

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 8822 De Novo
Order No. R-8188-A
NOMENCLATURE

APPLICATION OF AMOCO PRODUCTION COMPANY
FOR POOL CREATION AND SPECIAL POOL RULES,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 20, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of June, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Amoco Production Company, seeks an order deleting a portion of the Ojito Gallup-Dakota Oil Pool and creating the Northeast Ojito Gallup-Dakota Oil Pool with special pool rules including a provision for 160-acre spacing, Rio Arriba County, New Mexico.
- (3) Notice was given to all interested parties to appear and participate in the hearing.
- (4) Of those parties notified, Minel Inc. and Union Texas Petroleum Corporation appeared in opposition to the applicant.
- (5) The applicant presented geologic and engineering evidence to demonstrate that the Gallup formation in the proposed new pool area was in fact in the same common source of supply with the Ojito Gallup-Dakota Oil Pool, but has producing characteristics sufficiently different to require the creation of such new pool.

(6) Certain of the Amoco wells in the proposed new pool area have high initial potential rates and sustained high production over a six (6) month period that indicate that the production of those wells is enhanced by natural fracturing.

(7) At the conclusion of the applicant's presentation and prior to the opponent's presentation, the parties to the hearing entered into an agreement acceptable to the Commission concerning this case.

(8) By agreement of the parties to the hearing, and in order to obtain additional data and to preserve the status quo during the temporary period, the creation of a special pool with 160-acre spacing on a temporary basis of 24 months protects the correlative rights of the interest owners involved.

(9) Applicant's evidence and testimony at the hearing demonstrated that drilling wells in the proposed Northeast Ojito Gallup-Dakota Oil Pool on 40-acre spacing is uneconomical at the present time and may result in the drilling of unnecessary wells.

(10) Applicant's engineering evidence presented at the hearing tended to demonstrate that certain wells in the proposed Northeast Ojito Gallup-Dakota Oil Pool are capable of effectively and efficiently draining 160-acre spacing units. However, such evidence is not conclusive and the development of appropriate spacing for this pool will require further study and development of factual and technical data.

(11) Adoption of temporary special pool rules including provisions for 160-acre spacing would encourage continued drilling in said proposed pool, thereby producing oil which might not otherwise be produced, thereby preventing waste.

(12) In order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the proposed Northeast Ojito Gallup-Dakota Oil Pool.

(13) The temporary special rules should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(14) The temporary special rules should be established for a 24-month period in order to allow the operators in the subject pool to gather reservoir information to establish whether the temporary rules should be made permanent.

(15) This case should be reopened at an Oil Conservation Division examiner hearing in June, 1988, at which time the operators in the subject pool should be prepared to appear and show cause why the Northeast Ojito Gallup-Dakota Oil Pool should not be developed on 40-acre spacing units.

(16) The Gallup and Dakota formations should continue to be developed as a common reservoir within the newly defined pool and the horizontal limits of the Northeast Ojito Gallup-Dakota Oil Pool which should be as follows:

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Sections 25, 26, 35, and 36: All

(17) The discovery well for said Northeast Ojito Gallup-Dakota Oil Pool is applicant's Jicarilla Apache Well No. 8 located in Unit P of said Section 35 and completed February 27, 1984, through perforations from 7298 feet to 8398 feet.

(18) The effective date of the pool creation and the Special Rules promulgated for the Northeast Ojito Gallup-Dakota Oil Pool should be June 1, 1986.

(19) During the time that the Temporary Special Rules are in effect, no well located in the south half of Sections 35 and 36, Township 26 North, Range 3 West, of the Northeast Ojito Gallup-Dakota Oil Pool should be allowed to produce at a rate in excess of that which would be allowed for the well if statewide 40-acre oil well spacing were applicable for this new pool as established by Rule 505.

(20) During the time that the Temporary Special Rules are in effect, the operators who are parties to this proceeding shall, to the extent possible, cooperate in developing and sharing non-proprietary technical data in order to fully evaluate the producing characteristics of this pool.

(21) The Ojito Gallup-Dakota Oil Pool should be contracted by the deletion therefrom of said Sections 25, 26, 35 and 36.

IT IS THEREFORE ORDERED THAT:

(1) The Ojito Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, as heretofore defined and described, is hereby contracted by the deletion therefrom of Sections 25, 26, 35, and 36, all in Township 26 North, Range 3 West, NMPM.

(2) A new pool in Rio Arriba County, New Mexico, classified as an oil pool for Gallup-Dakota Production is hereby created and designated as the Northeast Ojito Gallup-Dakota Oil Pool, with vertical limits comprising the Gallup and Dakota formations with horizontal limits as follows:

NORTHEAST OJITO GALLUP-DAKOTA OIL POOL
RIO ARRIBA COUNTY, NEW MEXICO
TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM
SECTIONS 25, 26, 35, and 36: All

(3) Temporary Special Rules for the Northeast Ojito Gallup-Dakota Pool are hereby promulgated as follows:

SPECIAL RULES FOR THE
NORTHEAST OJITO GALLUP-DAKOTA OIL POOL

RULE 1. Each well completed or recompleted in the Northeast Ojito Gallup-Dakota Oil Pool or in the correlative interval within one mile of its northern, eastern, or western boundary, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. No more than one well shall be completed or recompleted on a standard unit containing 160 acres, more or less, of a governmental section.

RULE 3. Non-standard spacing or proration units shall be authorized only after proper notice and hearing.

RULE 4. Each well shall be located no nearer than 790 feet to the outer boundary of the spacing or proration unit, nor nearer than 330 feet to a governmental quarter-quarter section line.

RULE 5. Any well presently completed in or drilling to the Northeast Ojito Gallup-Dakota Oil Pool which would be at an

unorthodox location under these rules is hereby granted an exception thereto. Any such well shall be allowed to continue full production subject only to the depth bracket allowables contained in Oil Conservation Commission Rule 505C and the provisions of Rule 7 hereof.

RULE 6. Any well located within the boundaries of the Northeast Ojito Gallup-Dakota Oil Pool or any well outside those boundaries subject to these rules shall have a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil produced.

RULE 7. During the time that the Temporary Special Rules are in effect, no well located in the south half of Sections 35 and 36, Township 26 North, Range 3 West, in the Northeast Ojito Gallup-Dakota Oil Pool shall be allowed to produce at a rate in excess of that which would be allowed for the well if statewide 40-acre oil well spacing were applicable as established by Rule 505.

IT IS FURTHER ORDERED THAT:

(1) The pool contraction, pool creation and Special Pool Rules for the Northeast Ojito Gallup-Dakota Oil Pool shall become effective June 1, 1986.

(2) Pursuant to Paragraph A of Section 70-2-18, NMSA 1978, existing wells in the Northeast Ojito Gallup-Dakota Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto. Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division 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 Northeast Ojito Gallup-Dakota Pool, or within one mile thereof, as provided in the Special Rules, shall receive no more than one-quarter of a standard allowable for the pool.

(3) This case shall be reopened in an examiner hearing in June of 1988, at which time the operators of the subject pool should be prepared to appear and show cause why the Northeast Ojito Gallup-Dakota Oil Pool should not be developed on 40-acre spacing units.

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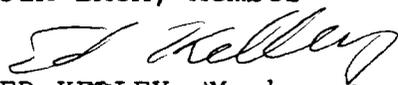
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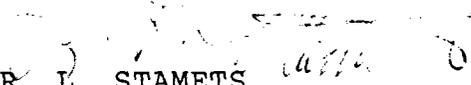
(4) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS,
Chairman and Secretary



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