

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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

**(Reopened)
CASE NOS. 10869 and 10881
Order No. R-10050-A**

**IN THE MATTER OF CASE NOS. 10869 AND 10881
BEING REOPENED PURSUANT TO THE PROVISIONS
OF DIVISION ORDER NO. R-10050, WHICH ORDER
AUTHORIZED THE SIMULTANEOUS DEDICATION
OF ACREAGE TO BOTH OIL AND GAS WELLS AND
REDUCED THE GAS-OIL RATIO LIMITATION TO
7,000:1 FOR THE SOUTH DAGGER DRAW-UPPER
PENNSYLVANIAN ASSOCIATED POOL, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 21, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of October, 1995, 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) By Order No. R-10050 entered in Case Nos. 10869 and 10881 on January 26, 1994, the Division, upon application of Yates Petroleum Corporation and Conoco Inc., amended the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, as promulgated by Division Order No. R-5353, as amended, by deleting Rule No. 5(b) of the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, thereby allowing the simultaneous dedication of acreage to both oil and gas wells, and reduced the gas-oil ratio limitation from 10,000 cubic feet of gas per barrel of oil to 7,000 cubic feet of gas per barrel of oil.

(3) Pursuant to the requirements of Division Order No. R-10050, this case was reopened to allow the operators in the subject pool to appear and present evidence and testimony as to whether the amendments to the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, as described above, should be made permanent.

(4) Conoco Inc. appeared at the hearing and presented evidence and testimony in support of making the subject amendments permanent. In addition, Yates Petroleum Corporation appeared through legal counsel at the hearing and also stated its support for making the subject amendments permanent.

(5) Marathon Oil Company, an operator within the subject pool, submitted a letter in this case which indicates its support for making the subject amendments permanent.

(6) The South Dagger Draw-Upper Pennsylvanian Associated Pool currently comprises portions of Townships 20, 20 1/2, and 21 South, Ranges 23 and 24 East, NMPM, Eddy County, New Mexico.

(7) The applicant's evidence and testimony indicates that the amendments to the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool as promulgated by Order No. R-10050 have:

- a) enabled the operators in the subject pool to drill approximately twenty-eight wells since January, 1994, which may not have otherwise been drilled until such time as the gas wells were depleted;
- b) enabled the operators in the subject pool, especially Marathon Oil Company, to significantly increase its oil production from the subject pool without unnecessarily restricting its gas production;
- c) enabled the operators in the subject pool to protect their acreage from drainage by offset oil or gas wells by allowing the drilling and simultaneous dedication of acreage to both oil and gas wells;
- d) not adversely affected ultimate oil recoveries from the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(8) No offset operator and/or interest owner appeared at the hearing in opposition to making the subject amendments permanent.

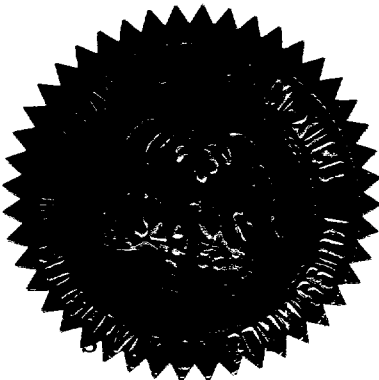
(9) Adopting the amendments to the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool on a permanent basis will allow for more efficient recovery of oil and gas reserves, will allow operators to protect their acreage from offset drainage, thereby protecting correlative rights, and will not result in reduced ultimate oil recoveries.

IT IS THEREFORE ORDERED THAT:

(1) The amendments to the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, as promulgated by Division Order No. R-10050, which deleted Rule No. 5(b) of the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, thereby allowing the simultaneous dedication of acreage to both oil and gas wells, and which reduced the gas-oil ratio limitation from 10,000 cubic feet of gas per barrel of oil to 7,000 cubic feet of gas per barrel of oil, are hereby continued in full force and effect until further order of the Division.

(2) Jurisdiction is hereby 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

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the typed name and title.

WILLIAM J. LEMAY
Director