

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF STANDARD OIL COMPANY OF
TEXAS, A DIVISION OF CALIFORNIA OIL COMPANY,
FOR AN ORDER ESTABLISHING 80-ACRE PRORATION
UNITS FOR THE LA PLATA-GALLUP POOL,
SAN JUAN COUNTY, NEW MEXICO

Case No. 2858

APPLICATION

Comes now Standard Oil Company of Texas, a Division of California Oil Company, and applies to the Oil Conservation Commission of the State of New Mexico for an order to provide for the establishment of 80-acre proration units to consist of adjacent quarter-quarter sections of a single governmental quarter section, with wells to be located within 200 feet of the center of either quarter-quarter section of the unit, and for such other and further orders as the Commission may deem proper.

In support of this application, the applicant would show the Commission:

1. That applicant has oil and gas leases in Sections 5, 7, and 8 in Township 31 North, Range 13 West, Rio Arriba County, within the designated boundaries of the La Plata Pool.
2. That applicant has completed its Federal 12-5 Well No. 1 in the Tocito-Gallup formation, located in the SW/4 of SW/4 of Section 5, Township 31 North, Range 13 West, San Juan County. The subject well is the only producing well and there have been four unsuccessful tests of the Tocito-Gallup formation in nearby dry holes.
3. That on the basis of information presently available it is believed that an 80-acre proration unit can be efficiently and economically drained and developed by one well and the establishment of 80-acre proration units is in the interest of conservation, would prevent economic loss caused by the drilling of unnecessary wells, would prevent waste, would avoid risks arising from the drilling of an excessive number of wells, and would protect correlative rights.

WHEREFORE, applicant requests that this application be set for hearing and that, after notice and hearing as provided by law, the Commission enter its order establishing 80-acre proration units for the La Plata-Gallup Pool and such other and further orders as may be proper.

Respectfully submitted.

STANDARD OIL COMPANY OF TEXAS
A DIVISION OF CALIFORNIA OIL COMPANY

By R. L. McGannon
R. L. McGannon, Attorney

EXHIBIT NO. 1

PROPOSED RULES
LA PLATA-GALLUP POOL
SAN JUAN COUNTY, NEW MEXICO

RULE 1. Each well completed in the La Plata-Gallup Pool or in the Gallup formation within one mile of the La Plata-Gallup Pool and not nearer to nor within the limits of another designated Gallup pool shall be spaced, drilled, operated, and prorated in accordance with the rules hereinafter set forth.

RULE 2. Each well completed or recompleted in the La Plata-Gallup Pool shall be located on a unit containing 80 acres, more or less, which consists of any two contiguous quarter-quarter sections of a single governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. All wells projected to or completed in the La Plata-Gallup Pool shall be located within 200 feet of the center of either quarter-quarter section in the unit.

RULE 4. For good cause shown, the Secretary-Director may grant an exception to Rule 2 without notice and hearing where an application has been filed in due form and where:

1. The non-standard unit consists of a single quarter-quarter section or lot.
2. The non-standard unit may be reasonably presumed productive.
3. The applicant presents waivers from all offset operators, or proof of notification of offset operators (in which case 20 days delay required).

RULE 5. For topographic reasons, the Secretary-Director may grant an exception to Rule 3 without notice and hearing upon presentation of waivers or proof of notification (after 20 days delay).

RULE 6. The allowable assigned to any non-standard proration unit shall bear the same ratio to a standard allowable in the La Plata-Gallup Pool as the acreage in the non-standard unit bears to 80 acres.

RULE 7. An 80-acre proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 2.33 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from said wells in any proportion.

RULE 8. All wells completed in or drilling to the La Plata-Gallup Pool at the time this order becomes effective are hereby granted exception to Rule 3.