



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



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June 7, 1994

Plains Petroleum Operating Company
415 West Wall Street - Suite 1000
Midland, Texas 79701

Attention: Bonnie Husband

RE: *Bluitt-San Andres Associated Pool Development - Sections 13 and 24, Township 8 South, Range 37 East, NMPM, and Section 18, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico.*

Dear Ms. Husband:

After reviewing your letter dated May 18, 1994, I thought it best to respond in this manner to hopefully explain how the "*General Rules and Regulations For The Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the Bluitt-San Andres Associated Pool*" work and suggest how Plains might achieve in accomplishing to develop the San Andres gas underlying this area in the manner that was conveyed in your letter.

Said Rules as promulgated by Division Order No. R-5353, as amended, space gas wells on 320 acres and oil wells on 80 acres. The top gas allowable for a standard 320-acre gas spacing and proration unit, being a gas acreage factor of "1.0", is 1,280 MCFPD. Should a gas proration unit be formed within this pool that consist of less than 320 acres, the assigned top unit allowable for that particular unit shall be decreased in the proportion that the number of acres in the unit bears to 320. For example a 160-acre non-standard gas spacing and proration unit would receive an acreage factor of 0.50 to be attributed to the units allowable. Further, this acreage factor formula and top unit gas allowable is a constant and when an allowable is assigned a unit then the production from that unit can be produced from those gas wells, if more than one is dedicated to the unit, in any proportion. The Division does not set allowables on

wells but rather to the proration unit. The Division will not divide allowables up within a proration unit where more than one well is dedicated, this being known as a multi-well unit ("MWU").

The way I'm interpreting your letter is that Plains wishes to develop its acreage on 320-acre spacing and enjoy a full allowable for its wells without attributing the full amount of acreage to form a standard 320-acre gas spacing and proration unit. The Division has in the past approved the formation of 160-acre gas spacing and proration units in the Bluit-San Andres Associated Pool whereby the resulting allowable for these units were set at 640 MCFPD, no more/no less.

At this time the Division is agreeable in processing your applications to form a 160-acre non-standard gas spacing and proration unit in the NE/4 of said Section 13 for the Bluit "13" Federal Well No. 1, a 160-acre non-standard gas spacing and proration unit in the NE/4 of said Section 24 for the Bluit "24" Federal Well No. 2, a 160-acre non-standard gas spacing and proration unit in the NW/4 of said Section 24 for the Bluit "24" Federal Well No. 3, each of the three having an acreage factor of 0.50 to be assigned against the poolwide gas allowable of 1,280 MCFPD, and an 80-acre non-standard gas spacing and proration unit in the E/2 NW/4 of said Section 18, to which an acreage factor of 0.25 will be assigned to the unit for the Bluit "18" Federal Well No. 5.

I might suggest however that Plains consider the following option:

- (a) have Division Administrative Order NSP-1683, which authorized the 160-acre non-standard unit in the NW/4 of said Section 13, rescinded and form a standard 320-acre gas spacing and proration unit to comprise the N/2 of said Section 13 to which both the Bluit "13" Federal Well Nos. 1 and 6 will be simultaneously dedicated;
- (b) have Division Administrative Order NSP-1684, which authorized the 160-acre non-standard unit in the SE/4 of said Section 13, rescinded and form a standard 320-acre gas spacing and proration unit to comprise the S/2 of said Section 13 to which both the Bluit "13" Federal Well Nos. 11 and 15 will be simultaneously dedicated;
- (c) form a standard 320-acre gas spacing and proration unit in the N/2 of said Section 24 and simultaneously dedicate the proposed Bluit "24" Federal Well Nos. 2 and 3; and,
- (d) have Division Administrative Order NSP-1682, which authorized the 160-acre non-standard

unit in the SW/4 of said Section 18, rescinded and seek to have a non-standard 280-acre non-standard gas spacing and proration unit formed to comprise the W/2 NW/4 and SW/4 of said Section 18 to which both the Bluit "18" Federal Well Nos. 5 and 11 will be simultaneously dedicated.

Steps (a), (b), and (c) would require NMOCD Forms C-102 to be submitted to the Hobbs District Office of the Division on each well while step (d) would require an administrative application be submitted.

Should you have any questions or comments concerning this matter, please contact me at (505) 827-5811.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Roswell
File: NSP-1682
NSP-1683
NSP-1684