

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. 9221  
Order No. R-8527

APPLICATION OF ZIA ENERGY,  
INC. FOR TWO NON-STANDARD  
PRORATION UNITS AND AN  
UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of October, 1987, 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, Zia Energy, Inc., seeks approval for a 20-acre non-standard oil spacing and proration unit comprising the N/2 NW/4 SE/4 (N/2 of Unit J) of Section 4, Township 22 South, Range 37 East, NMPM, Penrose Skelly-Grayburg Pool, to be dedicated to its R. L. Brunson Well No. 1 located 2310 feet from the South and East lines of said Section 4.

(3) The applicant further seeks the reclassification of its Brunson Well No. 4 located at an unorthodox gas well location 1650 feet from the South line and 2210 feet from the East line of said Section 4, from an oil well to a gas well in the Penrose Skelly-Grayburg Pool and approval of a 20-acre non-standard gas proration unit consisting of the S/2 NW/4 SE/4 (S/2 of Unit J) of said Section 4 which is to be dedicated to the well.

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(4) The NW/4 SE/4 of said Section 4 is currently simultaneously dedicated to the R. L. Brunson Well No. 1 and to the Brunson Well No. 4, which are both currently classified as oil wells in the Penrose Skelly-Grayburg Pool.

(5) Production history from the Brunson Well No. 4 indicates the well has produced at a consistently high gas-oil ratio for a period of at least three years and that the latest production test from the Brunson Well No. 4, which was conducted in August, 1987, shows a producing gas-oil ratio of 121,200:1, which is in excess of the statewide ratio for gas well classification of 100,000:1.

(6) The evidence indicates that the Brunson Well No. 4 should be reclassified from an oil well to a gas well in the Penrose Skelly-Grayburg Pool.

(7) Both proposed non-standard proration units can be efficiently and economically drained and developed by the aforesaid wells.

(8) No offset operator objected to the proposed non-standard proration units, and the evidence further indicates that the majority of offset Penrose Skelly-Grayburg Pool producing wells have either been temporarily or permanently plugged and abandoned.

(9) Approval of the proposed non-standard proration units will afford the applicant the opportunity to produce his just and equitable share of the oil and gas in the Penrose Skelly-Grayburg Pool, will not cause reservoir energy to be wasted, will prevent waste caused by the premature abandonment of the existing wells, and will protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) A 20-acre non-standard oil proration unit consisting of the N/2 NW/4 SE/4 (N/2 of Unit J) of Section 4, Township 22 South, Range 37 East, NMPM, Penrose Skelly-Grayburg Pool, Lea County, New Mexico, is hereby established and dedicated to the R. L. Brunson Well No. 1 located 2310 feet from the South and East lines of said Section 4.

(2) The Brunson Well No. 4 located at an unorthodox gas well location, also hereby approved, 1650 feet from

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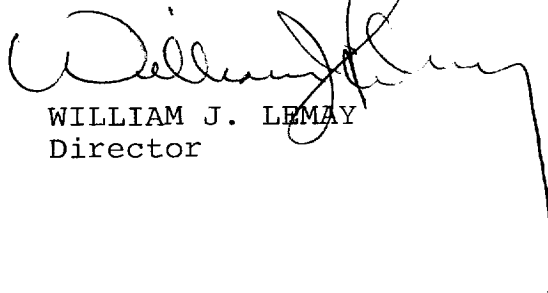
the South line and 2210 feet from the East line of said Section 4 is hereby reclassified as a gas well in the Penrose Skelly-Grayburg Pool.

(3) A 20-acre non-standard gas proration unit consisting of the S/2 NW/4 SE/4 (S/2 of Unit J) of Section 4, Township 22 South, Range 37 East, NMPM, Penrose Skelly-Grayburg Pool, Lea County, New Mexico, is hereby established and dedicated to the Brunson Well No. 4 located as described above.

(4) Jurisdiction of this cause is 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.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

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