

**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. 14271
ORDER NO. R-13113-B**

**APPLICATION OF VANGUARD PERMIAN,
LLC FOR A NON-STANDARD GAS SPACING
AND PRORATION UNIT, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 16, 2009, at Santa Fe, New Mexico, before Examiners David K. Brooks and Terry Warnell.

On May 18, 2009, the Division Director issued Order No. R-13113-A, determining the issues that were the subject of the original application in this case. However, that order expressly reserved certain issues that arose during the hearing on April 16, 2009.

NOW, on this 7th day of July, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) In this application, Vanguard Permian, LLC (Applicant) requested approval of a non-standard, 80-acre gas spacing unit in the Byers-Queen Gas Pool for its State A Well No. 7 (API No. 309-025-35820), located at an unorthodox location, 760 feet from the North line and 500 feet from the East line (Unit A) of Section 32, Township 18 South, Range 38 East, NMPM, in Lea County, New Mexico. Techsys Resource, LLC (Techsys), the operator of an offsetting well to the State A Well No. 7, protested the application.

(3) Both the location of Applicant's well and the proposed unit were approved in Order No. R-13113-A.

(4) However, at the hearing on April 16, 2009, Applicant presented evidence demonstrating that Techsys' well, the W.T. Grimes NCT-A Well No. 4 (API No. 30-025-07522) is located at an unorthodox location and that another well, the W.T. Grimes NCT-A Well No. 1 (API No. 30-025-07519), is located in the same spacing unit as the W.T. Grimes NCT-A Well No. 4, and is also producing from the Byers-Queen Gas Pool. The evidence presented thus demonstrated that Techsys was in apparent violation of the spacing requirements of Division Rule 15.9 and well density requirements of Division Rule 15.11.

(5) Because the evidence indicated apparent violations of Division Rules, the Examiners set a subsequent hearing to investigate these issues.

(6) Subsequent to the hearing the attention of the examiners was called to Division records which demonstrate that:

(a) The W. T. Grimes NCT-A Well No. 4 (the Grimes No. 4 Well) is located 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 32, Township 18 South, Range 38 East, NMPM, in Lea County, New Mexico. A 160-acre gas spacing unit in the Byers-Queen Gas Pool comprising the NW/4 of Section 32 is dedicated to the Grimes No. 4 Well. Well locations in the Byers-Queen Gas Pool are now governed by statewide Rule 15.10.C, which provides for 160-acre units, with wells to be located at least 660 feet from unit outer boundaries. Accordingly, the location of the Grimes NCT-A Well No. 4 is unorthodox under present rules.

(b) However, the Grimes NCT-A Well No. 4 was initially completed in the Byers-Queen Gas Pool in 1940. On April 11, 1955, the Oil Conservation Commission issued Order No. R-586, which retroactively approved the locations of existing wells in the Byers-Queen Gas Pool.

(c) The W.T. Grimes NCT-A Well No. 1, operated by HRC, Inc. (the Grimes No. 1 Well) is located in Unit D of Section 32, Township 18 South, Range 38 East, and also produces from the Byers-Queen Gas Pool. The NW/4 of Section 32 is also dedicated to the Grimes No. 1 Well. The Grimes No. 1 well was re-completed in the Byers-Queen Gas Pool in 1971, and may have produced from that pool at an even earlier time.

(d) Both the Grimes No. 1 Well and the Grimes No. 4 Well have continuously and simultaneously produced from the Byers-Queen Gas Pool since 2000.

(7) At a hearing on June 2, 2009, at which this case was continued, the attorney for the Applicant appeared and stated that the Applicant no longer had any

objection to the simultaneous dedication of the NW/4 of Section 32 in the Byers-Queen Gas Pool to the Grimes No. 1 Well and to the Grimes No. 4 Well.

(8) On June 8, 2009, Techsys filed an administrative application for simultaneous dedication, pursuant to Division Rule 15.11.C, of the NW/4 of Section 32 in the Byers-Queen Gas Pool to the Grimes No. 4 Well and the Grimes No. 1 Well. Techsys gave notice of the administrative application to all operators of wells completed in the Byers-Queen Gas Pool in units offsetting the NW/4 of Section 32.

(9) On June 30, 2009, the Division, having received no protest, issued Administrative Order SD-200904, granting Techsys' application for simultaneous dedication.

The Division Director now concludes that:

(10) The unorthodox location of the Grimes No. 4 Well was categorically approved by Order No. R-586.

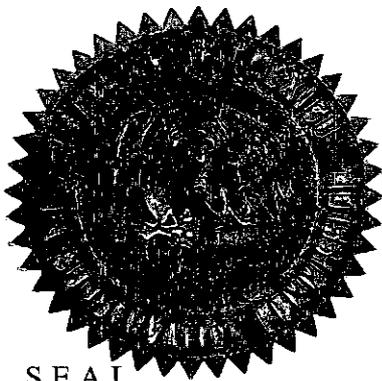
(11) Order No. SD-200904 moots any remaining issue regarding the current compliance of the Grimes No. 4 Well with applicable spacing and density rules.

(12) Accordingly, there are no more issues to be addressed in this case at this time, and the case should be dismissed.

IT IS THEREFORE ORDERED THAT:

- (1) This case is dismissed from the Division's docket.
- (2) Order No. R-13113-A remains in full force and effect in accordance with its terms.
- (3) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire'.

MARK E. FESMIRE, P.E.
Director