

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF A HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 126
ORDER NO. 748

IN THE MATTER OF THE PETITION OF THE
SOUTHERN UNION PRODUCTION COMPANY FOR AN
ORDER FIXING THE SPACING OF WELLS IN THE
KUTZ CANYON-FULCHER BASIN GAS FIELDS OF SAN
JUAN COUNTY (AS THEY MAY BE EXTENDED) ON THE
BASIS OF ONE WELL TO A DRILLING UNIT OF AP-
PROXIMATELY 160 ACRES WITH SUITABLE PROVIS-
IONS FOR ANY RELATED MATTERS, INCLUDING
SPECIAL APPROVAL OF NONCONFORMING WELL LO-
CATIONS WHERE NECESSARY.

ORDER OF THE COMMISSION

BY THE COMMISSION:

WHEREAS, after due notice as required by law the Commission held a public hearing in Santa Fe on February 17, 1948, to consider the petition of Southern Union Production Company for the adoption of an order fixing the spacing of wells hereafter drilled in the Kutz Canyon-Fulcher Basin gas field, San Juan County, New Mexico, and related matters; and

WHEREAS, the Commission having considered the evidence adduced at such hearing, pertinent information otherwise available in the Commission's records, the statements made and viewpoints expressed by interested parties at or in connection with such hearing.

FINDS, from the evidence adduced:

A. That the Kutz Canyon and Fulcher Basin gas pools are productive of natural gas from the Pictured Cliffs sandstone formation, that such pools are contiguous and from all information available to date appear to be one continuous gas producing area or pool in the Pictured Cliffs sandstone;

B. That such pool has produced natural gas for more than 15 years, during which time the average of well-head pressures has declined approximately 200 P.S.I. gauge.

C. That by reason of rules of this Commission previously applicable to the pool, of the general practices of certain operators in the area and of policies of the U. S. Geological Survey, a fairly uniform spacing of one well to 160 acres has heretofore prevailed throughout most of the pool;

D. That one well will, in view of present evidence, economically and effectively drain the recoverable gas from at least 160 acres of the pool, and, accordingly, that more dense spacing in the pool may be conducive to waste and will unnecessarily increase the costs of development and production.

E. That for wells hereafter drilled, a general spacing pattern of one centrally located well on a unit of 160 acres, substantially in the shape of a square, is required to protect the equities of those having interests in wells heretofore drilled on 160-acre tracts, for which general spacing pattern the pooling of properties should be encouraged when necessary;

F. That the gas productive area of the pool is likely to be substantially more extensive than the presently developed portion thereof;

G. That waste will result in the drilling of wells in the pool, unless special rules and regulations are adopted for the prevention thereof; and

H. That, while the Kutz Canyon-Fulcher Basin gas field has been commercially productive for more than 15 years, it has not been subject to cooperative action representative of the interest of all the operators or leaseholders within the area during that period. In addition, properties, holdings and/or leases of any undetermined number of small landowners or leaseholders, whose total acreage is either less than 160 acres or includes portions of 160-acre tracts, still exist within the pool boundaries, as herein defined. The number of such holdings will be likely to increase as the pool boundaries are extended by subsequent drilling.

THEREFORE, IT IS ORDERED that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or recompleted to the Pictured Cliff pool in the Kutz Canyon-Fulcher Basin area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not in conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

- (a) such well be located on a designated drilling unit of not less than one hundred sixty (160) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;
- (b) such drilling unit be in the shape of a square except for normal variations in legal subdivisions of the United States Lands Surveys; and
- (c) such well be located on its drilling unit at a distance from the unit boundaries of not less than nine hundred ninety feet (990); provided, if such proposed new well is to be an offset to any then producing gas well completed in the pool, or the drilling of which has authorized prior to the effective date of this order, located on an adjoining unit in which the interests are not identical with those in the unit proposed to be drilled, such proposed well may be located and drilled offsetting the existing well and as close to the common unit boundary line as the well to be so offset.

Section 2. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Section 1 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, and shall also find one or more of the following conditions to exist:

- (a) that consolidation or pooling of the property sought to be drilled with necessary adjoining land, notwithstanding diligent efforts made in good faith, is impossible or impractical;
- (b) that the property sought to be drilled is located within a then developed portion of the pool and its non-conforming size or shape is due to the adjoining developed properties in the pool;
- (c) that because of the nature of the terrain, location of the proposed well at a lesser distance from one of the outer boundaries of its drilling unit should be permitted; or

- (d) that by reason of the location of the property to be drilled along the southwest or northeast flank of the developed portion of the area, it appears improbable that gas can be produced in paying quantities if the well conforms to Section 1, in which case the Commission may modify the requirements of Section 1 as to such well to the extent it deems necessary.

Irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Pictured Cliff gas producing pool in the Kutz Canyon-Fulcher Basin area, to which this order applies, is defined to include the following described land in San Juan County, New Mexico:

Township 27 North, Range 10 West

Sec. 3 W/2
Secs. 4 & 5 All

Township 28 North, Range 10 West

Secs. 7 & 8 All
Sec. 15 W/2
Secs. 16,17,18,19
20,21 All
Sec. 22 W/2
Sec. 27 W/2
Secs. 28,29,30,31,
32,33 All
Sec. 34 W/2

Township 28 North, Range 11 West

Secs. 9,10,11,12,13
14,15,16,22,23,24,25,26 All

Township 29 North, Range 11 West

Secs. 6,7,8,16,17,18,
19,20,21,22,26,27,28,
29,30,31,32,33,34,35,
36 All

Township 29 North, Range 12 West

Secs. 1,2,3,4,5,6,9,
10,11,12,13,14,15,23,
24,25 All

Township 29 North, Range 13 West

Sec. 1 All

Township 30 North, Range 12 West

Sec. 19 All
Sec. 20 S/2
Secs. 26,27,28,29,
30,31,32,33,34,35,
36 All

Township 30 North, Range 13 West

Secs. 24,25,36 All

All additional lands located within one-half (1/2) mile of any land in the pool as defined or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the

Pictured Cliffs, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Kutz Canyon-Fulcher Basin pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from the Pictured Cliffs.

Entered and adopted by the Oil Conservation Commission this 22 day of June 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. M. Maby
CHAIRMAN

MEMBER

R. L. Purrier
SECRETARY

