

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. 13308
ORDER NO. R-2627-B
NOMENCLATURE

APPLICATION OF SAMSON RESOURCES COMPANY TO ABOLISH THE
SPECIAL RULES AND REGULATIONS FOR THE TEAS-PENNSYLVANIAN
GAS POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 19, 2004, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of September, 2004 the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Order No. R-2627, issued in Case No. 2844 on December 27, 1963, created and defined the Teas-Pennsylvanian Gas Pool (86040) for gas production from the Pennsylvanian formations. The horizontal limits for this pool currently include the following described lands in Lea County, New Mexico:

TOWNSHIP 20 ~~SOUTH~~, RANGE. 33 ~~EAST~~, NMPM

Section 11:	All
Section 12:	W/2
Section 14:	N/2.

(3) The Teas-Pennsylvanian Gas Pool is an "unprorated gas pool" not subject to Part H of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). However, the Teas-Pennsylvanian Gas Pool is subject to: (i) the "*Special Rules and Regulations for the Teas-Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-2627 and made permanent by Division Order No. R-2627-A, dated June 15, 1966, which require standard 320-acre gas spacing units to comprise any two contiguous quarter sections of a single governmental section (half-section), with wells to be located no closer than 990 feet to the outer boundary of a quarter section and no closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary; and (ii) Division Rule 104.D (3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one (see official notice to all operators submitted by the Division Director on October 25, 1999). Producing wells within this pool are allowed to produce at capacity.

(4) Samson Resources Company ("Applicant" or "Samson"), seeks to abolish the special rules and regulations currently governing the Teas-Pennsylvanian Gas Pool, and to make the Division's statewide spacing and well location rules applicable to gas wells of Pennsylvanian age [see Division Rule 104.C (2)] valid for this pool.

(5) By Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, Division Rule 104 was amended for deep gas development (Wolfcamp and older) in southeast New Mexico (Lea, Chaves, Eddy, and Roosevelt Counties) to provide for: (i) one optional infill well within a standard 320-acre gas spacing and proration unit; (ii) relaxed setback requirements to the outer boundary line of a spacing and proration unit; and (iii) a larger geographical area within each quarter section of a single unit in which to drill a well at a location that is standard by reducing the 330-foot setback requirements to an interior quarter-quarter section line to 10 feet.

(6) That portion of the northern boundary of the Teas-Pennsylvanian Gas Pool in Section 11, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, is contiguous with the southern boundary of the East Gem-Morrow Gas Pool (77380). Also, that portion of the eastern and southern boundaries of the Teas-Pennsylvanian Gas Pool comprising the SW/4 of Section 12 and the eastern portion of the NE/4 of Section 14, both in Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, is contiguous with a portion of the western boundary of the Quail Ridge-Morrow Gas Pool (83280). Both the East Gem and Quail Ridge Morrow gas pools are currently governed by Division Rule 104.C (2).

(7) The special pool rules for the Teas-Pennsylvanian Gas Pool were established at a time when statewide gas spacing, with no depth restrictions, was 160 acres, each unit to comprise a single governmental quarter section.

(8) Applicant is currently drilling and intends to explore the Pennsylvanian interval within the governing limits of the Teas-Pennsylvanian Gas Pool (see Division Rule 104.A).

(9) The geological and engineering evidence presented at the hearing indicates that:

(a) There have been a total of three wells to produce from the Teas-Pennsylvanian Gas Pool; however, there are no wells currently assigned to this pool.

(b) The principal producing horizon within the Teas-Pennsylvanian, East Gem-Morrow, and Quail Ridge-Morrow gas pools is the middle Morrow sand interval.

(c) This gas productive middle Morrow sand interval is continuous across all three pools.

(d) None of the three wells within the Teas-Pennsylvanian Gas Pool drained an area in excess of 160 acres.

(e) Under the current pool rules one well per 320-acre spacing unit is insufficient to adequately deplete the remaining gas reserves underlying the Teas-Pennsylvanian Gas Pool.

(f) Under Division Rule 104.C (2), infill drilling with one well per quarter section within this pool will provide operators the opportunity to recover additional gas reserves, thereby preventing waste.

(10) Applicant further presented evidence showing that:

(a) This pool and all of the affected offsetting lands subject to the special rules governing the Teas-Pennsylvanian Pool are within the Oil/Potash Area as defined in Division Order No. R-111-P.

(b) All of the land comprising the Teas-Pennsylvanian Gas Pool is federal and therefore under the jurisdiction of the U. S. Bureau of Land Management; therefore, acceptable drilling locations and well placement within this area is somewhat restrictive.

(c) The proposed change in the well setback requirements within the Teas-Pennsylvanian Gas Pool will allow for greater flexibility in locating future wells.

(d) Since infill development of unprorated deep gas pools and formations in southeast New Mexico is now commonplace, the Division's current statewide rules are sufficient to address the Applicant's concerns.

(e) The requirements set out in Division Orders No. R-2676 and R-2676-A for "special" 320-acre spacing units for the above-described well location restrictions [see Finding Paragraph No. (3)] are no longer necessary, and the continuation of such constitutes an unreasonable burden on the operators in the pools and for the Division to implement.

(11) This application was filed under the provisions of Division Rule 1207.A (4)
(a). No interested party appeared at the hearing in opposition to the application.

(12) The current Division statewide rules for deep gas well locations and spacing exceptions are adequate in protecting correlative rights and preventing waste.

(13) Applicant's proposal is supported by its geologic and engineering evidence, and is consistent with current Division rules governing deep Pennsylvanian age gas development in southeast New Mexico.

(14) Approval of this application is in the best interest of conservation, promotes sound engineering practices, and serves to protect correlative rights.

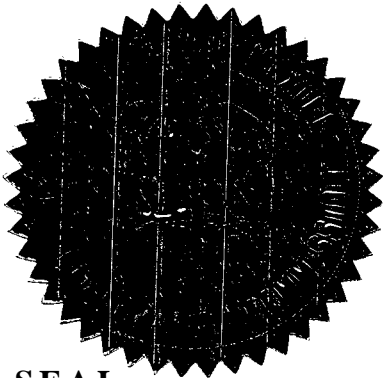
IT IS THEREFORE ORDERED THAT;

(1) Pursuant to the application of Samson Resources Company, the "*Special Rules and Regulations for the Teas-Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-2627, issued in Case No. 2844 on December 27, 1963, and made permanent by Division Order No. R-2627-A, dated June 15, 1966, are hereby **abolished**.

(2) The Teas-Pennsylvanian Gas Pool (**86040**) comprising all of Section 11, W/2 Section 12, and N/2 of Section 14, all in Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, shall hereinafter be governed by Division Rule 104.C (2).

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.
Director