



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 5, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Gruy Petroleum Management Company
P. O. Box 140907
Irving, Texas 75014-0907

Telefax No. (972) 443-6450

Attention: Zeno Farris

Administrative Order NSL-4640(SD)

Dear Mr. Farris:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on July 20, 2001 (*Division application reference No. pKRV0-120152765*); (ii) the Division's initial response by letter dated July 30, 2001 from Mr. Michael E. Stogner, Engineer in Santa Fe and (iii) the Division's records in Santa Fe, including the file on Division Administrative Orders NSP-1848 and SD-91-04, Division Order No. R-619, and Case No. 12724: all concerning Gruy Petroleum Management Company's ("Gruy") requests for an unorthodox Jalmat infill gas well location within an existing non-standard 120-acre gas spacing and proration unit ("GPU") for the Jalmat Gas Pool (**79240**) comprising the N/2 NE/4 and SW/4 NE/4 of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico.

The rules and procedures currently governing the Eumont Gas Pool include but are not necessarily limited to:

- (i) the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (ii) Division Rule 605.B;
- (iii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999;
- (iv) Rule 1207.A (2); and
- (v) the amended Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe County, New Mexico issued on July 11, 2001 in Hartman vs. Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgement").

The subject 120-acre GPU was established in part by Division Administrative Order NSP-1848, dated August 30, 2001 and has dedicated thereon Gruy's Myers "B" Well No. 6 (API No. 30-025-31382), located at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 11.

The Division's records indicate that Gruy originally permitted the subject well to be considered at this time, the Myers "B" Well No. 8 (API No. 30-025-34768), as a deeper Langlie-Mattix oil test (proposed depth to be 3,900 feet), see the "*Application for Permit to Drill (APD)*", U.S. BLM Form OMB No. 1004-0136, dated October 12, 1999. The NMOCD Form C-102 attached to the APD indicated that this well would be drilled at a standard oil well location 2260 feet from the North line and 2310 feet from the East line (Unit G) of Section 11. By a "*Sundry Notice*" (U.S. BLM Form No. 1004-0135) dated January 29, 2001 Gruy requested and received authorization to extend the time period of this APD for the Langlie-Mattix interval for an additional 12 months. A second "*Sundry Notice*" dated June 11, 2001 indicates that: (i) this well was spud on March 8, 2001; (ii) a production string of 5 1/2 inch casing was set to 3,885 feet on March 21, 2001; and (iii) the Jalmat Gas Pool is the intended pool for which the well is to be completed as an oil well.

By the authority granted me under the provisions of these rules, regulations, and directives, the above-described Myers "B" Well No. 8, located at an unorthodox infill Jalmat gas well location in the subject 120-acre GPU, is hereby approved.

Also, Gruy is hereby authorized to simultaneously dedicate Jalmat gas production from both the Myers "B" Wells No. 6 and 8. Furthermore, Gruy is hereby permitted to produce the allowable assigned the subject 120-acre GPU from all both wells in any proportion

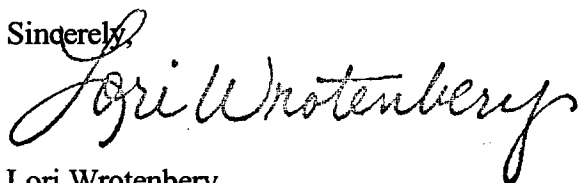
Further, Division Administrative Order NSP-1848 shall remain in full force and affect until further notice.

PLEASE NOTE HOWEVER THAT, in the future, Gruy, as a prudent operator, should take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations.

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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
U. S. Bureau of Land Management - Carlsbad
David R. Catanach, NMOCD - Santa Fe
Michael Feldewert, Legal Counsel for Gruy Petroleum Management Company - Santa Fe
Paul R. Owen, Legal Counsel for Lewis Burleson, Inc. - Santa Fe
File: NSP-1848
Case No. 12724
SD-91-04