

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5629
Order No. R-5192

APPLICATION OF ODESSA NATURAL
CORPORATION FOR POOL CREATION,
ASSIGNMENT OF A DISCOVERY ALLOWABLE,
AND SPECIAL POOL RULES, RIO ARriba
AND SANDOVAL COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 18, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of March, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Odessa Natural Corporation, is the owner and operator of two wells capable of producing oil from the Dakota formation, said wells being the Odessa Chacon Jicarilla "D" Well No. 1, located in Unit O of Section 15 and the Odessa Chacon Jicarilla "D" Well No. 2, located in Unit I of Section 16, all in Township 23 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

(3) That said wells are apparently completed in and capable of producing from the same common source of supply in the Dakota formation as the Dave M. Thomas Chacon Jicarilla Apache "D" Well No. 1, located in Unit A of Section 23, Township 23 North, Range 3 West, NMPM, Sandoval County, New Mexico.

(4) That the applicant seeks the creation of a new oil pool for the above-described three wells, the assignment of an oil discovery allowable to the discovery well, the aforesaid Dave M. Thomas Chacon Jicarilla Apache "D" Well No. 1, and the promulgation of special pool rules, including a provision for 320-acre oil spacing and proration units.

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(5) That the aforesaid Thomas well on September 4, 1974, apparently discovered a new Dakota common source of supply through perforations from 7,315 feet to 7,345 feet. That said common source of supply should be designated the Chacon-Dakota Oil Pool with vertical limits comprising the interval from the base of the Greenhorn Limestone found at a depth of 7,280 feet on the log of the discovery well to the top of the Burro Canyon formation found at a depth of 7,586 feet on said log; and that the horizontal limits of said pool should comprise the following lands:

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM

Section 15: S/2

Section 16: SE/4

Section 22: NE/4

Section 23: N/2

(6) That the discovery well for said pool has declined in productivity and is classified as a marginal well, and that portion of the application requesting the assignment of an oil discovery allowable to said well has become moot and should be dismissed.

(7) That the applicant has failed to establish that one oil well in the Dakota formation in the subject area can efficiently and economically drain and develop 320 acres and the application for 320-acre spacing and proration units should be denied.

(8) That the Dakota formation in the subject area does appear to be more permeable than the Dakota formation in some other areas, and pending further study, temporary 80-acre spacing and proration units should be approved.

(9) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(10) That an administrative procedure should be established whereby the Secretary-Director could approve the transfer of allowables from a shut-in well to a producing well on the same lease during authorized pressure interference tests.

(11) That this case should be reopened at an examiner hearing in April, 1977, at which time the operators in the subject pool should be prepared to appear and show cause why the Chacon-Dakota Oil Pool should not be developed on 40-acre spacing units.

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(12) That entry of an order embodying the above findings will not cause but will prevent waste, will protect correlative rights, and should be effected.

IT IS THEREFORE ORDERED:

(1) That a new pool is hereby created, classified as an oil pool for Dakota production and designated the Chacon-Dakota Oil Pool with vertical limits comprising the interval from the base of the Greenhorn Limestone found at a depth of 7,280 feet on the log of the discovery well, the Dave M. Thomas Jicarilla Apache "D" Well No. 1, located in Unit A of Section 23, Township 23 North, Range 3 West, NMPM, Sandoval County, New Mexico, to the top of the Burro Canyon formation found at a depth of 7,586 feet on said log, and with horizontal limits comprising the following lands:

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM

Section 15: S/2

Section 16: SE/4

in Rio Arriba County, New Mexico

Section 22: NE/4

Section 23: N/2

in Sandoval County, New Mexico

(2) That temporary Special Rules and Regulations for the Chacon-Dakota Oil Pool, Rio Arriba and Sandoval Counties, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
CHACON-DAKOTA OIL POOL

RULE 1. Each well completed or recompleted in the Chacon-Dakota Oil Pool or projected to the Dakota formation as an oil well within one mile thereof, and not nearer to or within the limits of another designated Dakota oil 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 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a 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. 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 comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered

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

RULE 4. Each well shall be located no closer than 330 feet to the outer boundary of the unit and no closer than 660 feet to another well capable of producing from the Dakota formation.

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 proposed location 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 proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 267 barrels per day, 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 the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Chacon Dakota Oil Pool or in the Dakota formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Aztec District Office of the Commission in writing of the name and location of the well on or before May 1, 1976.

(2) That the Secretary-Director of the Commission is hereby authorized to approve the transfer of allowables from wells shut in for the purpose of pressure interference tests, to other wells on the same lease for production therefrom, provided however, such tests shall not exceed 90 days, but may be extended for good cause shown.

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(3) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Chacon-Dakota Oil Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Chacon-Dakota Oil Pool or in the Dakota formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(4) That this case shall be reopened at an examiner hearing in April, 1977, at which time the operators in the subject pool should be prepared to appear and show cause why the Chacon-Dakota Oil Pool should not be developed on 40-acre spacing units.


(5) That that portion of the application relating to the assignment of an oil discovery allowable to the discovery well for the Chacon-Dakota Oil Pool is hereby dismissed.

(6) That that portion of the application relating to the establishment of 320-acre spacing and proration units is hereby denied.

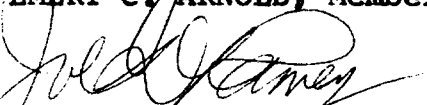
(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

