, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 3668: Application of Mobil Oil Corporation for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the triple completion (conventional) of its Bridges State Well No. 121 located in Unit L of Section 13, Township 17 South, Range 34 East, Lea County, New Mexico, to produce oil from the North Vacuum-Abo, Vacuum-Upper Pennsylvanian, and Vacuum-Middle Pennsylvanian Pools, through parallel strings of tubing.

CASE 3669: Application of Amerada Petroleum Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its State "VA" Lease by the injection of water into the Grayburg-San Andres formation through two wells located in Units K and M of Section 23, Township 17 South, Range 34 East, Vacuum Pool, Lea County, New Mexico.

CASE 3670: Application of Amerada Petroleum Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (combination) of its State "MA" Well No. 3 located in Unit M of Section 24, Township 11 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Moore-Wolfcamp Gas Pool and oil from the Moore-Pennsylvanian Pool through tubing installed in parallel strings of 2 7/8 inch and 3 1/2 inch casing, respectively, cemented in a common well bore.

CASE 3671: Application of Amerada Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation, Bagley Field, Lea County, New Mexico, through the following three wells, all located in Township 12 South, Range 33 East:

L. H. Chambers Well No. 2, Unit C of
Section 11; Disposal Interval - 9005
to 9393 feet;

State BT "D" Well No. 4, Unit N of
Section 2; Disposal Interval - 8979
to 9291 feet;

J. T. Caudle Well No. 1, Unit H of
Section 10; Disposal Interval - 9001 to
9326 feet;

CASE 3672: Application of Charles B. Read and Len Mayer for back allowable, Eddy County, New Mexico. Applicants, in the above-styled cause, see the assignment of back allowable for the period from

Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico, by the conversion of its Western-Yates Collier State Well No. 1 located in Unit F of Section 20 and its Merston State Well No. 2 located in Unit D of Section 21. Applicant further proposes to drill three additional water injection wells at the following unorthodox locations in Section 20: 2650 feet from the North and West lines; 2650 feet from the North line and 1330 feet from the East line; and 1310 feet from the North line and 1330 feet from the East line. Applicant further seeks the designation of the W/2 NW/4 of Section 21 and the SW/4 NW/4, E/2 NW/4, NE/4, and W/2 SE/4 of Section 20 and the NW/4 NE/4 of Section 29 as a waterflood buffer zone with capacity allowables, or as an area wherein transfer of allowable between leases would be permitted.

CASE 3679: Application of Sinclair Oil & Gas Company for the amendment of Order No. R-2854, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-2854, which order established a 160-acre non-standard gas proration unit comprising the W/2 SW/4, SE/4 SW/4, and SW/4 SE/4 of Section 26, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico, to be dedicated to applicant's J. R. Cone "A" Well No. 2 located in Unit L of said Section 26. Applicant now seeks the dedication of said unit to its J. R. Cone "B" Well No. 1 located in Unit N of said Section 26.

CASE 3680: Application of Texaco Inc. for an unorthodox location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to recomplete its State "CT" Well No. 4 at an unorthodox location 660 feet from the North line and 1980 feet from the West line of Section 35, Township 7 South, Range 35 East, in the Todd-Upper San Andres Pool, Roosevelt County, New Mexico, in exception to the pool rules which require wells to be located in the NE/4 or the SW/4 of the Section.

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
1120 SIMAS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 25, 1967

IN THE MATTER OF:

Application of Dugan Production)
Corporation for special pool)
rules, San Juan County, New)
Mexico.)

Case No. 3677

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The next case will be Case 3677.

MR. HATCH: Case 3677, Application of Dugan Production Corporation for special pool rules, San Juan County, New Mexico.

MR. UTZ: Are there appearances in this case?

MR. DUGAN: I am Thomas A. Dugan, Farmington, New Mexico.

MR. UTZ: You are representing yourself?

MR. DUGAN: Yes.

MR. UTZ: Or the Dugan Production Corporation?

MR. DUGAN: Yes.

MR. UTZ: Is this corporation a solely owned corporation by you, yourself?

MR. DUGAN: Yes.

MR. UTZ: So in effect you are representing yourself?

MR. DUGAN: Right.

MR. UTZ: Any other appearances?

(Witness sworn.)

MR. UTZ: You may proceed.

* * * * *

T H O M A S A . D U G A N, being the witness,
having been first duly sworn, testified as follows:

(Whereupon, Applicant's Exhibit
No. 1 was marked for identification)

MR. DUGAN: Well, we're asking for two and a half acre spacing in the Old Salt Creek Pool. The Pool, the old Pool was comprised of portions of Sections 4 and 5, Township 30 North, Range 17 West, San Juan County, New Mexico. The acreage colored in red on the plat is Navajo Leases that are presently owned by Thomas A. Dugan and the acreage colored in orange is leases that we were the apparent high bidder on in the last Navajo sale, but the leases have not been issued.

At the present time, there are no producing wells in the Salt Creek Dakota Pool, but we plan to re-enter at least two of the old wells and drill several other wells in the area. We feel that the old wells will produce from 3 to 5 barrels of oil per day and that we can re-enter them with very little expense. We then propose to drill some additional wells in the same 40 that these existing wells are in and that is why we've asked for 200 feet tolerance between producing wells. We have asked for the two and a half acre spacing and general pool rules similar to the Slick-Rock Dakota and the Hogback Field. That's all I have.

CROSS EXAMINATION

BY MR. UTZ:

Q Are these wells shown on your Exhibit 1, Mr.

Dugan, are they producing now from some formation?

A No, sir. In Sections 4 and 5, they should really be shown as "plugged and abandoned".

Q What were they producing from?

A The Dakota formation.

Q Are you going to go in the same wells and try to produce again from the Dakota?

A At least two of these wells.

Q So your application really just covers Section 4 and 5, or the old Salt Creek Pool delineation?

A Yes, the old Salt Creek Pool, I believe is the way it was written up. However, I do have on over in Section 14 of Township 30 North, Range 18 West, to the west, we have a producing Dakota well in that section that makes about a barrel and a half a day. We plan to do additional work in this area and if we are successfull, why, we will ask for two and a half acre spacing in this area also.

Q Is that a designated pool at this time?

A No, sir, it's not in the Dakota formation.

Q So you would have to have another hearing for that?

A I presume so.

Q I can assure you. Are these rules you are asking for any different than the other two and a half acre rules

that have been written in these shallow pools in this area?

A I would like the same rules with the exception of I am asking for 200 feet between producing wells, where the other two pools require 300 feet between producing wells.

MR. UTZ: Any questions of the witness. The witness may be excused.

(Witness excused.)

MR. UTZ: Any statements?

MR. DUGAN: I would like to offer Exhibit No. 1 to be entered into the record.

MR. UTZ: Dugan's Exhibit No. 1 will be entered into the record.

(Whereupon, Applicant's Exhibit No. 1 was admitted into evidence.)

MR. UTZ: The case will be taken under advisement.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
THOMAS A. DUGAN	
Direct Testimony by Mr. Dugan	3
Cross Examination by Mr. Utz	3

<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ENTERED</u>
Applicant's Exhibit 1	3	5

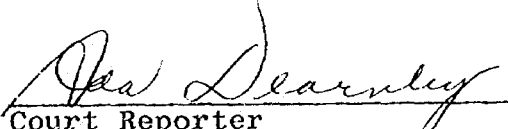
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Breach Hearing of Case No.
dated by me on 19.....

....., Examiner
New Mexico Oil Conservation Commission

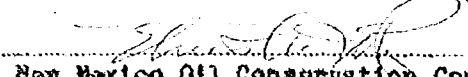
STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand this 28th day of November, 1967.


 Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the final hearing of Case No. 8677, heard by me on October 25, 1967.


 Examiner
 New Mexico Oil Conservation Commission

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. 3677
Order No. R-3338

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR SPECIAL POOL RULES,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 25, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 9th day of November, 1967, 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 the establishment of special rules and regulations for the Salt Creek-Dakota Oil Pool, San Juan County, New Mexico, to permit the drilling of wells on 2 1/2-acre spacing, provided that no well be located nearer than 165 feet to the outer boundary of the quarter-quarter section and no nearer than 200 feet to another well producing from the same pool, and provided further, that a 40-acre proration unit would be subject to a 40-acre allowable regardless of the number of wells on the unit.

(3) That adoption of the proposed special rules and regulations will prevent waste and protect correlative rights, provided a 40-acre proration unit does not receive more than a 40-acre top unit allowable for wells in the 0-5000 foot depth in Northwest New Mexico, regardless of the number of wells on the 40-acre unit.

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CASE No. 3677
Order No. R-3338

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Salt Creek-Dakota Oil Pool, San Juan County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SALT CREEK-DAKOTA OIL POOL

RULE 1. Each well completed or recompleted in the Salt Creek-Dakota Oil Pool or in the Dakota formation within one mile thereof, and not nearer to or within the limits of another designated 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 2 1/2-acre tract and shall be located no nearer than 165 feet to the outer boundary of the quarter-quarter section on which it is located and no nearer than 200 feet to any other well producing from the same pool.

RULE 3. The Secretary-Director of the Commission shall have authority to grant exceptions to Rule 2 without notice and hearing where an application therefor has been filed in due form and the necessity for the exception is based on topographical conditions.

All operators owning acreage within 330 feet of the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators owning acreage within 330 feet of the proposed location or if no such operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 4. A 40-acre proration unit shall not produce in excess of the 40-acre top unit allowable for wells in the 0-5000 foot depth range in Northwest New Mexico, regardless of the number of wells on the unit.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Salt Creek-Dakota Oil Pool or in the Dakota

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CASE No. 3677

Order No. R-3338

formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before November 15, 1967.

(2) 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.

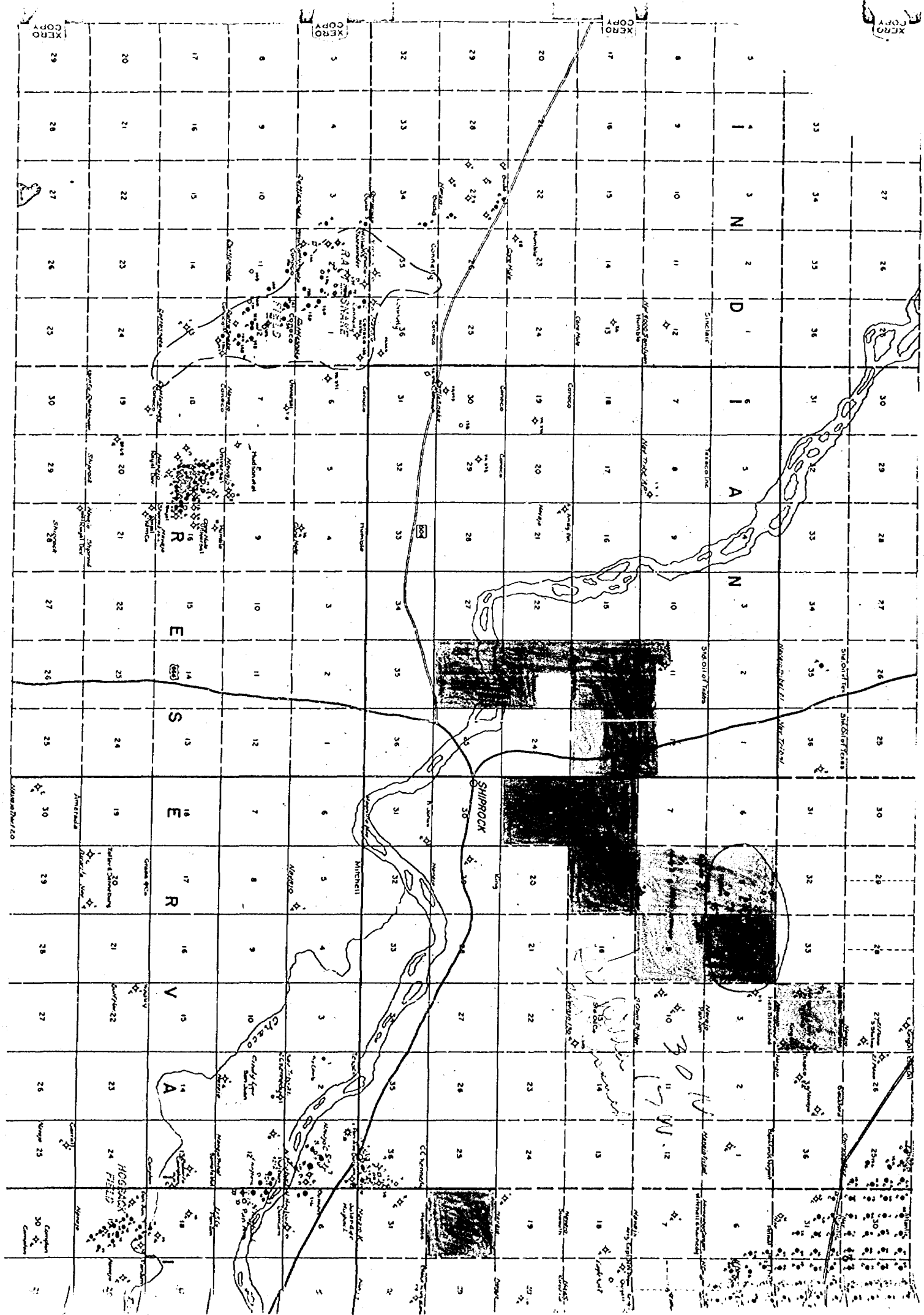
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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


esr/



BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 377