



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

November 8, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Gruy Petroleum Management Company
P. O. Box 140907
Irving, Texas 75039
Attention: Zeno Farris

Telefax No. (972) 443-6450

Administrative Order NSP-1028-A (L) (SD)

Dear Mr. Farris:

Reference is made to the following: (i) your application dated September 27, 2000, which was not received by the New Mexico Oil Conservation Division ("Division") in Santa Fe until October 19, 2000; (ii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSP-1028, NSL-983, and SD-99-12; (iii) the two Division directives dated December 22, 1999 and January 5, 2000; (vi) the Division's "NOTICE" to all operators in the Jalmat Gas Pool dated January 11, 2000; and (vii) the Division Director's "MEMORANDUM" to operators and interested parties in the Jalmat Gas Pool dated February 18, 2000: all concerning Gruy Petroleum Management Company's ("Gruy") request to reduce the acreage of the existing 160-acre non-standard gas spacing and proration unit ("GPU") in the Jalmat Gas Pool comprising the SW/4 of Section 2, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico, by omitting the 40 acres comprising the NW/4 SW/4 (Unit L) of Section 2 from this GPU.

This GPU was initially established by Division Administrative Order NSP-1028, dated August 5, 1976, and had dedicated thereon the Cooper State Well No. 1 (API No. 30-025-25285), located at a standard gas well location for this 160-acre GPU 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 2.

By Division Administrative Order NSL-983, dated September 19, 1978, an infill well for this GPU, the Cooper State Well No. 2 (API No. 30-025-26039), located at an unorthodox gas well location 2310 feet from the South and West line (Unit K) of Section 2 was approved.

As referenced by correspondence to Gruy from the Division on November 4, 1999 (see SD-99-12), an additional infill gas well was to have been included in this GPU, the Cooper State Well No. 3 (API No. 30-025-34729), to be drilled at a standard gas well location 1686 feet from the South line and 660 feet from the West line (Unit L) of Section 2.

It is our understanding that such reduction and severance of acreage is necessary due to the recent completion of the above-described Cooper State Well No. 3 in Unit "L" as a Jalmat oil producer, whereby the 40 acres comprising the NW/4 SW/4 of Section 2 is now assigned this well in order to form a standard 40-acre oil spacing and proration unit in the Jalmat Gas Pool.

This application has been duly filed under the provisions of: (i) Division Rules 104.F and 104.D (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No.

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12119 on August 12, 1999; (ii) Division Rule 605; and (iii) the "*Special Rules and Regulations for the Jalmat Gas Pool*", as promulgated by Division Order No. R-8170, as amended.

By the authority granted me under the provisions of Division Rule 104.D (2), as revised, Division Rule 605.B (2) (b), and the applicable provisions of the special pool rules governing the Jalmat GasPool, the following described 120-acre non-standard gas spacing and proration unit is hereby approved:

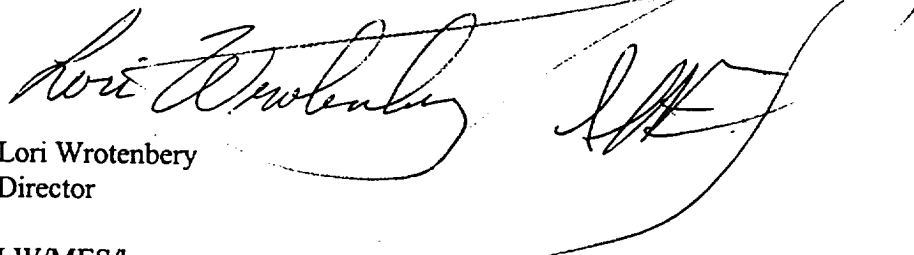
LEA COUNTY, NEW MEXICO
TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 2: NE/4 SW/4 and S/2 SW/4.

Gruy is further authorized to simultaneously dedicate Jalmat gas production from the Cooper State Wells No. 1 and 2, with allowable assigned the subject 120 GPU from both wells in any proportion.

Division Administrative Orders NSP-1028 and SD-99-12 shall be placed in abeyance until further notice. Furthermore, the provisions of Division Administrative Order NSL-983 pertaining to the unorthodox location of the Cooper State Well No. 2 shall remain in full force and effect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs /
New Mexico State Land Office - Santa Fe
William F. Carr, Legal Counsel for Gruy Petroleum Management Company - Santa Fe
File: NSP-1028
NSL-983
SD-99-12