

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

August 29, 1991

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

Graham Royalty, Ltd.
5429 LBJ Freeway - Suite 500
Dallas, Texas 75240

Attention: Jason C. Sizemore

RE: Application for non-standard oil well location: Nymeyer "A" Well No. 2; 1650' FNL - 2310' FWL (Unit F) Section 15, T-23-2, R-28-E, South Culebra Bluff- Bone Spring Pool, Eddy County, New Mexico

Dear Mr. Sizemore:

We may not process the subject application for non-standard location until the required information or plats checked below (is)(are) submitted.

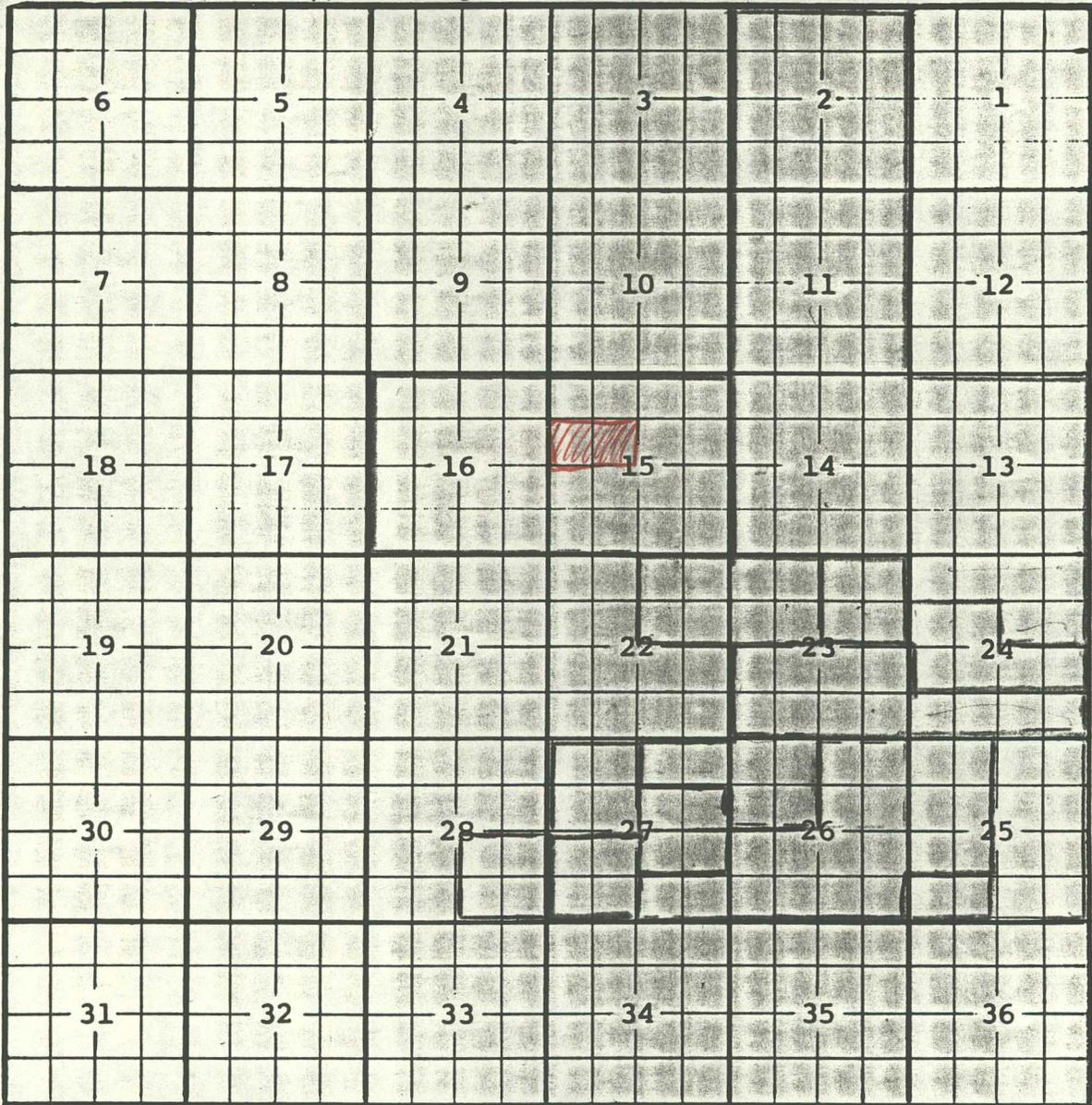
- A plat must be submitted clearly showing the ownership of all offsetting leases.
- A statement must be submitted that all offset operators have been notified of the application by certified mail.
- A plat must be submitted fully identifying the topography necessitating the non-standard location.
- OTHER: What are the current plans for the Delaware interval in this well? When was the decision made to penetrate the Bone Spring zone with this well?

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

County Eddy POOL SOUTH CULEBRA BLUFF - BONE SPRING

TOWNSHIP 23 SOUTH Range 28 EAST NMPM



- DESCRIPTION: $NE/4$ Sec. 23 (R-6189, 11-1-79)
- Ext: $NE/4$ Sec 22, $NW/4$ Sec 23 (R-6328, 5-1-80)
- Ext: $5/2$ $NW/4$ Sec. 24 + $1/2$ $5/2$ Sec. 24 (R-6476-10, 1-80)
- Ext: All Secs 2 & 11; All Secs 13 & 14; $5/2$ Sec 23; $N/2$ $N/2$, $5/2$ $NE/4$,
and $5/2$ $5/2$ Sec 24. (R-6542, 1-1-81)
- Ext: $NW/4$ Sec 26 and $5/2$ $NE/4$ Sec 27 (R-6623, 4-7-81)
- Ext: $N/2$ $NE/4$ sec 27 (R-6724, 7-16-81) Ext: $1/2$ $SW/4$ & $NW/4$ sec 25,
 $NE/4$ & $5/2$ sec 26, $5/2$ $SE/4$ sec 27 (R-6876, 1-22-82)
- Ext: $5/2$ $SW/4$ sec 25, $SW/4$ sec 27 (R-6912, 3-5-82)
- Ext: $E/2$ Sec. 25 (R-7131, 11-30-82) Ext: $NW/4$ Sec. 27 (R-7248, 3-30-83)
- Ext: All Secs. 15 and 16 (R-7351, 9-19-83) Ext: $SE/4$ Sec. 28 (R-9326, 11-7-90)

(SOUTH HOPE-PENNSYLVANIAN GAS (FORMERLY SOUTH HOPE-STRAWN GAS POOL) (RULES RESCINDED) POOL - Cont'd.)

(2) That the applicant, Petroleum Development Corporation, seeks the rescission of the special pool rules for the South Hope-Pennsylvanian Gas Pool to provide for 320-acre spacing rather than 640 acres.

(3) That by Order No. R-2598, dated October 30, 1963, temporary special rules and regulations were promulgated for the South Hope-Strawn Gas Pool, Eddy County, New Mexico, establishing temporary 640-acre spacing units.

(4) That Order No. R-3662 redesignated said pool as the South Hope-Pennsylvanian Gas Pool effective February 1, 1969.

(5) That by Order No. R-2598-A, dated February 9, 1970, the temporary pool rules for the South Hope-Pennsylvanian Gas Pool were made permanent.

(6) That all producing wells in the South Hope-Pennsylvanian Gas Pool were depleted and the pool abandoned prior to the end of 1973.

(7) That the applicant in this case proposes further exploration and development in the subject pool based on 320-acre spacing rather than the present 640-acre spacing, and the legal notice given for this case stated that in the absence of objection, the 640-acre pool rules would be rescinded and the pool placed on standard 320-acre spacing for Pennsylvanian gas pools rather than the present 640-acre spacing.

(8) That no objection to the rescission of said pool rules was received at the hearing, and the pool rules should be rescinded.

(9) That such rescission will not impair correlative rights nor cause waste, but in fact may prevent waste by causing the recovery of gas which otherwise would not be recovered.

IT IS THEREFORE ORDERED:

(1) That the special pool rules for the South Hope-Pennsylvanian Gas Pool in Eddy County, New Mexico, as promulgated by Order No. R-2598 and made permanent by Order No. R-2598-A, are hereby rescinded.

(2) That 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.

SOUTH CULEBRA BLUFF-BONE SPRING POOL
Eddy County, New Mexico

Order No. R-6139, Creating and Adopting Temporary Operating Rules for the South Culebra Bluff-Bone Spring Pool, Eddy County, New Mexico, October 12, 1979.

Order No. R-6139-A, December 17, 1980, makes permanent the rules adopted in Order No. R-6139.

Application of Delta Drilling Company for Pool Creation and Special Pool Rules, Eddy County, New Mexico.

CASE NO. 6668
Order No. R-6139

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 9 a.m. on September 19, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of October, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Delta Drilling Company, seeks the creation of a new oil pool for Bone Spring production for its South Culebra Bluff Unit Well No. 3, located in Unit G of Section 23, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, and the promulgation of special rules and regulations therefor, including a provision for 80-acre spacing and proration units.

(3) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the South Culebra Bluff-Bone Spring Pool.

(4) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(5) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(6) That this case should be reopened at an examiner hearing in October, 1980, at which time the operators in the subject pool should be prepared to appear and show cause why the South Culebra Bluff-Bone Spring Pool should not be developed on 40-acre spacing units.

(SOUTH CULEBRA BLUFF-BONE SPRING POOL - Cont'd.)**IT IS THEREFORE ORDERED:**

(1) That a new oil pool for Bone Spring production is hereby created and designated as the South Culebra Bluff-Bone Spring Pool, with vertical limits comprising the Bone Spring formation and horizontal limits comprising the following-described area in Eddy County, New Mexico:

**TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 23: NE/4**

(2) That temporary Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, Eddy County, New Mexico, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH CULEBRA BLUFF-BONE SPRING POOL**

RULE 1. Each well completed or recompleted in the South Culebra Bluff-Bone Spring Pool or in the Bone Spring formation within one mile thereof, and not nearer to or within the limits of another designated Bone Spring oil pool, shall be spaced, drilled, operated, and produced in accordance with the special rules and regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section.

RULE 3. The Director of the Division may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Division Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of either governmental quarter-quarter section or lot dedicated to the well.

RULE 5. The Division Director may grant an exception to the footage requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 222 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the South Culebra Bluff-Bone Spring Pool or in the Bone Spring formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well on or before November 1, 1979.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the South Culebra Bluff-Bone Spring Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the South Culebra Bluff-Bone Spring Pool or in the Bone Spring formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in October, 1980, at which time the operators in the subject pool may appear and show cause why the South Culebra Bluff-Bone Spring Pool should not be developed on 40-acre spacing units.

(4) That 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.

LUSK-MORROW GAS POOL

(Order R-6197)

Eddy and Lea Counties, New Mexico

Order No. R-6197, Making Operating Rules Applicable to Certain Area and Amending Rule 1 for the Lusk-Morrow Gas Pool, Eddy and Lea Counties, New Mexico, November 28, 1979.

See separate Order No. R-2373, November 21, 1962, for rules governing Lusk-Morrow Gas Pool.

Application of Petroleum Development Corporation to Limit 640-Acre Spacing, Eddy and Lea Counties, New Mexico.

CASE NO. 6730
Order No. R-6197

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 9 a.m. on November 14, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.



OIL CONSERVATION DIVISION
RECEIVED

DALLAS DIVISION

'91 SEP 10 AM 8 46

September 5, 1991

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Attention: Mr. Michael Stogner

RE: Nymeyer "A" #2
Non-Standard Location
Section 15 - T23S - R28E
Eddy County, New Mexico

Dear Mr. Stogner:

As you requested in your letter August 29, 1991, I am enclosing the information needed for our exception request for a non-standard location. Our plans for the Delaware interval will depend upon the behavior of the Bone Springs after we put it on test. To prevent any economic waste, we prefer not to invest additional capital in additional Delaware development until we have an idea of the life of the Bone Springs zone. Consequently, we plan to monitor the Bone Springs production for several months. However, we remain very interested in the Delaware here.

Regarding your second question, Graham was aware at the onset we would penetrate the Bone Springs but we did not consider it a target interval. On the drilling permit, I put Delaware as the formation because it was the target. If this information is supposed to be that formation at TD, then it should have been Bone Springs.

I have already notified the offset operators of our application, however, it was not by certified mail. Since receiving your notice, we have re-notified them by certified mail. Should you need any additional information, please call. Thank you.

Sincerely,

GRAHAM ROYALTY, LTD.

Jason C. Sizemore
Senior Petroleum Engineer

JCS:ca
a:na2nostd.loc

Enclosure

Graham 5429 LBJ Freeway Suite 550 Dallas, Texas 75240 (214) 991-3344

6060-010

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

August 29, 1991

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SANTA FE, NEW MEXICO 87504
(505) 827-5800

Graham Royalty, Ltd.
5429 LBJ Freeway - Suite 500
Dallas, Texas 75240

SEP 03 1991

STAMP

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Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

12,750'

Swearingen

9

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1 Pogo
N.E.L.

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2 6300'

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BIRD CRK.

BIRD CRK.

1 6150'

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1 6250'

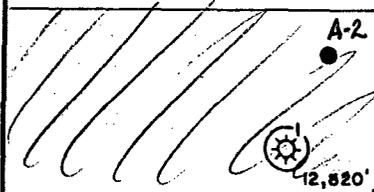
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A-2

BENNETT R.C.

BIRD CRK.

BIRD CRK.

BIRD CRK.

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BIRD CREEK

BIRD CRK.

BIRD CRK.

BIRD CRK.

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2 6300'

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2 6250'

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Burkham

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