

CASE 5911: ODESSA NATURAL GAS COMPANY
FOR SPECIAL POOL RULES, RIO ARRIBA
COUNTY, NEW MEXICO

Case Number

5911

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 20, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Odessa Natural Gas Co.
for special pool rules, Rio Arriba
County, New Mexico.

CASE
5911

Case 5629 being reopened pursuant to
the provisions of Order No. R-5192,
which order established temporary
special pool rules for the Chacon-
Dakota Oil Pool, Rio Arriba County,
New Mexico.

CASE
5629
(Reopened)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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State Land Office Building
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For the Applicant:

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EWELL N. WALSH

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1 MR. STAMETS: I believe without objection the
2 Commission will call these next two Cases, 5911 and 5629 and
3 consolidate those for purposes of testimony. Is there any
4 objection to that? We will call both of those cases then.

5 MS. TESCHENDORF: Case 5911, application of Odessa
6 Natural Gas Company for special pool rules, Rio Arriba
7 County, New Mexico.

8 Case 5629 in the matter of Case 5629 being reopened
9 pursuant to the provisions of Order No. R-5192, which order
10 established temporary special pool rules for the Chacon-Dakota
11 Oil Pool, Rio Arriba and Sandoval Counties, New Mexico.

12 MR. STAMETS: Call for appearances in these cases.

13 MR. LOPEZ: If the Examiner please, my name is Owen
14 Lopez with the law firm of Montgomery, Andrews and Hannahs
15 appearing on behalf of the applicant in Case Number 5911,
16 Odessa Natural Gas Company, and also on behalf of that same
17 company as an interested party in Case 5629.

18 Also, Mr. Examiner, we will propose to introduce two
19 exhibits with respect to our application in Case 5911. We would
20 also like them to be considered as exhibits in Case 5629 if
21 there is no objection.

22 MR. STAMETS: These should be marked with both
23 case numbers.

24 MR. LOPEZ: Right, we will so do.

25 MR. STAMETS: Are there any other appearances in

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1 these two cases?

2 MR. MILLER: Gilbert Miller, Amerada Hess, we wish to
3 make a statement.

4 MR. STAMETS: Any other appearances?

5 MR. THOMAS: Dave Thomas, independent producer, I
6 would like to make a statement.

7 MR. STAMETS: Mr. Lopez, you may proceed.

8 MR. LOPEZ: Thank you, Mr. Examiner.

9
10 EWELL N. WALSH

11 called as a witness, having been first duly sworn, was examined
12 and testified as follows:

13
14 DIRECT EXAMINATION

15 BY MR. LOPEZ:

16 Q Would you please state your name, residence, by
17 whom you are employed and in what capacity?

18 A My name is Ewell N. Walsh, my residence is 925 East
19 Navajo, Farmington, New Mexico and I'm President of Walsh
20 Engineering and Production Corporation in Farmington, New Mexico.

21 Q Are you familiar with the application of Odessa
22 Natural Gas Company in Case 5911 and the Order to show cause
23 of hearing in Case 5629?

24 A Yes, I am.

25 MR. LOPEZ: Are the witness' qualifications acceptable?

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1 MR. STAMETS: They are.

2 Q (Mr. Lopez continuing.) Mr. Walsh, would you please
3 describe what Odessa Natural seeks with this application in
4 Case 5911?

5 MR. STAMETS: I don't believe the witness has been
6 sworn in this case.

7 MR. LOPEZ: No, I don't believe he has.

8 (THEREUPON, the witness was duly sworn.)

9 MR. STAMETS: Are the answers to Mr. Lopez' questions
10 to this point the same answers that you gave the first time?

11 THE WITNESS: Yes, they are.

12 A In Case 5911 Odessa Natural Gas Company requests
13 special pool rules in the area that is now currently called
14 Chacon-Dakota Oil Pool. These pool rules are to provide
15 for a hundred and sixty acre spacing or proration unit in what
16 we have determined to be an oil portion of the pool and re-
17 classification of wells in what we call the gas portion of the
18 pool from oil to gas and removal of such gas wells from the
19 oil pool into the Basin-Dakota Gas Pool.

20 Q (Mr. Lopez continuing.) Now, if you will refer to
21 Exhibit Number One, does this help support the application and
22 will you please describe the exhibit and what it shows?

23 A This exhibit basically is for the Township 23 North,
24 Range 3 West and certain portions around that township. On
25 the map are indicated the wells that have been currently

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1 completed in the reservoir and the wells that are proposed to
2 be drilled by the operators. The wells that are completed
3 are the solid dots. The proposed locations are your circles,
4 for the various operators.

5 Your lines going across the map is what we call a
6 structure map. This structure is as determined on what is
7 called the top of the Graneros formation or the base of the
8 Greenhorn as it appears on the logs that were run in the well
9 at that depth in relation to sea level, therefore, you have
10 varying figures there from plus three fifty down to zero or
11 sea level.

12 Also on this map you will notice that with each
13 well in the most cases, you have at least two and sometimes
14 three figures. The top figure is the February GOR for the
15 well. The second figure is the API gravity at sixty degrees
16 of the oil or condensate produced. The third figure is the
17 pour point of the oil in terms of the degrees Fahrenheit.

18 Now, on the left-hand portion there you notice that
19 there are no numeral values. All of these wells had a pour
20 point less than zero. The numeral value that is on the other
21 side on the three wells indicate pour points of twenty degrees
22 Fahrenheit and forty degrees Fahrenheit.

23 The two wells, the Amerada I-3 located in the
24 southeast quarter of Section 15, I believe, 14, does not have
25 this value nor the Mobil well in the southwest quarter of

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1 Section 13 due to oil samples were not taken on these wells.
2 The gravities are from, based on the run tickets determination,
3 at API degrees of sixty degrees.

4 Through this grouping of wells you have a line going
5 from the northwest down to the southeast. This is what we
6 have determined and are estimating the position of a fault.
7 As you see the structure lines tend to vary coming into that
8 fault area.

9 This map has all of the current wells in the area.
10 At the call of the original hearing we only had three wells to
11 work with a year ago. The one is the Thomas D No. 1, an
12 Odessa D No. 1 and the Odessa D No. 2. Those were the three
13 wells that were completed at that time. Right now, including
14 Chace wells that have been completed, there are sixteen wells
15 completed.

16 We have presented this information concerning the
17 GOR's and the oil like this to indicate that we believe that we
18 have two separate pools at the present time. Further evidence
19 of this would be on the March production in which the wells to
20 your left-hand side of the fault, their GOR's have even
21 increased somemore. The wells, the GOR's on what we call oil
22 wells, are on the right-hand side and are relatively the same,
23 there is not much change.

24 In addition to the oil analysis, the examination of
25 the gas analysis performed by El Paso Natural Gas Company who

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1 is a purchaser of the gas, there is a difference in the
2 natural gas content, especially in the methane.

3 On the oil side, all of the wells are pumping. There
4 is one well that is capable of selling gas into a pipeline and
5 that's Odessa's D No. 3 which is located in the northwest
6 quarter of Section 23 of 23 North, 3 West. All of the other
7 wells to the right of the fault are pumping and produce
8 very nominal amounts of gas, in fact, the Mobil well is almost
9 nil. They hardly have enough to run the pumping unit. The
10 Amerada well is practically nil, they don't have too much gas
11 there either.

12 I would like now to go to Exhibit Number Two.

13 Q Before we go to Exhibit Number Two let's describe
14 for the record the specific lands which you propose to have
15 redesignated in the Basin-Dakota Gas Pool and withdrawn from
16 the Chacon-Dakota Oil Pool and which lands you propose to leave
17 on the designation as the Chacon-Dakota Pool.

18 A For redesignation into the Basin Dakota Gas Pool I
19 would recommend that all of Section 9, all of Section 15, all
20 of Section 16, the east half of Section 21 and all of Section
21 22. These, either full sections or three hundred and twenty
22 acres, all have what we call a gas well producing in either
23 half of the section or the half.

24 Q Now, with respect to the lands that will remain
25 within the Chacon-Dakota Oil Pool, will you describe those?

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1 A. The land that will remain in the Chacon-Dakota Oil
2 Pool, this would be all of the west half and the southeast
3 quarter of Section 14 and the southwest quarter of Section 13
4 and the north half of Section 23.

5 Q. Now, referring to Exhibit Two would you describe
6 it?

7 A. Exhibit Two, if I may, is a cross section prepared
8 from the logs run on the Odessa Natural D No. 2 and this well
9 is located in the southeast quarter of Section 16. The
10 Odessa D No. 1 located in the southeast quarter of Section 15;
11 the Odessa D No. 3 located in the northwest quarter of Section
12 23. These are designated from left to right across this
13 exhibit.

14 The producing intervals for this area we call the
15 Dakota "A" and the Dakota "B" intervals. These are indicated
16 on the logs as "A" or "B" and also the "A" in connection
17 between wells there is cross hatched in red, the "B" in green.
18 The other intervals that are indicated on these logs, the
19 "D" and the "DC", the Dakota "D" in the Odessa D No. 1 was
20 perforated, it was acidized and swabbed back but was determined
21 to be nonproductive. It was almost like a barren reservoir.

22 The Burro Canyon member of the Dakota is considered
23 to be water bearing, therefore, our main producing horizons
24 are the Dakota "A" and "B".

25 Throughout this area basically your Greenhorn section

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1 which is in the Odessa D No. 2 is from seventy-two fifty to
2 seventy-three ten. It will be of approximately sixty to
3 sixty-five feet interval. That is pretty well through in this
4 one, in the Odessa D 2 and the Odessa D 3. However, in the
5 Odessa D 1, the middle log of these three, we are missing about
6 twenty feet. This was kind of confusing at the time but at
7 the time the well was drilled and we had essentially only
8 three wells in the pool area. The completion method for these
9 wells is to frac the "B" zone by itself with approximately
10 forty thousand gallons and forty thousand pounds and the "A"
11 zone with approximately eighty thousand gallons and eighty
12 thousand pounds.

13 After the development of the area and we started
14 seeing our GOR's increase on the left-hand side of that fault
15 and our GOR's remaining relatively the same on the right-hand
16 side especially where structurally-wise you can be at the same
17 level, we were having a well structurally the same level on
18 the oil side producing oil and pumping and a very low gas-oil
19 ratio over on what we call the gas side we had a high GOR
20 flowing.

21 With geological work it was determined we had to
22 have a barrier and we had to have a fault in the Odessa D No. 1
23 as evidenced by this cross section in Exhibit Number Two and
24 this was given as a barrier between what we call the oil side
25 and the gas side. The throw of the fault is sufficient to

1 give, evidently, as far as we can tell, a complete barrier.

2 Q In the event your application is granted to re-
3 designate the wells on the west side of the fault as gas wells
4 and to be placed in a gas pool, is it your opinion that the
5 Basin-Dakota gas rules should apply to these wells and if so,
6 should there be any exceptions to the rules as they now stand?

7 A The Basin-Dakota Gas Pool Rules should apply with
8 possibly the one exception which is due to the under-developed
9 area we have here, we have not even outlined what is considered
10 as productive area yet, essentially there has not been a dry
11 hole drilled, would be to, instead of the rule where you
12 can drill within a hundred and thirty feet of a quarter-quarter
13 line within a section, that that should be changed to three
14 hundred and thirty in the event that a well is drilled and
15 comes up maybe like an oil well it still could be an orthodox
16 location.

17 Q Do you feel that another exception should be granted
18 with respect to grandfathering in the present locations of
19 these gas well if they are not drilled with standard locations?

20 A Yes, for those wells which are currently drilled
21 or locations prepared and approved that are not located as
22 orthodox wells and under the Basin-Dakota gas rules that they
23 should be automatically approved by the rules and regulations
24 for this area.

25 Q Now, referring to Case 5629, the order to show cause

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1 case, what is your opinion as to the spacing that should be
2 applied to the oil field or to the area east of the fault line?

3 A In my opinion, the area, the proration unit should be
4 assigned a well in what we call the oil portion. It should be
5 a hundred and sixty acres.

6 Q What is your reason for reaching that conclusion?

7 A Basically right now my main reason is on economics.
8 These wells cost approximately, an average, two hundred and
9 eighty thousand dollars to drill and complete and be put on
10 production.

11 A volumetric reservoir reserve calculation for the oil
12 side, I calculated approximately eighty-eight thousand barrels
13 of oil under a hundred and sixty acre tract, applying a current
14 value of, excuse me, all of these leases down there have sixteen
15 and two-thirds royalty with the Indian tribe involved and
16 applying the net oil to the working interest would be some
17 seventy-four thousand barrels. Using the current value of
18 ten dollars and sixty-nine cents a barrel, this oil would have
19 a value of seven hundred and eighty-seven thousand dollars.
20 After making allowance for production taxes and operating
21 costs which come to approximately a hundred and seventy-five
22 thousand dollars you have a net income of working interest of
23 six hundred and twelve thousand dollars. This is if you got
24 every drop of oil of that eighty-eight thousand barrels.

25 Well for that much, if you are going to earn that

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1 much income and you are going to take two hundred and eighty
2 thousand dollars, essentially you are getting a two point two
3 return, rate of return on your money, but even applying a
4 further factor of bringing that to a present discounted
5 income which is some three hundred and thirty-seven thousand
6 dollars you only have a rate of return of one point two. In
7 addition to that at this present time with the newness of the
8 field and the knowledge we have I believe the well should drain
9 a hundred and sixty acres. This formation is tight as we know
10 Dakota formations. However, through visual observations of
11 cores that have been obtained in these producing intervals
12 there is a natural fracturing, therefore, this has given us our
13 pipeline to produce through and with this knowledge I would say
14 that I believe a hundred and sixty acre proration unit is a
15 satisfactory proration unit for the oil wells.

16 Q Do you have an opinion as to what the yardstick
17 measure is with respect to the minimal economic return a
18 reasonably prudent operator would have to expect before he
19 drilled such a well?

20 A The minimum for this type of a well would be
21 approximately four to one.

22 Q Do you believe it is economically feasible to develop
23 this pool on forty acre spacing?

24 A No.

25 Q Do you believe it is economically feasible to develop

1 a pool on eighty acre spacing?

2 A. No, I do not.

3 Q. Are there other oil pools in the vicinity presently
4 on one hundred and sixty proration spacing?

5 A. Yes, the Lindrith-Gallup-Dakota West Oil Pool is a
6 hundred and sixty acre proration unit. The Lindrith-Gallup-
7 Dakota South Oil Pool also has a hundred and sixty acre proration
8 unit and these two pools lie within eight to ten miles of that
9 area.

10 Q. Were Exhibits One and Two prepared by you or under
11 your supervision?

12 A. They were.

13 MR. LOPEZ: I would like to introduce Exhibits One
14 and Two.

15 MR. STAMETS: These Exhibits will be admitted.

16 (THEREUPON, applicant's Exhibits One and
17 Two were admitted into evidence.)

18 Q. (Mr. Lopez continuing.) Mr. Walsh, if our application
19 is granted and the order to show cause is denied, in your
20 opinion would this prevent waste and protect correlative rights?

21 A. Yes, sir.

22 MR. LOPEZ: I have nothing further of this witness.

23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q. Mr. Walsh, in looking at your Exhibit Number One it

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1 would appear that all of the development up to this time would
2 fit into a hundred and sixty acre spacing pattern pretty well,
3 it doesn't look like there are any wells, any situations where
4 we would have two wells completed on a hundred and sixty, is
5 that correct?

6 A No, there are no two wells on a one sixty. However,
7 the development on what we call the gas side, we believe that
8 three hundred and twenty acres at the present time is the
9 proper spacing or whatever you want to call it to be developed
10 on there.

11 Q In talking about the gas side, you know our statewide
12 rules define a gas well in an oil pool of having a GOR of one
13 hundred thousand to one?

14 A Yes, sir.

15 Q And on your gas side here I see a range of four
16 thousand seven hundred and thirty to like thirty-one thousand
17 four hundred. I also see some interesting variations. In
18 Sections 21 and 22 you have a couple of relatively low gas-oil
19 ratio wells and you move up north of that and you run across
20 four higher gas-oil ratio wells, including the highest. If you
21 continue further north then you drop back down. Here's one
22 with a GOR of seventy-seven hundred and then on back up to
23 thirteen thousand and then further north yet to twenty-five
24 thousand. There doesn't seem to be any uniformity in these
25 gas-oil ratios on the gas side.

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1 A. The reason for the nonuniformity is due virtually to
2 the time of production. Many of these wells have only been
3 on production three months. The wells you are seeing with the
4 higher gas-oil ratios, essentially the Odessa D 1 and D-2. They
5 have been on production for a year. The other wells, as I
6 said, varied in time. I can give you figures if you desire
7 on a relative to time basis that will indicate that on the gas
8 side your GOR's increase fairly rapidly up to where the higher
9 ones are indicated. Now, it is only a matter of time here
10 that the GOR's are not as high.

11 Q For instance how about the Odessa Natural D 5, how
12 long has that been on production?

13 A It has been on three months and the GOR for March
14 which we just got the information yesterday, we couldn't put
15 on the map, with eighty-four hundred.

16 Q That's a significant increase?

17 A It is.

18 Q Do they appear to increase to this twenty to thirty
19 thousand level and stabilize at that point or do those decrease?

20 A In one case, the Odessa D 2, in February went from
21 thirty-one thousand four hundred and now it's forty-one
22 thousand eighty-eight in March. There seems to be a general
23 increase but somewhat -- once they reach the thirty thousand
24 figure the increase is not as rapid as before.

25 The increase in GOR is due to your oil production

1 declining and the gas production is relatively level. It will
2 decline some, yes, from the first flush period but it is mainly
3 due to declining oil production.

4 Q Do you have any figures available there on the
5 current rate of oil production on these wells?

6 A Yes, sir.

7 Q Could you read those off to me so I could mark them
8 on this Exhibit Number One here?

9 A I'll take Odessa's wells first. Odessa D No. 1 located
10 in the southeast of Section 16 for March was four hundred and
11 one barrels and thirteen million, seven hundred and sixty gas.
12 Odessa D No. 2 located in the southeast of 15 in March was
13 three hundred and fifty-five barrels of oil, gas was fourteen
14 million eight hundred and sixty-six. Odessa D No. 3 located
15 in the northwest of Section 23, this is a pumping well, the
16 oil production was sixteen hundred and twenty-eight barrels,
17 gas production was two thousand eight hundred and seventy-seven
18 MCF or two million eight hundred and seventy-seven, either
19 way. Odessa's E No. 4 which is located in the northwest quarter
20 of Section 22, March production three hundred and sixty-two
21 barrels of oil, gas twelve million and seventeen, twelve
22 thousand and seventeen MCF. Odessa's D No. 5 which is located
23 in the southwest quarter of Section 22, the oil production
24 was fifteen hundred and three barrels in March and the gas was
25 twelve million, seven hundred and forty. Odessa's D No. 6

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1 which is located in the southwest quarter of Section 21, the
2 oil production eight hundred and fifty, gas production sixteen
3 million six hundred and thirty-one. Odessa's D No. 8 located
4 in the northwest quarter of Section 9, oil production of
5 twelve hundred and forty barrels, gas production thirty million
6 four hundred and seventy-five.

7 Q Now, has that well just been on a short period of
8 time?

9 A March would be its third month.

10 Q That is a similar situation to what you have on the
11 D 5?

12 A Yes.

13 Q Except it has apparently much better producing
14 characteristics?

15 A It does especially in relation to gas.

16 Q Okay.

17 A For the Dave M. Thomas, Junior wells, his D 1
18 located in the northeast of Section 23, March was four hundred
19 and seventy-seven barrels and your gas with that one would be
20 approximately two hundred and fifty MCF, only that is a pumping
21 oil well and no gas connection. The Thomas D No. 2 located
22 in the northwest of Section 14, this is also a pumping oil
23 well, very little gas, the oil production is eleven hundred
24 and five barrels, therefore, it would have gas production by
25 GOR around seven hundred thousand for the month, seven hundred

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1 MCF. Dave Thomas's D No. 3, located in the northwest of
2 Section 14, March production sixteen hundred and twenty-eight
3 barrels of oil, gas seventeen million two hundred and ninety-
4 seven. Thomas D No. 4 located in the southeast of Section 9,
5 oil production thirteen hundred and thirty-five barrels, gas
6 sixteen million three hundred and seventy-two. Dave Thomas D
7 No. 5 located in the northwest quarter of Section 16, oil
8 production of fifteen hundred and three barrels, gas production
9 sixteen million two hundred and eighty-six.

10 Q You don't have the production for the Amerada and
11 Mobil?

12 A No, I do not have currently.

13 Q Those would be reflected in the Commission's records?

14 A They would. The two Chace wells, the 115 in the
15 northeast quarter of Section 20 was just recently completed.
16 It is currently being cleaned up for test and it hasn't cleaned
17 up sufficiently to attempt any measure of gas on it right at
18 this time. The Chace 542 located in the northwest quarter of
19 Section 34 was also just recently completed and my information
20 this morning from the first day of the test where the well
21 was making some forty-six barrels of oil and possibly five
22 hundred MCF of gas per day which would give it a GOR of about
23 ten thousand to one.

24 Q Now, in some pools we have rules which permit
25 reclassification of oil wells to gas wells based on achievement

1 of a particular gas-oil ratio level. If a well came in on a
2 pool at a GOR of five thousand then it would be classified as
3 an oil well and once it achieved twenty thousand, twenty-five
4 thousand, thirty thousand, it would be reclassified a gas well.
5 Is that type of reclassification applicable to this pool, would
6 that be a good rule or would there be problems with that?

7 A. I don't believe there would be problems, in fact I
8 believe if this was adopted as part of the rules and regulations
9 for this area, say for the oil pool side, that any well after
10 they attained twenty-five thousand to one should be reclassified
11 into the Basin-Dakota gas pool.

12 Q. Would that be a good rule for both sides of this
13 thing?

14 A. Yes.

15 Q. That would assure that if this fault wandered around
16 a little bit we wouldn't just arbitrarily put a well on the
17 gas side although it turned out to be an oil well?

18 A. Well, we hope that wouldn't happen but the rule could
19 apply to both sides.

20 Q. So at this point if I can summarize what you have
21 testified to, if the applicant, Odessa in this case, were
22 granted a hundred and sixty acre oil well spacing and if the
23 pool rules were changed to provide that any well that was
24 produced with a gas-oil ratio -- which has a gas-oil ratio on
25 test of twenty-five thousand to one or greater would be

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1 reclassified as a gas well and would automatically go into the
2 Basin-Dakota gas pool that this would be a satisfactory order
3 for the applicant?

4 A Yes, it would.

5 Q Now, we haven't had any testimony here today indica-
6 ting the ability of a well to actually drain a hundred and
7 sixty acres, we haven't had any pressure data, any inference
8 tests or this sort of thing.

9 A No, as I previously stated, this is a relatively new
10 field and like we have only had wells on production for two
11 or three months. With that, a temporary one year for the
12 hundred and sixty acre proration unit for oil and the three
13 hundred and twenty -- or the Basin-Dakota gas wells for the
14 gas side would be satisfactory.

15 MR. STAMETS: Any other questions of the witness?

16 MR. KENDRICK: Yes, sir.

17

18 CROSS EXAMINATION

19 BY MR. KENDRICK:

20 Q Mr. Walsh, do you have any idea where in or what
21 side of the fault line the three wells to the south edge of
22 the Exhibit One should be placed, the Bonanza Well, the Chace
23 Well and the Northwest Exploration Well?

24 A I don't believe you can place them on either one side
25 or the other. As we have indicated there we have only carried

aid morrish reporting service

General Court Reporting Service
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Phone (505) 982-9212

1 that fault for a very short distance. The fault is only in
2 evidence in the Odessa D No. 1. We have not seen the evidence
3 in any of the other wells. It must be a very high angle fault
4 so we are not trying to extend it out of reason.

5 Q Okay. Do you have any reason to believe that the
6 wells you refer to in the gas area on the west side of the
7 fault are separated from the Basin-Dakota wells or the Basin-
8 Dakota gas pool further to the west?

9 A Reason to believe that they are separated?

10 Q Right.

11 A Yes, I do by virtue of additional drilling that has
12 been performed between the two pools which in most cases are
13 nonproductive.

14 MR. KENDRICK: I believe that's all of the questions.

15 MR. STAMETS: Any other questions of the witness?

16 He may be excused.

17 (THEREUPON, the witness was excused.)

18 MR. STAMETS: Is there anything further in this case?

19 MR. MILLER: Gilbert Miller with Amerada Hess.

20 Amerada Hess would like to support the request of
21 Odessa Natural Gas for special field rules specifying one
22 hundred and sixty acre spacing for the Chacon-Dakota Oil Pool
23 and we believe that the recommended oil spacing will encourage
24 earlier delineation of the pool and will prevent waste and
25 provide for the protection of correlative rights.

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Phone (505) 982-9212

1 MR. STAMETS: Mr. Thomas?

2 MR. THOMAS: Yes, sir. Mr. Walsh has indicated
3 that I operate five wells and we have made an expensive
4 independent study from Odessa and we have essentially the
5 same picture and I would also like to recommend that Odessa's
6 request be granted and that we have a hundred and sixty acre
7 spacing on the oil side and the three twenty or as you have
8 set forth the twenty-five thousand to one would certainly fit
9 our situation on the gas side.

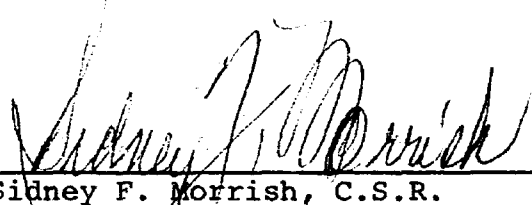
10 MR. STAMETS: Anything further in this case? We
11 will take the case under advisement.

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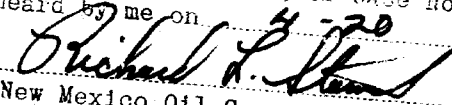
REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (305) 982-9212

do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 59112 5629
heard by me on 4-20-77 19-77
, Examiner
New Mexico Oil Conservation Commission

CASE 6256: Application of Texaco Inc. for amendment of Commission Order No. R-5530, non-standard locations, and an administrative procedure, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend paragraph (14) on Page 7 of Commission Order No. R-5530 by removing or amending the allowable restriction therein subject to lease line agreements.

Applicant also seeks approval of nine injection wells at non-standard locations not closer than 10 feet to the Central Vacuum Unit boundary in the following units: Unit B of Section 12, Township 18 South, Range 34 East; Units D, E, L, and M of Section 6, Township 18 South, Range 35 East; Unit M of Section 31, Township 17 South, Range 35 East; and Units N, O, and P of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

Applicant further seeks an administrative procedure for approval of additional producing and injection wells at orthodox and unorthodox locations.

CASE 6257: Application of Benchmark Oil Company, Ltd., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Wright Well No. 1 to be located 1980 feet from the South line and 660 feet from the East line of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea County, New Mexico, the E/2 SE/4 to be dedicated to the well.

CASE 6258: Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian, McKee, and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5911: (Reopened and Readvertised)

In the matter of Case 5911 being reopened pursuant to the provisions of Order No. R-5353-B which order established temporary special pool rules for the Chacon-Dakota Associated Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be reclassified as an oil pool to be governed by statewide rules.

CASE 6259: Application of V-F Petroleum, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 11,085 feet to 11,102 feet in its State 14 Well No. 1 located in Unit L of Section 14, Township 9 South, Range 32 East, SRR-Devonian Pool, Lea County, New Mexico.

CASE 5260: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State J-2 Wells Nos. 7, 9 and 12 located in Units J, G and D, respectively, of said Section 2.

CASE 6261: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the W/2 of Section 20, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State C-20 Wells Nos. 5 and 6, located in Units M and C, respectively, of said Section 20.

CASE 6262: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the SE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6263: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the NE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

July 18, 1978

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. Owen Lopez
Montgomery, Andrews,
& Hannahs
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico 87501

Re: CASE NO. 5911
ORDER NO. R-5353-B-1

Applicant:

Oil Conservation Division
(Odessa Natural Gas Company)

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other TransOcean

Case 5911

Mail copy of order to
TransOcean
1700 First City East Building
1111 Fannin Street
Houston, Texas 77002

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 5911 (Reopened)
Order No. R-5353-B-1

IN THE MATTER OF CASE 5911 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO.
R-5353-B, WHICH ORDER ESTABLISHED TEMPORARY
SPECIAL POOL RULES FOR THE CHACON-DAKOTA
ASSOCIATED POOL, RIO ARriba AND SANDOVAL
COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 21, 1978,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of July, 1978, 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 by Order No. R-5353-B, dated May 24, 1977, the
Chacon-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New
Mexico, was reclassified as an associated pool to be governed
by the General Rules and Regulations for associated pools, with
Special Rule 2(a) fixing the size of spacing and proration units
in said pool.
- (3) That pursuant to the provisions of Order No. R-5353-B,
this case was reopened to allow the operators in the subject pool
to appear and show cause why said temporary special pool rules
should not be rescinded.
- (4) That the Special Rules and Regulations adopted by
Order No. R-5353-B have afforded and will afford to the owner
of each property in the pool the opportunity to produce his just
and equitable share of the oil and gas in the pool.
- (5) That in order to prevent the economic loss caused by
the drilling of unnecessary wells, to avoid the augmentation of
risk arising from the drilling of an excessive number of wells,

-2-

Case No. 5911 (Reopened)
Order No. R-5353-B-1

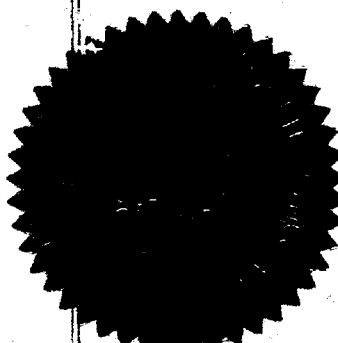
to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations adopted by Order No. R-5353-B should be continued in full force and effect until further order of the Division.

IT IS THEREFORE ORDERED:

(1) That the Chacon-Dakota Associated Pool in Rio Arriba and Sandoval Counties, New Mexico, shall continue to be governed by the General Rules and Regulations for Associated Pools promulgated by Division Order No. R-5353, and by Special Rule 2(a) promulgated by Division Order No. R-5353-B, all until further order of the Division.

(2) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/



CHACE OIL COMPANY, INC.

313 Wushington S.E.

Albuquerque, New Mexico 87108

(505) 266-5562

JUN 11 1978

June 13, 1978

Mr. Joe Ramey
Secretary and Director
Oil and Gas Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 5911

Re: Oil Commission Hearing on Chacon Dakota Field Well
Spacing, Sandoval and Rio Arriba Counties, New Mexico

Dear Mr. Ramey:

We feel strongly that the present rules covering the well spacing within this field are most proper for both operators and royalty owners.

Based on the past history of development, production, and the ever increasing gas - oil ratios, it appears that the drilling of wells on the old 40 acre spacing would be an economic disaster.

As you are aware, these wells when completed cost from \$285,000 to \$325,000 each, depending on the weather and hole problems.

We appreciate your consideration in this matter.

Sincerely,

CHACE OIL COMPANY, INC.

Raymond M. Carey
President

RM:bb

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. 5911
Order No. R-5353-B

APPLICATION OF ODESSA NATURAL GAS
COMPANY FOR SPECIAL POOL RULES, RIO
ARRIBA AND SANDOVAL COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 20, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 24th day of May, 1977, 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 by Order No. R-5192, dated March 30, 1976, temporary special rules and regulations were promulgated for the Chacon-Dakota Oil Pool, Rio Arriba and Sandoval Counties, New Mexico, establishing temporary 80-acre spacing units.

(3) That the applicant, Odessa Natural Gas Company, seeks the adoption of special rules and regulations for said Chacon-Dakota Oil Pool to provide for the classification of oil wells and gas wells therein, and the adoption of 160-acre and 320-acre spacing and proration units, respectively, therefor.

(4) That the evidence available at the time of the hearing indicates that said Chacon-Dakota Oil Pool should be reclassified as an associated pool.

(5) That the evidence available at the time of the hearing indicates that said Chacon-Dakota Oil Pool may be efficiently and economically developed by oil wells on 160-acre spacing

-2-

Case No. 5911

Order No. R-5353-B

and proration units and by gas wells on 320-acre spacing and proration units.

(6) That the application for special rules and regulations should be approved for a temporary period of one year to permit operators in the subject pool to gather additional reservoir information.

(7) That this case should be reopened at an examiner hearing in June, 1978, at which time the operators in the subject pool should be prepared to appear and show cause why said pool should not be reclassified as an oil pool to be governed by statewide rules.

IT IS THEREFORE ORDERED:

(1) That effective June 1, 1977, the Chacon-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, is hereby reclassified as an associated pool and redesignated the Chacon-Dakota Associated Pool.

(2) That said Chacon-Dakota Associated Pool shall be governed by the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, promulgated by Order No. R-5353, insofar as said General Rules and Regulations are not inconsistent with the Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules shall apply.

SPECIAL RULES AND REGULATIONS
FOR THE
CHACON-DAKOTA ASSOCIATED POOL

RULE 2. (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Chacon-Dakota Associated Pool or in the Dakota 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 August 1, 1977.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, N.M.S.A. 1953 Comp, contained in Laws 1969, Chapter 271, existing oil wells in the Chacon-Dakota Associated Pool

-3-

Case No. 5911

Order No. R-5353-B

shall have dedicated thereto 160 acres and existing gas wells shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating the appropriate acreage to a well or to obtain a non-standard unit approved by the Commission 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 in the Chacon-Dakota Associated Pool or in the Dakota formation within one mile thereof shall receive no more than an 80-acre allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in June, 1978, at which time the operators in the subject pool should be prepared to appear and show cause why the Chacon-Dakota Associated Pool should not be reclassified as an oil pool to be governed by statewide rules.

(4) 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


PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

dr/

TELEGRAM COMING THIS DATE JUNE 21, 1978

FROM: TRANSOCEAN OIL INCORPORATED

TO: MR. R. L. STAMETS

TRANSOCEAN OIL INCORPORATED AS OPERATOR OF FEDERAL 28714
NO. 1 WELL, CHACON DAKOTA FIELD, RIO ARRIBA COUNTY,
NEW MEXICO, RECOMMENDS THAT THE TEMPORARY FIELD RULES
AS PER ORDER NO. R-5353-B EFFECTIVE MAY 24 , 1977, BE
ADOPTED AS PERMANENT FIELD RULES.

DONALD R. JONES

MANAGER OF RESERVOIR ENGINEERING

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
21 June 1978

EXAMINER HEARING

IN THE MATTER OF:

Case 5911 being reopened pursuant
to the provisions of Order No.
R-5353-B which order established
temporary special pool rules for
the Chacon-Dakota Associated Pool,
Rio Arriba and Sandoval Counties,
New Mexico.

CASE
5911

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For Odessa Natural Corp.:

Owen Lopez, Esq.
Montgomery, Andrews and Hannah
P. O. Box 2307
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (606) 988-3404
Santa Fe, New Mexico 87501

I N D E X

EWELL N. WALSH

Direct Examination by Mr. Lopez

3

E X H I B I T S

Odessa Natural Exhibit One, Map

10

Odessa Natural Exhibit Two, Production curves

10

Odessa Natural Exhibit Three, C-116

10

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
 730 Bishop's Lodge Road • Phone (505) 988-3404
 Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 5911.

2 MS. TESCHENDORF: Case 5911. In the matter of
3 Case 5911 being reopened pursuant to the provisions of
4 Order No. R-5353-B which order established temporary
5 special pool rules for the Chacon-Dakota Associated Pool,
6 Rio Arriba and Sandoval Counties, New Mexico.

7 All interested parties may appear and show
8 cause why said pool should not be reclassified as an oil
9 pool to be governed by statewide rules.

10 MR. LOPEZ: My name is Owen Lopez, with the
11 Montgomery law firm in Santa Fe, appearing on behalf of
12 Odessa Natural Corporation.

13 We have one witness to be sworn.

14 (Witness sworn.)

15
16 EWELL N. WALSH

17 being called as a witness and having been duly sworn upon
18 his oath, testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. LOPEZ:

22 Q Would you please state your name, by whom
23 you're employed and in what capacity?

24 A My name is Ewell N. Walsh, President of Walsh
25 Engineering and Production Corporation, Farmington, New

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1 Mexico, and have been the consultant on behalf of Odessa
2 Natural Corporation in this case.

3 Q Are you familiar with Case 5911 and the provi-
4 sions of Order No. R-5353-B, which established temporary
5 special pool rules for the Chacon-Dakota Associated Pool,
6 Rio Arriba and Sandoval Counties, New Mexico?

7 A Yes, I am.

8 Q Have you previously testified before the
9 Commission and had your qualifications accepted as a matter
10 of record?

11 A I have.

12 MR. LOPEZ: Are the witness' qualifications
13 acceptable?

14 MR. STAMETS: They are.

15 Q (Mr. Lopez continuing.) Mr. Walsh, I refer
16 you to what you've marked as Exhibit Number One and ask
17 you to identify it.

18 A Exhibit Number One is a map of the area of
19 the Chacon-Dakota Associated Oil Pool covering Township
20 23 North, Range 3 West, also portions of Township 22 North,
21 Range 2, 3, and 4 West, and Township 23 North, Range 2 and
22 4 West, and portions of Township 24 North, Range 2, 3, and
23 4 West.

24 On this map is indicated wells in the Chacon-
25 Dakota Associated Pool area. The wells with solid dots

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Santa Fe, New Mexico 87501

1 are completed producing wells. The wells with the circles,
2 open circles, are currently locations drilling or waiting
3 on completion. All the wells indicated as completed are
4 within the present pool area or within one mile of the
5 outlined pool, defined pool outline.

6 For your information, there are approximately --
7 there are 38 wells in this pool which are producing; 20
8 oil wells and 18 gas wells, as classified under present
9 pool rules.

10 Q Okay. Now if you'll turn your attention to
11 Exhibit Two, and ask you to identify that.

12 A Exhibit Number Two is our production curves
13 of three wells within the pool, of Odessa Natural Corpor-
14 ation. On these production curves, on all three of them,
15 the black line is the oil production and the red line is
16 the gas production and the green line is the GOR, gas/oil
17 ratio for that month.

18 The first one, production curve, is for Odessa
19 Natural Corporation's Chacon Jicarilla "D" No. 1, which
20 is located in the southeast quarter of Section 15, Township
21 23 North, Range 3 West. This is presented to indicate
22 that the gas/oil ratio has increased rapidly and has
23 maintained at around 30,000 a month or over, which clas-
24 sifies this well as a gas well under the pool rules.

25 The second production curve is the Odessa

1 Natural Corporation's Chacon Jicarilla "D" No. 8, which
2 is located in the northwest quarter of Section 9, Township
3 23 North, Range 3 West. Again this is presented to indi-
4 cate to the Commission how the GOR has climbed on this
5 well as it is being produced. It is close to 40,000-to-1
6 at this time.

7 The third curve, production curve, is for
8 Odessa Natural Corporation's Arco Little Federal 32 No. 1
9 which is located in the northwest quarter of Section 32,
10 Township 24 North, Range 3 West. This is presented to
11 indicate that this well has a low GOR during approximately
12 the first six months of its production. This is presented
13 to indicate to the Commission that we do in respect have
14 an associated-type pool in which we probably will have
15 gas production and -- production under gas well classifi-
16 cation and production under oil well classification.

17 I consider these production curves -- I didn't
18 prepare them on every well, but these are indicative of
19 the other wells throughout the pool. We have what we
20 call oil area to the east, this is where we have pumping
21 wells. Right now we have an oil area with this Odessa
22 Arco Little Federal, which is a flowing well, and then
23 in the major part of the pool the GORs are increasing
24 continually.

25 Q Now I refer to you what has been marked as

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Santa Fe, New Mexico 87501

1 Exhibit Number Three and ask you to identify it.

2 A Exhibit Number Three is a copy of the New
3 Mexico Oil Conservation Commission Gas/Oil Ratio Test,
4 Form C-116 which was required to be filed for testing in
5 May of 1978. This is a scheduled test by the Commission.

6 This indicates the producing characteristics,
7 also the oil production and gas production from which the
8 gas/oil ratio was determined.

9 You may note there that the older producing
10 wells on the Chacon "D" lease, except for the "D" - 3,
11 which is a pumping well, have GORs in excess of 30,000-to-1.

12 One well on the "KD" lease, the No. 1, is in
13 excess of 30,000-to-1. The "KD" 2, 3, 4, and 5, the GOR --
14 these wells GOR's not reached 30-000-to-1. These wells
15 have been producing approximately two months; however,
16 the GOR is increasing practically every month to some
17 degree.

18 The Jicarilla Joint Venture "KD" 6 is a pumping
19 oil well.

20 And then also indicated is the Arco Little
21 Federal 32 No. 1, indicating its GOR 2600-to-1.

22 These GORs will not essentially completely
23 compare with the GORs on the curve because these are run
24 as required by the State. They are the last 24-hour
25 period of a 72-hour test period, whereas the GOR curves

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1 on our production curves is a monthly average.

2 Q You are familiar with the wells in this Asso-
3 ciated Oil and Gas Pool and have been the designated oper-
4 ator of a number of the wells, have you not?

5 A I have supervised the drilling and/or completion
6 of 32 of the 38 wells in the pool and Walsh Engineering
7 and Production Corporation has under pumper's contract
8 26 of the 38, so I am very familiar with the producing
9 characteristics, the drilling and completion practices in
10 the pool.

11 Q With respect to Case 5911 and the order to
12 show cause hearing, what is your recommendation to the
13 Commission?

14 A My recommendation to the Commission is that
15 the present pool rules for the Chacon-Dakota Associated
16 Pool be made permanent. If the rules are not made permanent
17 they should be continued at least one year from the date
18 of this hearing as they are now.

19 My recommendation is based on the opinion that
20 increasing gas/oil ratios in this area could affect ori-
21 ginal recovery estimates. Present economics can justify
22 development on the basis of 160-acre proration units.
23 Development of this pool on 40-acre proration units as
24 set forth in the statewide rules is not economically
25 feasible.

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (503) 988-3404
Santa Fe, New Mexico 87501

1 Q In your opinion if the Commission adopted your
2 recommendation that the Associated Oil and Gas rules be
3 made permanent or at least extended for a period of one
4 year, would that be in the interests of the prevention
5 of waste and the protection of correlative rights?

6 A Yes, it would.

7 Q Were Exhibits One through Three prepared by
8 you or under your supervision?

9 A They were.

10 MR. LOPEZ: I'd offer Odessa Natural's Corpor-
11 ation's Exhibits One through Three.

12 MR. STAMETS: These exhibits will be admitted.
13 Any questions of the witness?

14 MR. LOPEZ: Mr. Examiner, before I conclude,
15 I'd like to also submit a letter from Dave Dave N. Thomas,
16 Junior, addressed to Mr. Ramey, dated June 19th, which
17 supports our position.

18 MR. STAMETS: The witness is excused. Do we
19 have some other correspondence, Ms. Teschendorf?

20 MS. TESCHENDORF: We have a letter from Chase
21 Oil Company, also supporting Odessa's position.

22 Also a telegram from Transocean Oil, addressed
23 to the Oil Conservation Commission Division and which
24 also recommends the temporary pool rules be adopted perma-
25 nently.

1 MR. STAMETS: Thank you. Anything further in
2 this case?

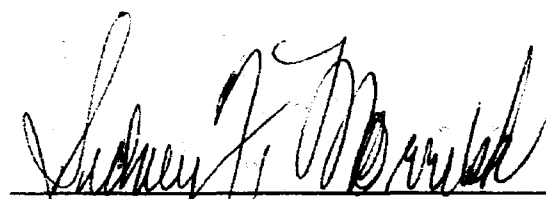
3 The case will be taken under advisement.

4 (Hearing concluded.)
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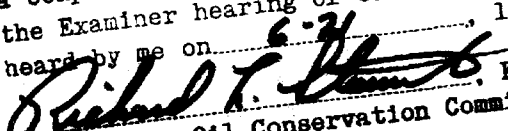
SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (808) 888-3404
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.


SIDNEY F. MORRISH, C.S.R.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5711
heard by me on 6-24, 1978.

Richard L. Blum, Examiner
New Mexico Oil Conservation Commission

TELEGRAM
western union

IPNFEKA SANA
1-009475N172 06/21/78
TLX TRNSOCNOIL HOU
881 HOUSTON, TEXAS JUNE 21, 1978
PMS OIL CONSERVATION COMMISSION DIVISION
LAND OFFICE BUILDING
ATTN MR. R.L. STAMETS
OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

TRANSOCEAN OIL, INC., AS OPERATOR OF FEDERAL 28714 NO. 1 WELL,
MINOR WYOTA FIELD, RIO ARriba COUNTY, NEW MEXICO RECOMMENDS
THAT THE TEMPORARY FIELD RULES AS PER ORDER NO. R5393-B,
EFFECTIVE MAY 24, 1977, BE ADOPTED AS PERMANENT FIELD RULES.

DONALD R. JONES
MANAGER, RESERVOIR ENGINEERING
TRANSOCEAN OIL, INC.

1:030 EST

IPNFEKA SANA

RECEIVED
JUN 21 1978
Oil Conservation Commission

RECEIVED
JUN 21 1978

Oil Conservation Commission

NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

Odessa Natural Corporation	Chacon Dakota Associated	Rio Arriba & Sandoval
P.O. 903 Odessa Texas 79760		TYPE OF TEST - (X) Schedule (X) Completion <input type="checkbox"/> Special <input type="checkbox"/>

LEASE NAME	WELL NO.	LOCATION				DATE OF TEST	CHOKE SIZE	TBG. PRESS.	DAILY ALLOWABLE	LENGTH OF TEST HOURS	PROD. DURING TEST				GAS - OIL RATIO CU. FT./BBL.
		U	S	T	R						WATER BBLs.	GRAV. OIL	OIL BBLs.	GAS M.C.F.	
Chacon Jicarilla "D"	1	O	15	23N	3W	5-26-78	F 3/4"	200	GW	24	-0-	55.0	10	340	34,000
Chacon Jicarilla "D"	2	I	16	23N	3W	5-26-78	F 3/4"	300	GW	24	-0-	54.0	11	340	30,910
Chacon Jicarilla "D"	3	D	23	23N	3W	5-26-78	F 3/4"	175	60	24	-0-	48.0	25	80	3,200
Chacon Jicarilla "D"	4	C	22	23N	3W	5-26-78	F 3/4"	175	GW	24	-0-	50.0	9	390	43,333
Chacon Jicarilla "D"	5	I	22	23N	3W	5-26-78	F 3/4"	390	GW	24	-0-	54.0	11	340	30,910
Chacon Jicarilla "D"	6	I	21	23N	3W	5-26-78	F 3/4"	650	GW	24	-0-	53.0	9	480	53,333
Chacon Jicarilla "D"	7	C	21	23N	3W	5-26-78	F 3/4"	200	120	24	-0-	50.0	13	420	32,308
Chacon Jicarilla "D"	8	C	9	23N	3W	5-26-78	F 3/4"	1200	GW	24	-0-	61.0	18	670	37,222
Jicarilla Joint Venture "KD"	1	P	4	23N	3W	5-26-78	F 3/4"	525	73	24	-0-	54.0	25	780	31,200
Jicarilla Joint Venture "KD"	2	F	10	23N	3W	5-26-78	F 3/4"	1450	74	24	-0-	54.0	40	420	10,500
Jicarilla Joint Venture "KD"	3	D	3	23N	3W	5-26-78	F 3/4"	850	113	24	-0-	52.0	60	610	10,166
Jicarilla Joint Venture "KD"	4	F	4	23N	3W	5-26-78	F 3/4"	1500	107	24	-0-	55.0	65	910	14,000
Jicarilla Joint Venture "KD"	5	J	10	23N	3W	5-26-78	F 3/4"	590	105	24	-0-	48.0	45	610	13,555
Jicarilla Joint Venture "KD"	6	J	3	23N	3W	5-26-78	F 3/4"	125	53	24	-0-	44.0	60	40	666
ARCO Little Fed. 32	1	D	32	24N	3W	5-26-78	F 3/4"	1400	350	24	-0-	47.0	210	560	2,666

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned

BEFORE EXAMINER STAMPS
NEW MEXICO OIL CONSERVATION COMMISSION
 Case No. 5911
 Submit by WABK
 Hearing Date 6-21-78

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

For: Odessa Natural Corp.

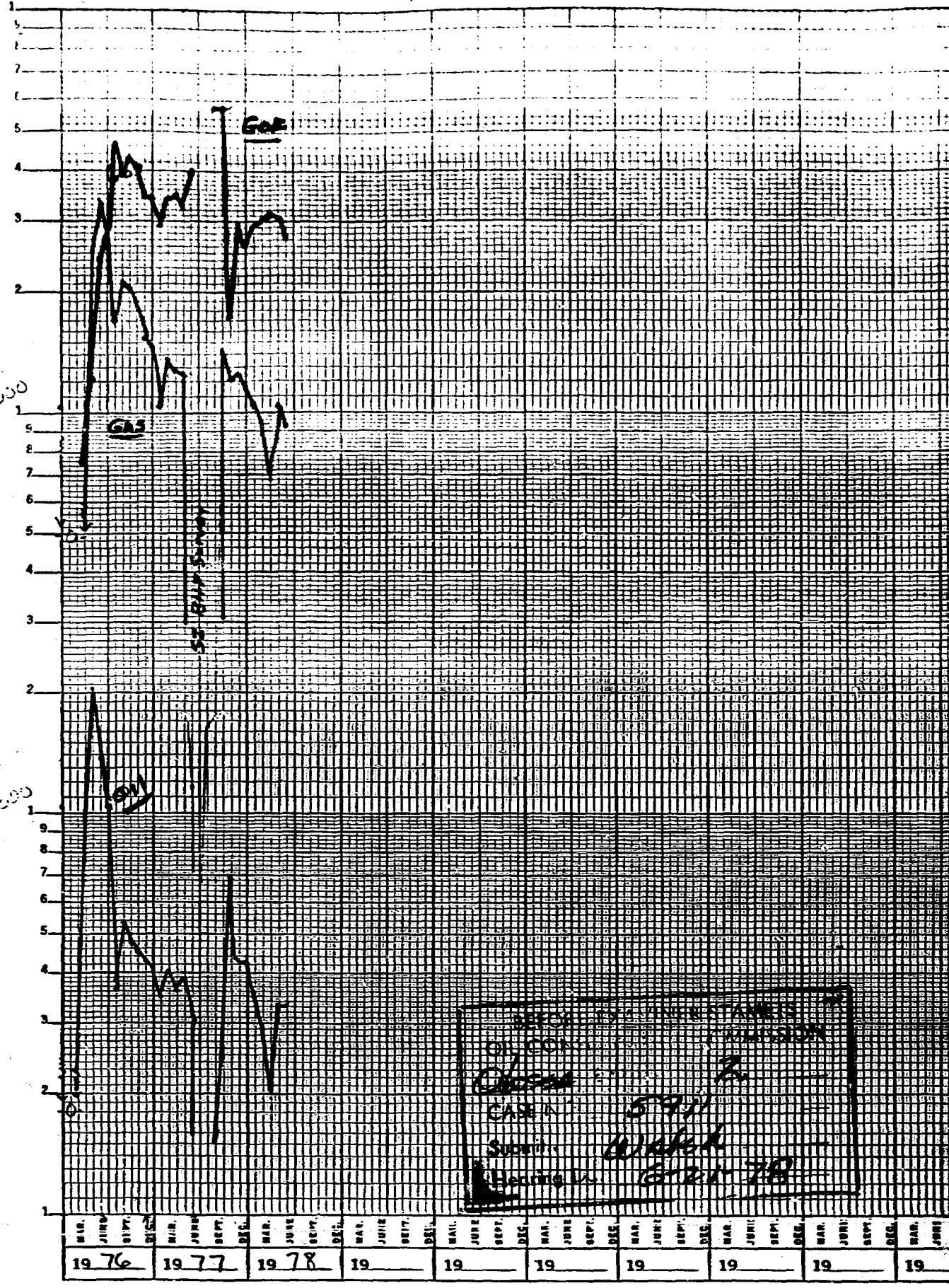
Ewell N. Walsh
 Ewell N. Walsh (P. E.)
 President, Walsh Engineering
 & Production (Title) Corp.
 June 12, 1978
 (Date)

K&E 20 YEARS BY MONTHS 47 6843
 MADE IN U.S.A.
 REUPPEL & ROSEN CO.

Oil - Bbl's
 Gas - MCF

10,000

1,000



SE 15-3-23 No.1
 OIL CORP.
 Odessa 2
 CASE NO. 590
 Sum. 6/21/78
 Herring

1500

Odessa Natural Corp

NW 9-23-3

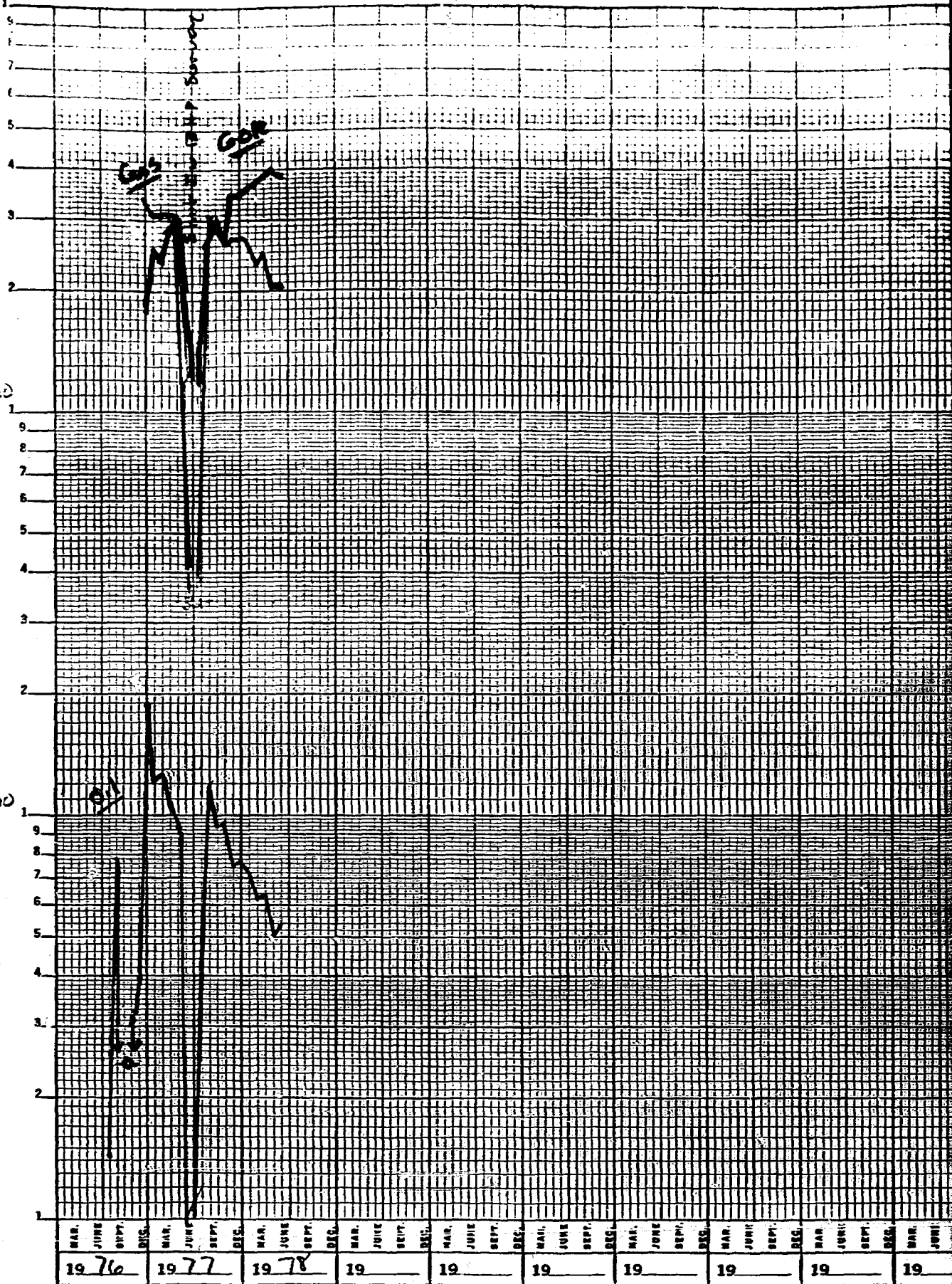
No. 8

K&E 20 YEARS BY MONTHS 47 6843
MADE IN U.S.A.
K&E LOG CYCLES
KEUPPEL & EISER CO.

Oil - Barrels
Gas - MCF

10,000

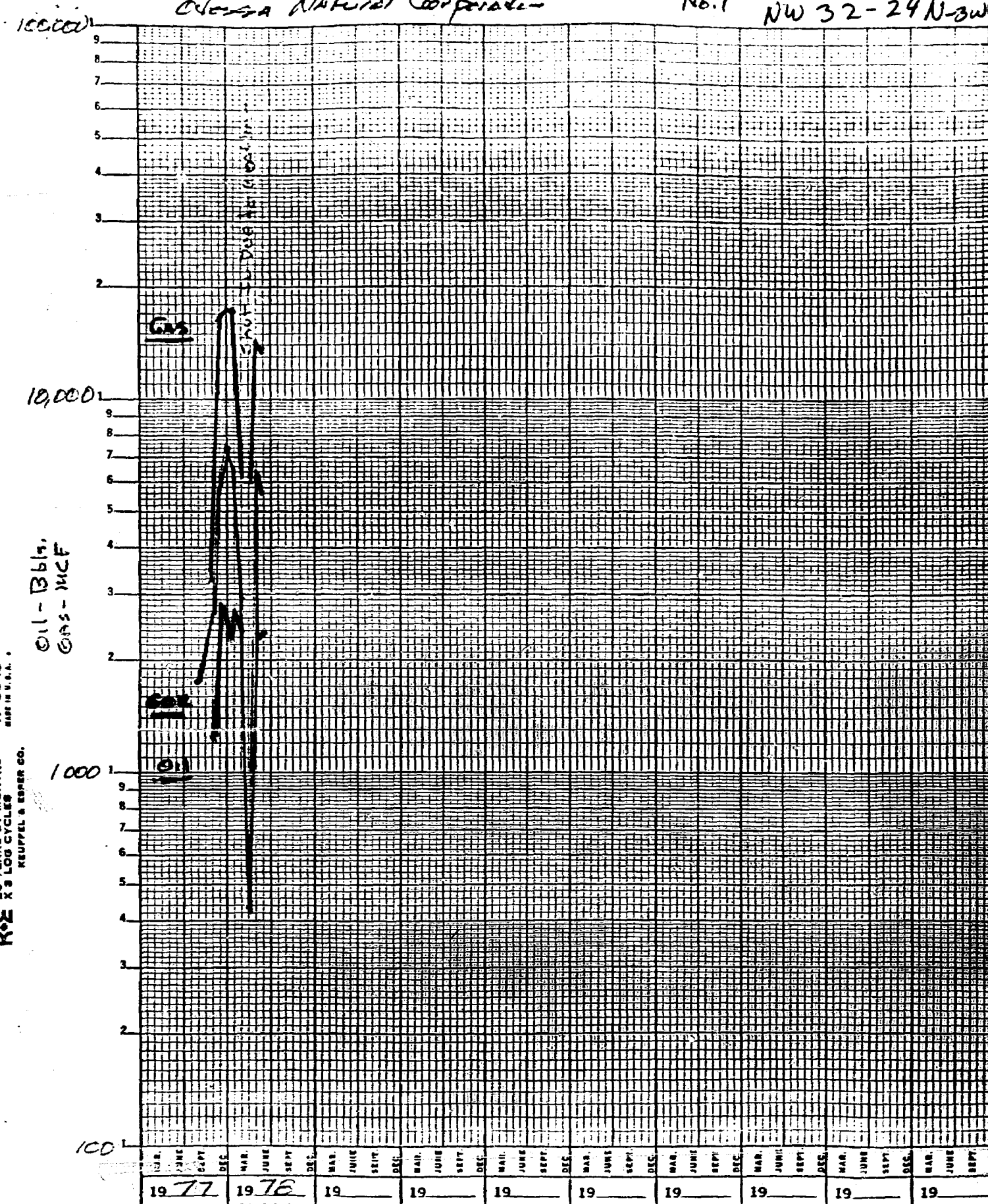
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AKCO Little Federal 32
No. 1 NW 32-24N-3W

K•E 20 YEARS BY MONTHS
X 3 LOG CYCLES

324-547
01-1364



DAVE M. THOMAS, JR.
SUITE 2-A — EXECUTIVE BUILDING
413 W. MAIN — PHONE 505-325-7701
FARMINGTON, NEW MEXICO 87401

OIL & GAS
ADDRESS REPLY TO
P. O. BOX 2026
FARMINGTON, N. M. 87401

June 19, 1978

Mr. Joe Ramey
Secretary and Directory
Oil and Gas Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5911

Dear Mr. Ramey:

It is my opinion that the established temporary special pool rules for the Chacon-Dakota Associated Oil Pool should be made permanent. If the rules are not made permanent, the temporary rules should be extended for one more year.

Producing history of the wells indicate that the gas oil ratio for most of the wells is steadily increasing. Therefore, the continued development under the associated pool rules is justified.

The present economics can justify development under the associated pool rules but, could not be justified under statewide rules for an oil pool.

Your consideration to make the temporary rules permanent or at least, extended to the future, would be appreciated.

Yours very truly,

Dave M. Thomas, Jr.

Dave M. Thomas, Jr.

DMT:jr

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
<i>Odessa</i>	EXHIBIT NO. <u>4</u>
CASE NO.	<u>5911</u>
Submitted by	<u>Walsh</u>
Hearing Date	<u>6-21-78</u>



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
May 25, 1977

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Owen Lopez
Montgomery, Federici,
Andrews & Hannahs
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: CASE NO. 5911
ORDER NO. R-5353-B

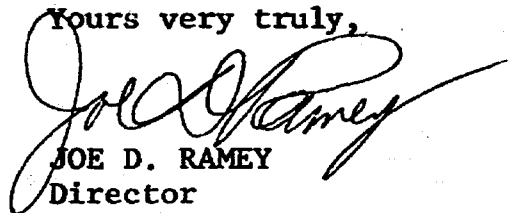
Applicant:

Odessa Natural Gas Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC X

Other Gilbert Miller, David Thomas



ODESSA NATURAL CORPORATION

April 29, 1977

RICHARD L. STAMETS, EXAMINER
NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: CHACON DAKOTA OIL POOL
Case Nos. 5629 and 5911

Dear Mr. Stamets:

After due consideration of the entire matter of whether the above pool is an oil pool or a gas pool and where the fault, if it does exist, actually does lie between the two pools, we submit for your consideration that general associated pool rules would be beneficial for everyone in this case.

We will be willing to accept such general associated pool rules. Dave M. Thomas, Jr., Mobil and Amerada concur with this suggestion.

Very truly yours,

ODESSA NATURAL CORPORATION

Roland L. Hamblin
Roland L. Hamblin
Attorney - Legal Department

RLH:EH

CC: John J. Strojek
Red Walsh
Dave M. Thomas, Jr.

CASE 5905: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SE/4 and the E/2 SW/4 of Section 3, and the NW/4 of Section 10, and all mineral interests in the Pictured Cliffs and Fruitland formations underlying the NW/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1800 feet from the North line and 850 feet from the West line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5906: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1525 feet from the North line and 1850 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5907: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Papers Wash-Entrada Oil Pool, McKinley County, New Mexico.

CASE 5908: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Ojo Encino-Entrada Oil Pool, McKinley County, New Mexico.

CASE 5909: Application of Dome Petroleum Corporation for pool creation and special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Snake Eyes-Entrada Oil Pool in Section 20, Township 21 North, Range 8 West, San Juan County, New Mexico, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.

CASE 5910: Application of Yates Petroleum Corporation for gas pool creations and downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of three Pennsylvanian gas pools in Townships 17 and 18 South, Ranges 24, 25, and 26 East, Eddy County, New Mexico, including the Richard Knob- and East Eagle Creek-Lower Penn Gas Pools with provisions in each for commingling Strawn, Atoka, and Morrow production in the wellbores of wells drilled therein, and the Eagle Creek Permo-Penn Gas Pool with provision for commingling Wolfcamp, Cisco, Canyon, and Strawn production in the wellbores of wells drilled therein.

CASE 5898: (Continued from April 6, 1977, Examiner Hearing)

Application of Chace Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Ballard-Pictured Cliffs and South Lindrith Gallup-Dakota production in the wellbore of its Jicarilla 70 Well No. 3 located in Unit C of Section 33, Township 24 North, Range 4 West, Rio Arriba County, New Mexico. In the alternative, applicant seeks authority to commingle said production at the surface without prior measurement and waiver of the gas-oil ratio test requirement.

CASE 5911: Application of Odessa Natural Gas Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba County, New Mexico, to provide for 160-acre spacing for oil wells and for reclassification of wells from oil to gas and the removal of such gas wells to the Basin-Dakota Pool.



ODESSA NATURAL CORPORATION

Case
5911

March 9, 1977

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5629
Order No. R-5192

Gentlemen:

On March 30, 1976 by Order No. 5192 the Commission approved 80-acre spacing for the Chacon Dakota Oil Pool in Rio Arriba County, New Mexico, subject to the following stipulation:

"(4) That this case shall be reopened at an examiner hearing in April, 1977 at which time the operators in the subject pool should be prepared to appear and show cause why the Chacon-Dakota Oil Pool should not be developed on 40-acre spacing units."

The Commission has just sent out its notice that this case will be reopened and heard at an examiner hearing to be held in Santa Fe on April 20, 1977.

Odessa Natural Corporation, the original applicant for spacing in this pool and one of several operators therein, hereby requests that in connection with the above matter a hearing be held at the same time and place at which it be allowed to introduce evidence to justify its belief that a portion of the Chacon Dakota Oil Pool, as now classified, is in fact a gas pool or reservoir and should be so classified.

Applicant also requests that evidence be heard to justify 320 acre spacing in the gas reservoir and 160 acre spacing in the oil reservoir instead of the present 80 acre spacing for the entire pool.

This application is submitted in triplicate. Copies are being sent to Dave M. Thomas, Jr., Amerada Hess, Mobil

NEW MEXICO OIL CONSERVATION COMMISSION
March 9, 1977
Page 2 -

Oil Corporation and Chace Oil Company.

Very truly yours,

ODESSA NATURAL CORPORATION

Roland L. Hamblin

Roland L. Hamblin
Attorney - Legal Department

RLH:E

cc: Mr. Dave M. Thomas, Jr.
P. O. Box 2026
Farmington, New Mexico 87401

AMERADA HESS CORP.
218 W. 6th Street
Box 2040
Tulsa, Oklahoma 74102

MOBIL OIL CORPORATION
Box 5444
Denver, Colorado 80217
Attention: Mr. J. S. Russell

Mr. John J. Strojek
ODESSA NATURAL CORPORATION
Odessa, Texas

MR. RED WALSH
P. O. Box 254
Farmington, New Mexico 87401

CHACE OIL COMPANY
313 Washington S. E.
Albuquerque, New Mexico 87108

DRAFT

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. 5911

Order No. R- 5353-B

APPLICATION OF ODESSA NATURAL GAS
COMPANY FOR SPECIAL POOL RULES, RIO
ARRIBA AND SANDOVAL COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 20,
19 77, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of May, 1977, 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 by Order No. R-5192, dated March 30, 1976, temporary
special rules and regulations were promulgated for the Chacon-
Dakota Oil Pool, Rio Arriba and Sandoval Counties, New Mexico,
establishing temporary 80-acre spacing units.

(3) That the applicant, Odessa Natural Gas Company, seeks the adoption of special rules and regulations for said Chacon-Dakota Oil Pool to provide for the classification of oil wells and gas wells therein, and the adoption of 160-acre and 320-acre spacing and proration units, respectively, therefor.

(4) That the evidence available at the time of the hearing indicates that said Chacon-Dakota Oil Pool should be reclassified as an associated pool.

(5) That the evidence available at the time of the hearing indicates that said Chacon-Dakota ^{Oil} Pool may be efficiently and economically developed by oil wells on 160-acre spacing and proration units and by gas wells on 320-acre spacing and proration units.

(6) That the application for special rules and regulations should be approved for a temporary period of one year to permit operators in the subject pool to gather additional reservoir information.

(7) That this case should be reopened at an examiner hearing in June, 1978, at which time the operators in the subject pool should be prepared to appear and show cause why said pool should not be reclassified as an oil pool to be governed by statewide rules.

IT IS THEREFORE ORDERED:

(1) That effective June 1, 1977, the Chacon-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, is hereby reclassified as an associated pool and redesignated the Chacon-Dakota Associated Pool.

(2) That said Chacon-Dakota Associated Pool shall be governed by the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, promulgated by Order No. R-5353, insofar as said General Rules and Regulations are not inconsistent with the Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules shall apply.

SPECIAL RULES AND REGULATIONS

FOR THE

CHACON-DAKOTA ASSOCIATED POOL

RULE 2. (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

IT IS FURTHER ORDERED:

(3) That the locations of all wells presently drilling to or completed in the Chacon-Dakota Associated Pool or in the Dakota 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 August 1, 1977.

(4) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA. 1953, ^{Comp.} contained in ^{Laws 1969, Chapter 271,} ~~Chapter 271, Laws of 1969,~~ existing ^{Associated} oil wells in the Chacon-Dakota ^{shall have} Pool shall have dedicated thereto 160 acres and existing gas wells dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating the appropriate acreage to a well or to obtain a non-standard unit approved by the Commission 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 in the

-4-

Case No. 5911
Order No. R-

Chacon-Dakota Associated Pool or in the Dakota formation within one mile thereof shall receive no more than an 80-acre allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in June, 1978, at which time the operators in the subject pool should be prepared to appear and show cause why the Chacon-Dakota Associated Pool should not be ~~developed on~~ *reclassified as an oil pool*
To be governed by statewide rules.
~~40-acre spacing units.~~

(4) 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 herein-
above designated.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION *Division*
~~COMMISSION OF NEW MEXICO~~ FOR
THE PURPOSE OF CONSIDERING:

5911
CASE NO. 4962 (Reopened)
Order No. R-5353-B-1

5911
IN THE MATTER OF CASE 4962 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO. R-4538, 5353-B
WHICH ORDER *Established Temporary Special Pool Rules*
RULES FOR THE *Chacon-Dakota Associated Pool, Rio Arriba*
Sandoval Counties, New Mexico.

Division
ORDER OF THE COMMISSION

BY THE COMMISSION: *Division* :

This cause came on for hearing at 9 a.m. on June *21* and
~~June 20~~, 1978, at Santa Fe, New Mexico, before Examiner
Richard L. Stamets.

NOW, on this ~~20~~ day of ~~September~~, 1978, the *Division Director* 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 *Division* has jurisdiction of this cause and the
subject matter thereof. *in Rio Arriba and Sandoval Counties, New Mexico.*

(2) That by Order No. *R-5353-B* R-4538, dated May 24, 1977, temporary
special pool rules were *adopted* for the *Chacon-Dakota*
Associated Pool, *Roosevelt County, New Mexico.*

That by Order No. R-5353, dated January 17, 1977, said
temporary special rules were amended and superseded to conform
with the General Rules and Regulations for the Associated Oil
and Gas Pools of Northwest New Mexico and Southeast New Mexico
established thereby.

(3) That pursuant to the provisions of Order No. *R-5353-B* R-4538,
this case was reopened to allow the operators in the subject pool
to appear and show cause why said temporary special pool rules
should not be rescinded.

(5) That the Special Rules and Regulations *adopted* promulgated by
Order No. R-4538, as amended and superseded by Order No. R-5353-B,
have afforded and will afford to the owner of each property in
the pool the opportunity to produce his just and equitable share
of the oil and gas in the pool.

adopted
by Order

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-4538, as amended and superseded by Order No. R-5353, should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the New Mexico Pool by Order no. R-4538, as amended and superseded by Order No. R-5353, are hereby continued in full force and effect until further order of the Commission.

(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 herein above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L

(1) That The Chacon-Dakota Associated Pool in Rio Arriba and Sandoval Counties, New Mexico, shall continue to be governed by the General Rules and Regulations for Associated Pools promulgated by Division Order No. 311 and by Special Rule 2(a) promulgated by Division Order R-5353 until further order of the Division.