

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

MEMORANDUM

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

TO: NEW MEXICO OIL PRODUCERS

FROM: WILLIAM J. LeMAY, Director, Oil Conservation Division *WJL*

SUBJECT: REGULATORY INITIATIVES TO INCREASE NEW MEXICO'S OIL PRODUCTION

DATE: SEPTEMBER 6, 1990

In response to the crisis in the Middle East, the Secretary of the Energy has asked oil producing states to take initiatives to increase domestic oil production.

To meet the Secretary's request, the New Mexico Oil Conservation Commission has placed on the September 24, 1990, docket a hearing to receive comments and suggestions from the oil industry on steps which the Division or the Commission might take to increase New Mexico's oil production immediately, and in the short term (3 to 6 months) and longer time frames.

The Commission is particularly interested to learn if producers see any Oil Conservation Division regulatory impediments which hinder drilling and/or production, whether oil allowables could be increased or eliminated, without violating correlative rights or creating waste, if there are any rule changes which could promote additional oil production and suggestions from industry relating to the Energy Secretary's directive. The Commission is soliciting comments only on actions which it or the Division might take and not on legislative initiatives or actions which would necessarily have to be taken by other governmental agencies, such as the Bureau of Land Management or Internal Revenue Service.

While no order will be issued as a result of this hearing, the Commission will utilize industry input in the implementation of regulatory policy which will allow or encourage higher production levels, either from existing wells or from new developments, without causing waste or impairing correlative rights.

PROPOSED NEW RULE 1135

Each gas transporter from a prorated gas well shall give notice to the Division within 30 days of new connection, reconnection or disconnection of a well to, or from, the gathering transportation system by filing Form C-135, in duplicate, with the appropriate District office of the Division, as required by the appropriate order of the Division (Order R-8170, as amended).

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO
OIL CONSERVATION COMMISSION

BOX 2015

HOBBS, NEW MEXICO

April 13, 1956

May 8, 1956

C

MR. B. E. THOMPSON
Gulf Oil Corporation
P. O. Drawer 1290
Fort Worth 1, Texas

RE: PROCEEDING OF _____ 361

PROPOSED NSL _____

Attention: Mr. B. E. Thompson
Mr. B. E. Thompson

Administrative Order NSP-261

I have examined the application dated 4-5
Gentlemen:

for the Gulf Oil Corp. Bell Ramsey "A" #8-D 4-21-56

Reference is made to your application for approval of a 120-acre non-standard gas proration unit in the Eument Gas Pool consisting of the following acreage: (lands) are as follows:

OK CP AND SIM
Township 21 South, Range 36 East, NMPM
Lots 12 and 13 and NW/4 SW/4 of Section 4

P

It is understood that this unit is to be ascribed to your Bell-Ramsey (State) "A" Well No. 8, located 565 feet from the West line and 3258 feet from the North line and in Lot 12 of Section 4, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico.

Y

By authority granted me under provisions of Rule 5, Section (b)-6 of the Special Rules and Regulations for the Eument Gas Pool, as set forth in Order R-520, you are hereby authorized to operate the above described acreage as a non-standard gas proration unit, with allowable to be assigned thereto in accordance with pool rules, based upon the unit size of 120 acres.

Very truly yours,

A. L. Porter, Jr.
Acting Secretary-Director

120 acres

ALP:jb
cc: Oil Conservation Commission, Hobbs
N. M. Oil and Gas Engr. Comm., Hobbs
N. M. State Land Office, Santa Fe
El Paso Natural Gas Company, Jal and El Paso

ILLEGIBLE

OIL CONSERVATION COMMISSION

NSP LETTER

P. O. BOX 871

SANTA FE, NEW MEXICO

BOX 2025

HEBBS, NEW MEXICO

Date July 11, 1956

July 11, 1956

Continental Oil Company
Petroleum Building
Roswell, New Mexico

Re:

Application for approval of
a 160-acre non-standard gas proration unit

Attention: Mr. R. L. Adams

Administrative Order NSP-287

Gentlemen: examined the application

Reference is made to your application for approval of a 160-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the following acreage:

Township 21 South, Range 36 East, NMPM
E/2 W/2 of Section 9

It is understood that this unit is to be ascribed to your Meyer "B-7" Well No. 2, located 1980 feet from the North and West lines and in the SE/4 NW/4 of Section 9, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico.

By authority granted me under provisions of Rule 5, Section (b)-6 of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520, you are hereby authorized to operate the above described acreage as a non-standard gas proration unit, with allowable to be assigned thereto in accordance with pool rules, based upon the unit size of 160 acres.

Very truly yours,

A. L. Porter, Jr.
Secretary-Director

ALP:jh

cc: Oil Conservation Commission, Hebbes
N. M. Oil and Gas Engr. Comm., Hebbes

ILLEGIBLE

**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. 100092

**APPLICATION OF CHEVRON U.S.A., INC.
FOR APPROVAL OF TWO NON-STANDARD
GAS PRORATION UNITS, AND UNORTHODOX
GAS WELL LOCATION AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO**

**RECEIVED
SEP 14 1990
OIL CONSERVATION DIVISION**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Pre-Hearing Statement for the Application of Chevron U.S.A., Inc. was hand delivered this 14th day of September, 1990 to W. Thomas Kellahin, Kellahin, Kellahin & Aubrey, 117 North Guadalupe, Santa Fe, New Mexico 87501.

GALLEGOS LAW FIRM

By 

JOANNE REUTER

141 East Palace Avenue
Santa Fe, New Mexico 87501
(505) 983-6686



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

BRUCE KING
 GOVERNOR

February 6, 1991

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

Mr. Thomas Kellahin
 Kellahin, Kellahin & Aubrey
 Attorneys at Law
 Post Office Box 2265
 Santa Fe, New Mexico

Re: CASE NO. 10092
 ORDER NO. R-9430

Applicant:
Chevron U.S.A. Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
 Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
 OC Staff Specialist

Copy of order also sent to:

Hobbs OCD X
 Artesia OCD X
 Aztec OCD

Other Joanne Reuter

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. 10092
Order No. R-9430

APPLICATION OF CHEVRON U.S.A. INC.
FOR ACREAGE REDEDICATION, TWO NON-
STANDARD GAS PRORATION UNITS,
SIMULTANEOUS DEDICATION, AND TWO
UNORTHODOX GAS WELL LOCATIONS, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 19, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st day of February, 1991, 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, Chevron U.S.A. Inc (Chevron), seeks approval to rededicate certain Eumont Gas Pool acreage in portions of Sections 4 and 9, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, thereby forming a 160-acre non-standard gas spacing and proration unit for said pool comprising Lots 12 and 13 and the W/2 SW/4 of said Section 4, to be simultaneously dedicated to its existing Bell Ramsay NCT-A Well No. 5 located at a standard gas well location 660 feet from the South and West lines (Unit U) and to the existing Bell Ramsay NCT-A Well No. 8 located at an unorthodox gas well location 3258 feet from the North line and 660 feet from the West line (Unit L), both wells in said Section 4, and a 240-acre non-standard gas spacing and proration unit comprising the NW/4 and E/2 SW/4 of said Section 9, to be dedicated to its Meyer Bell Ramsay Well No. 5 to be drilled at an unorthodox gas well location 990 feet from the South line and 1980 feet from the West line (Unit N) of said Section 9.

(3) At the time of the hearing, it was determined that the location for the proposed Meyer Bell Ramsay Well No. 5 is orthodox for the proposed proration unit pursuant to the Special Rules and Regulations for the Eumont Gas Pool as promulgated by Division Order No. R-8170, as amended.

(4) The proposed non-standard gas proration units would serve to combine two active and one inactive non-standard gas proration units in the Eumont Gas Pool as follows:

- a) NSP-261, dated May 8, 1956 authorized a 120-acre non-standard gas proration unit comprising Lots 12 and 13 and the NW/4 SW/4 of Section 4, said unit currently dedicated to the Bell Ramsay NCT-A Well No. 8 as described above;
- b) NSP-287, dated July 11, 1956 authorized a 160-acre non-standard gas proration unit comprising the E/2 W/2 of Section 9, said acreage currently undedicated, and;

- c) R-850, dated August 1, 1956 authorized a 120-acre non-standard gas proration unit comprising the SW/4 SW/4 of Section 4 and the W/2 NW/4 of Section 9, said unit currently dedicated to the Bell Ramsay NCT-A Well No. 5 as described above.

(5) According to applicant's evidence, both the Bell Ramsay NCT-A Well Nos. 5 and 8 are currently classified as marginal gas wells in the Eumont Gas Pool capable of producing approximately 47 percent and 60 percent, respectively, of the preceding twelve month average Eumont gas allowable assigned to their respective 120-acre non-standard gas proration units.

(6) Testimony presented by the applicant indicates that the proposed Meyer Bell Ramsay Well No. 5 may be capable of producing approximately 450 MCF of gas per day; however, evidence presented suggests that said well may be capable of producing substantially more than that.

(7) The proposed Meyer Bell Ramsay Well No. 5 has recently been offset by two newly drilled wells, the Texaco Producing Inc. Skelly "B" State Com Well No. 2 located in Unit G of Section 16, Township 21 South, Range 36 East, NMPM, and the Texaco Producing Inc. O. L. Coleman Well No. 6 located in Unit B of Section 17, Township 21 South, Range 36 East, NMPM, which had initial potentials in the Eumont Gas Pool, respectively, of 2223 MCFGPD and 848 MCFGPD.

(8) The applicant seeks the proposed acreage rededication for the purpose of increasing the acreage dedicated to the proposed Meyer Bell Ramsay Well No. 5, thereby increasing the gas allowable assigned the well under the Division's gas proration system.

(9) By Order No. R-8170-G dated November 8, 1990, the Division approved a minimum gas allowable in the Eumont Gas Pool of 600 MCF gas per day per acreage factor of 1.0.

(10) The acreage proposed to be dedicated to the Bell Ramsay NCT-A Well Nos. 5 and 8, as described above, should provide sufficient gas allowable such that these marginal wells may be produced at capacity.

(11) All working interest owners owning an interest in the proposed proration units have consented to and agreed to the proposed acreage rededication.

(12) Doyle Hartman (Hartman), an offset operator, appeared at the hearing and presented evidence and testimony in opposition to the application; however, the objection by Hartman was contingent upon Division denial of a similar application filed by Hartman in Case No. 9994 which was heard by the Division on June 28, 1990.

(13) The application of Hartman in said Case No. 9994 was approved by the Division by Order No. R-9332 entered on October 24, 1990.

(14) No other offset operator appeared at the hearing in opposition to the application.

(15) Approval of the application will enable the applicant to recover the remaining gas reserves underlying the proposed proration units, thereby preventing waste, and will not violate correlative rights.

(16) Division Order Nos. NSP-261, NSP-287 and R-850 should be superseded by this order.

(17) The subject 160 and 240-acre non-standard gas proration units should be assigned acreage factors of 1.0 and 1.5, respectively, in the Eumont Gas Pool for the purpose of assigning gas allowable.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre gas spacing and proration unit comprising Lots 12 and 13 and the W/2 SW/4 of said Section 4, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and simultaneously dedicated to the existing Bell Ramsay NCT-A Well No. 5 located at a standard gas well location 660 feet from the South and West lines (Unit U), and to the existing Bell Ramsay NCT-A Well No. 8 located at an unorthodox gas well location 3258 feet from the North line and 660 feet from the West line (Unit L), both wells in said Section 4.

(2) A non-standard 240-acre gas spacing and proration unit comprising the NW/4 and E/2 SW/4 of Section 9, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and dedicated to the Meyer Bell Ramsay Well No. 5 to be drilled at a standard gas well location 990 feet from the South line and 1980 feet from the West line (Unit N) of said Section 9.

(3) Division Order Nos. NSP-261, NSP-287 and R-850 are hereby superseded by this order.

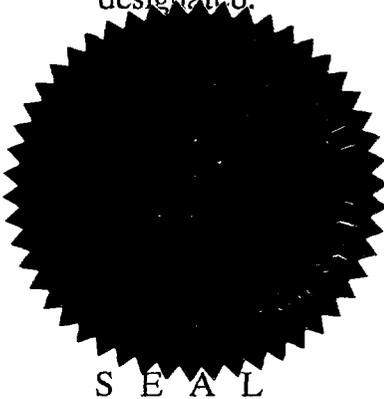
(4) The 160 and 240-acre non-standard gas proration units as described above shall be assigned acreage factors of 1.0 and 1.5, respectively, in the Eumont Gas Pool for the purpose of assigning gas allowable.

(5) The gas allowable assigned to the 160-acre non-standard gas proration unit as described above may be produced from the Bell Ramsay NCT-A Well Nos. 5 and 8 in any proportion.

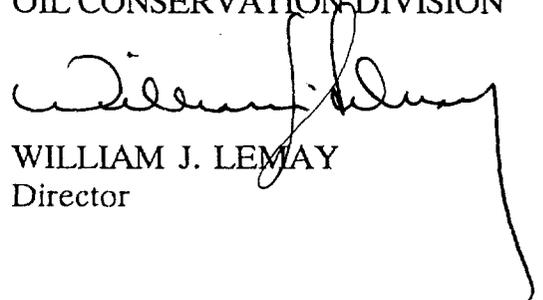
(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 10092
Order No. R-9430
Page -6-

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', written over the printed name and title.

WILLIAM J. LEMAY
Director