

OIL CONSERVATION DIVISION  
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Mike Stogner

Please resolve the difference between these  
two documents.

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STATE OF NEW MEXICO  
OIL AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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OIL CONSERVATION DIVISION  
APR 15 1987

MEMORANDUM  
TO: OPERATORS IN BASIN-DAKOTA AND BLANCO-MESAVERDE POOLS  
FROM: WILLIAM J. LEMAY, DIVISION DIRECTOR  
SUBJECT: NON-STANDARD PROPORTION UNITS

There has been a number of applications for exceptions to Rule 5(a)(2) of Order No. R-8170 for wells located on 160 acres, more or less, non-standard proportion units. At the hearings on such applications showing was made that there is an inequity where two 160-acre proportion units, having one well on each unit, are compared to a 320-acre proportion unit having two wells of similar deliverability in the proportion unit. The proposed solution to this inequity is to give the wells a full deliverability in the AD factor portion of the allowable.

Such proposed solution has the following disadvantages:

1. It is contrary to the formula adopted by the original spacing order and the order permitting the second well on each proportion unit.
2. It creates an inequity between a 160-acre unit with one well as compared to a 320-acre unit with one well.
3. The proportion system would have to be revamped to accommodate the exceptions.
4. The variation of unit sizes is such a common phenomenon that attempting to adjust for deviations in the manner requested constitutes a reservoir-wide problem which should be addressed in rule changes rather than in exceptions to the rules.

APR 15 1987  
OIL CONSERVATION DIVISION  
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Page 2  
Memorandum  
April 15, 1987

5. Wide-spread exceptions as are being requested amount to changing the proportion formula by subterfuge to a straight deliverability factor.

The inequities which are apparent in the cases brought before the Division should be addressed by changes in the proportion formula or rules implementing them.

All currently pending applications for such exceptions will be denied. All orders approving such exceptions which have been entered but not implemented will be rescinded. All orders which have been implemented will be suspended immediately.

Any party considered aggrieved by this action is invited to file application for a change in the proportion formula for the two pools involved, or either of them, or in the rules implementing the formulas together with a plan and analysis showing that a different formula or procedure will be more equitable than the existing rules.

April 17, 1987  
WJL



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2000 B. PROCECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-1181

August 8, 1995

Elm Ridge Resources, Inc.  
4925 Greenville Avenue - Suite 1305  
Dallas, Texas 75206-4021  
Attention: Doug Endsley, Geologist

Floyd Oil Company  
711 Louisiana - Suite 1740  
Houston, Texas 77002  
Attention: W. Gregg Atkins

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AUG 24 1995  
OIL CON. DIV.  
DIST. 3

Division Administrative Order NSP-1735

Dear Messrs. Endsley and Atkins:

Reference is made to Elm Ridge Resources, Inc.'s ("Elm Ridge") application dated June 27, 1995, to divide the existing 321.61-acre standard gas spacing and proration unit ("GPU") in the Basin-Dakota Pool comprising Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 18, Township 24 North, Range 5 West, N.M.P.M., Rio Arriba County, New Mexico, into two 160-acre, more or less, non-standard gas spacing and proration units.

Said 321.61-acre GPU was established in 1961 for the Gulf Oil Corporation Apache Federal Well No. 14 (API No. 30-025-05514), located at a standard gas well location 990 feet from the North and West lines (Lot 1/Unit D) of said Section 18.

It is our understanding at this time that:

- (1) the acreage dedication for said Apache Federal Well No. 14, now operated by Floyd Oil Company will be changed to a non-standard 161.61-acre unit comprising the Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of said Section 18; and,

Division Administrative Order NSP-1735  
Elm Ridge Resources, Inc./Floyd Oil Company  
August 8, 1995  
Page 2

- (2) the remaining 160 acres comprising the NE/4 of said Section 18 is to be dedicated to a well to be drilled at standard gas well location thereon and operated by Elm Ridge Resources, Inc.

By the authority granted me under the provisions of Rule 2(d) of the "General Rules of the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Basin-Dakota Pool", as promulgated by Division Order No. R-8170-H, as amended, the two above-cited non-standard gas spacing and proration units in the N/2 equivalent of said Section 18 are approved with allowables to be assigned thereto in accordance with said pool rules base its respective unit size.

Sincerely,

WILLIAM J. LEWIS  
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington