

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

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

CASE NO. 9334
Order No. R-8638

APPLICATION OF UNION TEXAS
PETROLEUM FOR A NON-STANDARD OIL PRORATION UNIT,
RIO ARRIBA COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 16, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of April, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-8544 dated November 19, 1987, the Division, on its own motion, abolished the Ojito Gallup-Dakota Oil Pool and concomitantly expanded the horizontal limits of the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico.

(3) The West Lindrith Gallup-Dakota Oil Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-4314, which require 160-acre spacing and proration units.

(4) The applicant, Union Texas Petroleum, seeks approval, pursuant to Ordering Paragraph No. (1) of said Order No. R-8544, for an 80-acre non-standard oil proration unit consisting of the N/2 SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, to be dedicated to its McCroden "C" Well No. 1 previously completed in the now abolished Ojito Gallup-Dakota Oil Pool and located at a standard oil well location 2146 feet from the South line and 1650 feet from the West line (Unit K) of said Section 2.

(5) Amoco Production Company (Amoco), who currently operates a West Lindrith Gallup-Dakota oil well in the NE/4 of Section 10, Township 25 North, Range 3 West, NMPM, appeared at the hearing in opposition to the application.

(6) The applicant testified that the McCroden "C" Well No. 1 is currently a marginal producer in the West Lindrith Gallup-Dakota Oil Pool, with a production rate of approximately 11 barrels of oil per day.

(7) The applicant further testified that due to the current producing rates, said McCroden "C" Well No. 1 cannot be economically produced on a standard 160-acre proration unit.

(8) Evidence presented by the applicant indicates that as a result of previous development within the pool, only two 80-acre tracts in the S/2 of said Section 2 remain undeveloped at this time, these being the S/2 SE/4 and the S/2 SW/4.

(9) Amoco testified that approval of the subject application may inevitably cause the formation of a 160-acre proration unit consisting of the S/2 SE/4 and the S/2 SW/4 of said Section 2, and that this may in turn result in the drilling of an additional well in the SW/4 of Section 2, thereby giving said SW/4 an allowable advantage over Amoco's acreage in the NE/4 of said Section 10.

(10) Amoco's protest in this case is based solely on speculation at this point and should not be a major factor in determining approval or denial of the subject application.

(11) Amoco will have the opportunity to object to the formation of a 160-acre proration unit consisting of the S/2 SW/4 and the S/2 SE/4 of said Section 2 and to the drilling of an additional well in the SW/4 of said Section 2, should these events occur.

(12) Approval of the subject application will afford the applicant the opportunity to economically produce its just and equitable share of the oil in the West Lindrith Gallup-Dakota Oil Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

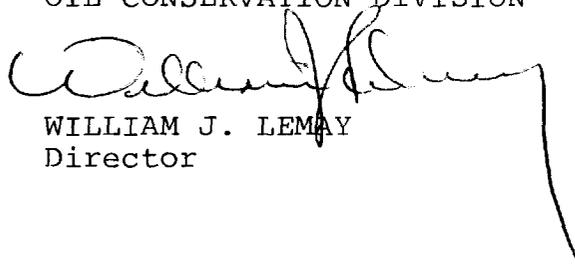
IT IS THEREFORE ORDERED THAT:

(1) An 80-acre non-standard oil proration unit in the West Lindrith Gallup-Dakota Oil Pool comprising the N/2 SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, is hereby estaglished for Union Texas Petroleum to be dedicated to its McCroden "C" Well No. 1 located at a standard oil well location 2146 feet from the South line and 1650 feet from the West line (Unit K) of said Section 2.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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