

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF ROGER C. HANKS
FOR DESIGNATION OF NORTH DAGGER
DRAW OIL POOL AND SPECIAL RULES
THEREFOR, EDDY COUNTY, NEW
MEXICO.

CASE NO. 2-117

APPLICATION

COMES NOW Roger C. Hanks (Applicant), operator of oil and gas
leases covering the lands involved herein and states:

1. That there exists in Eddy County, New Mexico an area
composed of:

Township 19 South, Range 24 East, N.M.P.M.

Section 24: All
Section 25: All
Section 36: All

Township 19 South, Range 25 East, N.M.P.M.

Section 18: All
Section 19: All
Section 30: All
Section 31: All

Township 20 South, Range 24 East, N.M.P.M.

Section 1: All

containing 5,120 acres, more or less, which is a common geological
area susceptible to production of oil and associated hydrocarbons
from a common formation believed to be the Cisco Canyon Member of
the Upper Pennsylvanian Formation. It is believed by Applicant
that the productive characteristics of such oil or associated hydro-
carbons will be substantially the same throughout said area.

2. That in order to prevent waste and to protect the correlative
rights of all interested parties, it is advisable that such oil

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and associated hydrocarbons from such formation within said area be spaced, drilled and produced in a substantially uniform manner so that as to most efficiently and effectively produce the maximum recoverable oil and associated hydrocarbons from such formation within said area. That as a consequence special rules and regulations should be promulgated for the production of oil and associated hydrocarbons from such formation within said area; proposed rules and regulations are attached hereto as Exhibit 1.

3. That in the opinion of the Applicant the proposed pool area is not in communication with any pool heretofore designated by the Commission and constitutes a separate source of supply. Currently, said area includes undesignated, Dagger Draw Upper Penn, and Parish Ranch Upper Penn Pools which in the opinion of the Applicant are a common source of supply.

WHEREFORE, Applicant prays that, after notice and hearing, the Commission establish a new area in Eddy County, New Mexico classified for the production of oil and associated hydrocarbons from the Cisco Canyon Member of the Upper Pennsylvanian Formation, and designated as the ^{-Cisco Canyon} North Dagger Draw Oil Pool with vertical and horizontal limits; for the promulgation of special rules and regulations for the North Dagger Draw Oil Pool.

ROGER C. HANKS

By 

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SPECIAL RULES AND REGULATIONS
FOR THE
NORTH DAGGER DRAW-UPPER PENNSYLVANIAN OIL POOL

RULE 1. Each well completed or recompleted in the North Dagger Draw-Upper Pennsylvanian Oil Pool or in the Upper Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian Pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 320 acres, more or less, comprising any two contiguous ~~quarter~~ sections of a single governmental section, being a legal subdivision of the United States Public Land Surveys provided that for the purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a standard proration unit for the well under the applicable provisions of Rule 2 above and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the standard proration unit for the well in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the afore-said operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if

no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the nearest side boundary of the tract nor nearer than 1980 feet to the nearest end boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. That the special depth bracket allowable for a well on a 320-acre tract shall be 427 barrels of oil per day.

RULE 7. That the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced.

RULE 8. A well which has 320 acres dedicated to it shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one well on a 320-acre oil proration unit, the operator may produce the allowable assigned to the 320-acre unit from the wells on the unit in any proportion.

RULE 9. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 10. Subsequent to completion of the initial gas-liquid ratio test, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 10. Gas-liquid ratio tests shall be taken on all wells annually in accordance with orders of the Commission District Supervisor.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.