

**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:**

**CASE NO. 11531
Order No. R-10608**

**APPLICATION OF GILLESPIE-CROW, INC.
FOR CERTIFICATION OF A POSITIVE
PRODUCTION RESPONSE PURSUANT TO THE
"NEW MEXICO ENHANCED OIL RECOVERY
ACT", LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of June, 1996, 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) The applicant, Gillespie-Crow, Inc., seeks certification, pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, of a positive production response within its West Lovington Strawn Unit Pressure Maintenance Project, Lea County, New Mexico.

(3) By Order No. R-10448, dated August 29, 1995, the Division:

- a) authorized Gillespie-Crow, Inc., to institute a pressure maintenance project within its West Lovington Strawn Unit Area which currently comprises the area described below; and,

- b) qualified the West Lovington Strawn Unit Pressure Maintenance Project as an enhanced oil recovery project pursuant to "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

WEST LOVINGTON STRAWN UNIT PRESSURE MAINTENANCE PROJECT AREA

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 33: All
Section 34: W/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 3 through 5

(4) The Division certified that the West Lovington Strawn Unit Pressure Maintenance Project was approved as a qualified secondary recovery project to the New Mexico Taxation and Revenue Department on June 3, 1996, retroactive to date of application, September 15, 1995.

(5) Evidence and testimony presented by the applicant indicates that gas injection commenced within the project in October, 1995, through one initial injection well.

(6) Cumulative gas injection within the pressure maintenance project as of May, 1996, was approximately 785 MMCFG at an average daily rate of approximately 5.0 MMCFG.

(7) The West Lovington Strawn Unit Area currently contains one injection well and ten producing wells.

(8) The evidence and testimony presented in this case indicates that:

- a) the West Lovington-Strawn Pool was created by Division Order No. R-9722, as amended, on September 23, 1992. The discovery well for the pool was the Charles B. Gillespie, Jr. (Gillespie) Hamilton Federal Well No. 1 located in Unit O of Section 33, Township 15 South, Range 35 East, NMPM;
- b) during 1992-93, Gillespie drilled an additional eight wells within the subject pool;
- c) in early 1994, Gillespie determined that the reservoir pressure within the West Lovington-Strawn Pool was declining to the point of nearing critical gas saturation. In an effort to delay the onset of this reservoir condition, Gillespie voluntarily curtailed production from its wells within the pool;
- d) during early 1995, Gillespie drilled an additional two wells within the pool; and,
- e) Gillespie-Crow, Inc., applied for and was granted Division approval to institute a pressure maintenance project within the West Lovington-Strawn Pool for the purpose of increasing ultimate oil recovery from the pool by maintaining reservoir pressure.

(9) The applicant's engineering evidence and testimony indicates that the gas being injected into the West Lovington Strawn Unit Well No. 7:

- a) is being confined to the reservoir and not being recycled to producing wells;
- b) is forming a gas cap within the reservoir; and,
- c) is effectively maintaining reservoir pressure within the West Lovington-Strawn Pool.

(10) In December, 1995, the applicant significantly increased production within the West Lovington Strawn Unit Area as a result of its determination that gas injection was being effective in maintaining reservoir pressure and that increased production would not be detrimental to the reservoir and/or reduce ultimate recovery from the pool.

(11) The engineering evidence and testimony presented supports the above-described determination.

(12) Applicant requested that December 31, 1995 should be established as the date a positive production response occurred within the subject pressure maintenance project.

(13) Applicant's request is reasonable and should be granted.

(14) The positive production response has occurred within the five year time limit described in Division Order No. R-9708.

(15) The producing wells shown on Exhibit "A" attached hereto should be eligible for the reduced tax rate.

(16) The applicant should be required to notify the Division:

- a) of the change in status of any of the producing wells shown on Exhibit "A";
- b) in the event new producing wells are drilled within the unit;
- c) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted herein.

(17) Pursuant to the provisions of Division Order No. R-9708, the Division Director should notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, the application of Gillespie-Crow, Inc. for certification of a positive production response within its West Lovington Strawn Unit Pressure Maintenance Project is hereby approved.

(2) All West Lovington-Strawn Pool producing wells within the following described area, which currently number ten, as shown on Exhibit "A" attached hereto, shall be eligible for the recovered oil tax rate:

WEST LOVINGTON STRAWN UNIT PRESSURE MAINTENANCE PROJECT AREA

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM

Section 33: All
Section 34: W/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 1 through 8

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 6: Lots 3 through 5

(3) Pursuant to the provisions of Division Order No. R-9708, the Division Director shall notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

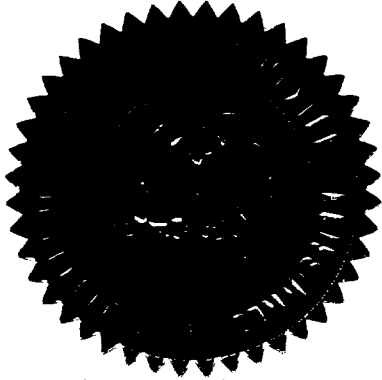
(4) The applicant shall notify the Division:

- a) of the change in status of any of the producing wells shown on Exhibit "A";
- b) in the event new producing wells are drilled within the unit;
- c) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted herein.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

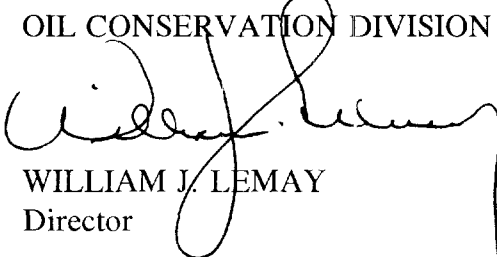
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

EXHIBIT "A"
CASE NO. 11531
DIVISION ORDER NO. R-10608
WEST LOVINGTON STRAWN UNIT PRODUCING WELLS

<u>API NO.</u>	<u>WLSU WELL NO.</u>	<u>WELL LOCATION - UL-S-T-R</u>
30-025-31531	1	O-33-15S-35E
30-025-31767	2	P-33-15S-35E
30-025-32184	3	K-33-15S-35E
30-025-32230	4	N-33-15S-35E
30-025-31830	5	B-1-16S-35E
30-025-31831	6	A-1-16S-35E
30-025-32291	8	L-34-15S-35E
30-025-32812	9	M-34-15S-35E
30-025-32526	10	G-33-15S-35E