

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8447 DE NOVO

Order No. F-7830-A

APPLICATION OF CHAMA PETROLEUM
COMPANY TO LIMIT THE LEA-PENNSYLVANIAN
GAS POOL RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 12, 1985, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 3rd day of July, 1985, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Chama Petroleum Company, seeks an order limiting the application of the Lea-Pennsylvanian Gas Pool rules to that area within the horizontal boundaries of said pool only.
- (3) The matter came on for hearing at 8 a.m. on January 3, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner and, pursuant to his hearing, Order No. R-7830 was issued on February 19, 1985, which denied the application.
- (4) On March 7, 1985, application for Hearing De Novo was made by Chama Petroleum Company and the matter was set for hearing before the Commission.
- (5) The matter came on for hearing de novo on June 12, 1985.
- (6) The Lea-Pennsylvanian Gas Pool was created by Oil Conservation Division Order No. R-2101, dated October 23, 1961;

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Exhibit No. 2

the Division has extended the horizontal limits of said pool on ten occasions and the pool now includes approximately 4,000 acres within its boundaries underlying the following described lands:

LEA COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 2: E/2
Section 3: S/2
Section 9: SF/4
Section 10: E/2 and SW/4
Sections 11 through 13: All
Section 14: E/2 and NW/4
Section 24: All

(7) Oil Conservation Division General Rule 104.C.II. (a) provides for 160-acre spacing and proration units for gas pools in a Pennsylvanian age or older formation which were created and defined by the Division prior to June 1, 1964, while said rules provide for 320-acre spacing and proration units for Pennsylvanian gas pools created after that date.

(8) Under Division rules, wells drilled within one mile of a pool are subject to the rules of such pool.

(9) Wells drilled to the Pennsylvanian formation within one mile of the Lea-Pennsylvanian Gas Pool would be subject to the rules of said pool including requirements for 160-acre spacing units.

(10) The applicant owns acreage outside but within one mile of the boundaries of said pool which it seeks to develop on statewide 320-acre spacing units.

(11) BTA Oil Producers Inc. is an owner of interest in the NE/4 of Section 25, Township 20 South, Range 34 East, NMPM, and opposes the application of Chama in this case.

(12) BTA presented testimony indicating that the N/2 of said Section 25 was a common source of supply with the Lea-Pennsylvanian Gas Pool.

(13) If developed on 320-acre spacing, BTA's correlative rights in the NE/4 of said Section 25 would not be protected.

(14) As the Lea-Pennsylvanian Gas Pool and newer Pennsylvanian Gas Pools in the area grow more closely together,

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conflicts in spacing rules will develop in the one mile area surrounding such pools where such areas overlap.

(15) To avoid such conflicts, the rules for the Lea-Pennsylvanian Gas Pool should apply only within the boundaries of such pool.

(16) Pennsylvanian formation wells completed within one mile of the boundary of such pool should be evaluated by the Hobbs district office of the Division to determine if they should be included within the boundaries of the Lea-Pennsylvanian Gas Pool which may be extended to include such wells.

(17) To protect the correlative rights of PTA and to avoid leaving isolated 160-acre spacing units outside either the Lea-Pennsylvanian Gas Pool or any 320-acre gas pool abutting thereto, said pool should be expanded to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 9: NE/4
Section 10: NW/4
Section 14: SW/4
Section 25: N/2

(18) Approval of this application with the pool expansion will protect correlative rights and will not cause waste.

IT IS THEREFORE ORDERED THAT:

(1) The Lea-Pennsylvanian Gas Pool in Lea County, New Mexico, as heretofore defined and described is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 9: NE/4
Section 10: NW/4
Section 14: SW/4
Section 25: N/2

(2) The pool rules for the Lea-Pennsylvanian Gas Pool shall apply only to such lands as shall from time to time lie within the horizontal boundaries of said pool.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JIM BACA, Member



ED KELLEY, Member



R. L. STAMETS, Chairman
and Secretary

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