

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8469
Order No. R-7933

APPLICATION OF DAMSON OIL CORPORATION
FOR CERTAIN FINDINGS FOR AN INFILL
WELL, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on March 27, 1985, and on April 10, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of June, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Damson Oil Corporation, seeks an order determining that the Mesa Petroleum Co.-operated McLeod Well No. 2-E, located 1530 feet from the North line and 930 feet from the West line of Section 34, Township 28 North, Range 10 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico, dedicated to the S/2 of said Section 34, in which the applicant owns an interest, is exempt from the provisions of the New Mexico Natural Gas Pricing Act (62-7-1 through 62-7-10, NMSA, 1978) pursuant to laws of 1984, Chapter 123, Section 13.B.

(3) At the March 27, 1985 hearing, Division Case No. 8468 was consolidated with this case for the purpose of testimony.

(4) Mesa Petroleum Co. as the operator of said McLeod Well No. 2-E appeared and presented evidence on behalf of the applicant.

(5) The applicant owns a non-operating working interest in said well with its share of the gas being sold under an

intrastate contract with Southern Union Gathering Company, and which is being sold separately from the well operator's interest.

(6) On December 10, 1984, the applicant, Damson Oil Corporation, filed an application with the New Mexico Oil Conservation Division, seeking a determination that the well is not subject to the provisions of the New Mexico Natural Gas Pricing Act.

(7) Said Act applies to any well drilled after January 1, 1975, on an established proration unit which was producing gas or was capable of producing gas from the same reservoir prior to January 1, 1975, unless the Oil Conservation Division exempts such well upon a finding that the drilling of the well was justified for reasons other than avoiding the application of the Act.

(8) Division Order No. R-1670-V authorized a second well on an established gas proration and drilling unit in the Basin-Dakota Pool, with findings that infill wells were necessary to increase reserves and recover additional gas from the pool.

(9) Evidence was presented that said McLeod Well No. 2-E was drilled to increase the recovery of gas from the Basin-Dakota Pool on the existing gas spacing and proration unit and that since the drilling of said well neither the operator nor the applicant has done anything to restrict the ability of the original well on the subject unit, which is the McLeod Well No. 2 located 1700 feet from the South line and 1050 feet from the West line of said Section 34, to produce into its connecting pipeline.

(10) Said McLeod Well No. 2-E was drilled for reasons other than avoiding the "Act".

(11) An exemption from the "Act" for the subject well will not impair correlative rights nor cause waste and should be granted.

IT IS THEREFORE ORDERED THAT:

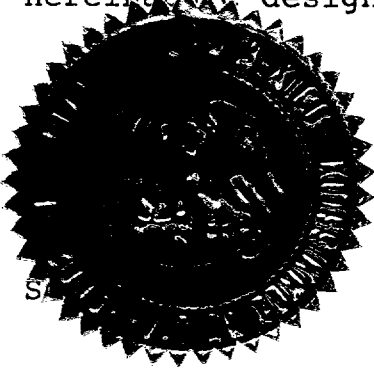
(1) The Mesa Petroleum Co. McLeod Well No. 2-E, located 1530 feet from the North line and 930 feet from the West line of Section 34, Township 28 North, Range 10 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico, was drilled in an existing gas spacing and proration unit pursuant to Division Order No. R-1670-V.

(2) Said McLeod Well No. 2-E was drilled for a purpose other than avoiding the provisions of the New Mexico Natural Gas Pricing Act, NMSA 62-7-1 et seq., (1978).

(3) An exemption from the provisions of the New Mexico Natural Gas Pricing Act is hereby granted to the above-described well.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. Stamets
R. L. STAMETS,
Director