

Case 1577
ILLEGIBLE

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION OF THE ATLANTIC REFINING
COMPANY FOR AN ORDER ESTABLISHING
TEMPORARY 80-ACRE WELL SPACING AND
PRORATION UNITS AND PROMULGATING SPECIAL
RULES AND REGULATIONS FOR THE HORSESHOE-
GALLUP POOL, SAN JUAN COUNTY, NEW MEXICO

To New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes The Atlantic Refining Company and hereby makes
application to the New Mexico Oil Conservation Commission for an
order establishing 80-acre well spacing and proration units and
promulgating special rules and regulations for the Horseshoe-Gallup
Pool, San Juan County, New Mexico, and in support of said applica-
tion respectfully shows:

1. That The Atlantic Refining Company is the owner of oil
and gas leases embracing a substantial amount of acreage embraced
within the limits of the Horseshoe-Gallup Oil Pool or Field as
defined by the New Mexico Oil Conservation Commission.

2. That all of the leasehold interests of applicant
situated within the Horseshoe-Gallup Pool have been developed by the
drilling of wells on a uniform 80-acre spacing pattern while some of
the lands situated in the Southeast portion of the Field have been
developed by wells on a regular 40-acre spacing pattern. That all
of said wells are producing from a common reservoir, and it is
believed that there are additional lands covering a considerable area
which, by further development, will be proven productive from the
same reservoir.

By reason of a study made by applicant of the Horseshoe-
Gallup Pool, including tests and other available data as well as
production experience, applicant believes that 80 acres, or more, can

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Sec. Verity, Clarence Hinkle, +
Guy Buell. 3-5-59
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be efficiently and economically drained and developed by one well and that it is in the interest of conservation and the prevention of waste that temporary 80-acre spacing and proration units be established for the Horseshoe-Gallup Pool for a period of at least one year until the limits of the producing area have been more definitely established and that unless the further production experience and development of said area definitely establishes that one well will not efficiently and economically drain 80 acres that after said one-year period the establishment of such units be made permanent.

3. That the 80-acre spacing and proration units should consist of a unit containing 80-acres more or less constituting either the North half, the South half, the East half or the West half of a single governmental quarter section and that all wells should be located within 330 feet of the center of either component quarter-quarter section of such spacing or proration unit.

4. That each 80-acre spacing and proration unit situated within the Horseshoe-Gallup Pool should be assigned an 80-acre proportional factor of two (2) for allowable purposes and that in the event there is more than one well on an 80-acre proration unit the operator should be permitted to produce the unit allowable for said wells in any proportion and each operator should have the right to drill a well on either or both of the component quarter-quarter sections of each 80-acre spacing or proration unit.

5. That any well drilled to or completed in the Gallup Reservoir of the Horseshoe-Gallup Pool not in conformity with the foregoing, prior to the entering of an order herein establishing 80-acre spacing and proration units, should be granted an exception to such 80-acre spacing and well location requirements and that each such well should be assigned an allowable bearing the same proportion

to the standard 80-acre allowable so adopted that the acreage dedicated to such well bears to 80 acres; however, the allowable for any such excepted well should be increased to that of a standard 80-acre unit by the dedication to the well of additional acreage sufficient to constitute a standard 80-acre proration unit.

6. That applicant believes that the establishment of temporary 80-acre spacing and proration units as set forth above will prevent the economic loss caused by the drilling of unnecessary wells and will protect correlative rights, including those of royalty owners and will avoid risks arising from the drilling of an excessive number of wells and will tend to promote the greatest ultimate recovery of oil and gas in that such 80-acre spacing will be in the interest of and will facilitate the establishment of an early pressure maintenance or secondary recovery program designed to maintain the over-all production curve at a higher level during the productive life of the Pool than would otherwise be the case.

WHEREFORE, applicant prays that the Oil Conservation Commission after due notice and hearing as provided by law and the rules and regulations of the Oil Conservation Commission enter an order herein establishing temporary 80-acre well spacing and proration units and promulgating special rules and regulations for the Horseshoe-Gallup Pool, San Juan County, New Mexico.

Respectfully submitted,

THE ATLANTIC REFINING COMPANY

By

Attorney

HERVEY DOW & HINKLE

By

Roswell, New Mexico

Attorneys for

The Atlantic Refining Company