

**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. 13275
ORDER NO. R-12273**

**APPLICATION OF ARCH PETROLEUM, INC. FOR A NON-STANDARD GAS
SPACING UNIT IN THE JALMAT 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 May 27, 2004, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 14th day of January, 2005, 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) At the hearing, this case was consolidated with Division Case No. 13274 for the purpose of testimony.
- (3) The applicant, Arch Petroleum, Inc. ("Arch"), seeks to establish a non-standard 160-acre gas spacing unit within the Jalmat Gas Pool (79240) comprising the NW/4 of Section 21, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico. This unit is to be dedicated to Arch's existing La Munyon Federal Well No. 2 (API No. 30-025-10814), to be recompleted **up-hole** from the **Langlie-Mattix (Seven Rivers-Queen-Grayburg)** Pool (37240) to the Jalmat Gas Pool located at a standard gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 21.
- (4) Fulfer Oil and Cattle Company, LLC ("**Fulfer**"), an offset operator, appeared at the hearing but offered no opposing testimony to this application.

(5) All of Section 21, Township 23 South, Range 37 East, **NMPM**, Lea County, New Mexico, is within the Jalmat Gas Pool and is therefore subject to the “*Special Pool Rules for the Jalmat Gas Pool*” as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001. The rules that govern gas wells within the Jalmat Gas Pool are summarized as follows:

- (a) a gas well in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil;
- (b) a standard gas spacing unit in the Jalmat Gas Pool shall be 640 acres and shall comprise a single governmental section;
- (c) a gas well in the Jalmat Gas Pool shall be located no closer than: (i) 660 feet to any outer boundary of its assigned gas spacing unit; (ii) 660 feet to any governmental quarter section line; and **(Hi)** 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; and
- (d) for any gas spacing unit, either standard or otherwise, the number of wells allowed shall be limited to no more than one well per **160-acre** quarter section.

(6) The NW/4 of Section 21 comprises a single Federal lease with common mineral interests (working, royalty, and overriding royalty) in which Arch is the leasehold operator.

(7) The evidence presented in this case demonstrates that:

- (a) it is likely that the Jalmat Gas Pool will be productive within the NW/4 of Section **21**;
- (b) development of the Jalmat Gas Pool on effective 160-acre spacing units rather than on a standard 640-acre unit basis is a common practice in this pool; and

- (c) development of the Jalmat Gas Pool on a lease basis has historically been a common practice within this pool.

(8) Fulfer presented no geologic or engineering evidence to demonstrate that its correlative rights would be harmed by the approval of Arch's **application** in this case.

(9) In addition, Arch provided notice of its application to form its proposed non-standard unit to all working and royalty interest owners in Section 21. No other interested party other than Fulfer appeared at the hearing in opposition to this application.

(10) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of gas in the pool, and will otherwise prevent waste and protect correlative rights.

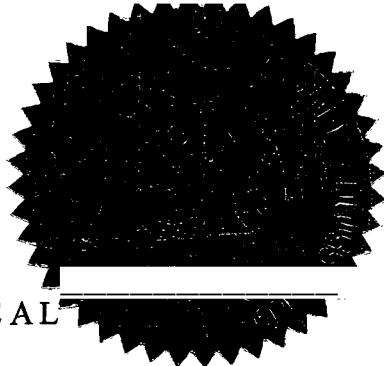
IT IS THEREFORE ORDERED THAT :

(1) The application of Arch Petroleum, Inc. ("Arch") to establish a non-standard 160-acre gas spacing unit within the Jalmat Gas Pool (79240) comprising the NW/4 of Section 21, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico is hereby approved.

(2) This unit is to be dedicated to Arch's La Munyon Federal Well No. 2 (API No. 30-025-10814) located at a standard gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 21.

(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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Mark E. Fesmire, PE.

MARK E. FESMIRE, PE
Director