

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

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IN THE MATTER OF THE APPLICATION)
OF BCO, INC. FOR AN ORDER)
DEDICATING ADDITIONAL ACREAGE)
AND FORMING A NON-STANDARD)
SPACING AND PRORATION UNIT)
FOR STATE J NO. 1 WELL,)
SEC 16, T23N, R7W, NMPM,)
RIO ARRIBA COUNTY, NEW MEXICO)
_____)

OIL CONSERVATION DIVISION

No. 9396

APPLICATION

Applicant BCO, Inc., by and through its attorneys, Jones, Sned, Wertheim, Rodriguez & Wentworth, P.A., pursuant to Rule 104(L) of the Rules and Regulations of the Division, requests that the Division enter an Order modifying the standard forty (40) acre spacing requirement for the State J No. 1 Well, located in the NE/4, NE/4 of Sec. 16, T23N, R7W, NMPM, Rio Arriba County, New Mexico, by: (a) permitting the dedication of an additional forty (40) acres to said spacing and proration unit, to wit, the NW/4, NE/4 of said Section 16, thereby forming a non-standard spacing and proration unit, and (b) that said modification be made retroactive to the date of first production, October 13, 1987. In support of its Application, BCO, Inc. states:

1. Applicant is the operator of certain oil and gas working interests in Section 16, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and operates an oil

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well that produces casing-head gas located in the NE/4, NE/4 of said Section 16 (the subject well).

2. The subject well is dually completed in the Lybrook Gallup Pool and the Undesignated Graneros Pool, with commingled production having been previously authorized by Administrative Order No. DHC-672, dated October 15, 1987.

3. Pursuant to the statewide spacing requirements of Rule 104(C) of the Rules and Regulations of the Division, the subject well is presently spaced on a standard forty (40) acre spacing and proration unit, and is located 540 feet from the North line and 820 feet from the East line of Section 16.

4. Applicant believes that the subject well is located on or near a fault structure which distinguishes this well from others completed in the same formations in this area. Applicant believes that as a result of the fault structure, the drainage pattern of the subject well is primarily in a westerly direction from the well, having no apparent communication with offsetting wells to the north or east of the subject well.

5. Applicant further believes that the subject well is capable of draining, and in fact is draining, oil and gas reserves not only from the forty-acre tract presently dedicated to the well, but also from the adjoining forty-acre tract to the west of the subject well, being the NW/4, NE/4 of Section 16.

6. Applicant has the authority, as operator, from the owner of the oil and gas working interests in both the Lybrook Gallup Pool and the Undesignated Graneros Pool in all of Section 16 to dedicate this additional forty (40) acre tract to the subject well.

7. In order to prevent waste, eliminate the need to drill an unnecessary well, and to protect correlative rights, the standard forty (40) acre spacing requirement for the subject well should be modified, retroactive to the date of initial production, October 13, 1987, to permit the dedication of an additional forty (40) acre tract to the subject well, being the NW/4 of the NE/4 of Section 16, thereby forming a non-standard 80 acre spacing and proration unit for the subject well.

8. The correlative rights of offsetting operators will not be adversely affected by the requested modification and the formation of a non-standard spacing and proration unit for the subject well.

WHEREFORE, Applicant respectfully requests that this Application be set down for hearing, after notice given as required by the Rules and Regulations of the Division, and thereupon,

A. That an Order be entered modifying the standard forty (40) acre field-wide spacing requirement for the subject well by permitting the dedication of an additional forty (40)

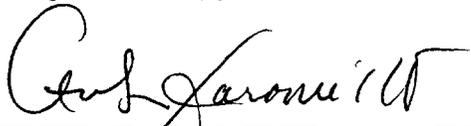
acre tract to said spacing unit, namely, the NW/4, NE/4 of Section 16, T23N, R7W, NMPM, Rio Arriba County, New Mexico, thereby forming a non-standard eighty (80) acre spacing and proration unit;

B. That the requested modification be made retroactive to the date of initial production, October 13, 1987; and

C. For such other and further relief as the Division may deem appropriate in the premises.

Respectfully submitted,

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WENTWORTH, P.A.
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