

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

March 3, 1987



GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Zia Energy, Inc.
P. O. Box 2219
Hobbs, New Mexico 88240

Attn: D. E. Bratton

Re: Non Standard 120-acre Gas Proration
Unit for the Elliot Fed. Com Well #1
3-26-T20S-R36E, Lea County

Dear Mr. Bratton:

To obtain a 120-acre unit for your No. 2 well which is unorthodox please make an application for such under Rule 2(a)4 and Rule 2(c) of Division Order No. R-8170, see attached. In the alternative you may seek to have Order No. R-5708 amended to reflect this change before a Hearing Examiner.

If you should have any questions concerning this matter please contact me.

Sincerely,

Michael E. Stogner
Engineer

MES/et

UNDERPRODUCTION: The volume of assigned non-marginal allowable not produced on a GPU. Underproduction accumulates month to month during the proration period.

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a)1 STANDARD GAS PRORATION UNIT SPACING: (See Special Pool Rules for applicable size of proration units.) Unless otherwise specified by the Special Pool Rules, 160-acre units shall comprise a single governmental quarter-section; 320-acre units shall comprise two contiguous quarter-sections being the N/2, S/2, E/2, or W/2 of a single governmental section; and a 640-acre unit shall comprise a single governmental section.

RULE 2(a)2 STANDARD GPU SIZE AND VARIANCE: A standard GPU shall consist of contiguous surface acreage and shall be substantially in the form of a square in pools having 160 acre or 640 acre standard GPUs, and in the form of a rectangle in pools having 320 acre standard GPUs, and shall be a legal subdivision of the U.S Public Land Surveys (quarter-section, half-section, or section, as applicable). Any GPU containing acreage within the appropriate tolerance limit shown below shall be considered to contain the number of acres in a standard GPU for the purpose of computing allowables.

<u>STANDARD PRORATION UNIT</u>	<u>ACREAGE TOLERANCE FOR STANDARD UNIT</u>
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

RULE 2(a)3 NON-STANDARD PRORATION UNIT APPROVAL PROCEDURE AT DISTRICT LEVEL: The District Supervisor of the appropriate district office of the Division shall have the authority to approve a non-standard GPU as an exception to Rule 2(a)2 without notice and hearing when the unorthodox size or shape of the GPU is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard GPU is not less than 75% nor more than 125% of a standard GPU.

The District Supervisor of the appropriate district office of the Division may approve the non-standard GPU by:

1) Accepting a plat showing the proposed non-standard GPU and the acreage to be dedicated to the non-standard GPU and,

- 2) Assigning an allowable to the non-standard GPU.

RULE 2(a)4 NON-STANDARD PRORATION UNIT APPROVAL PROCEDURE AT DIRECTOR LEVEL: The Director of the Division may grant an exception to the requirements of Rule 2(a)2 when the unorthodox size or shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the non-standard GPU is less than 75% or more than 125% of a standard GPU, or where the following facts exist and the following provisions are complied with:

- 1) The non-standard GPU consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- 2) The non-standard GPU lies wholly within a governmental subdivision or subdivisions which would be a standard GPU for the well (quarter-section, half-section, or section) but contains less acreage than a standard GPU.
- 3) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter-section, half-section, or section (for 160-acre, 320-acre, 640-acre standard dedications respectively) in which the non-standard GPU is situated and which acreage is not included in said non-standard GPU.
- 4) In lieu of Paragraph (3) of this rule, the applicant may furnish proof of the fact that all of the aforesaid offset operators were notified by registered or certified mail of his intent to form such non-standard GPU. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard GPU within 20 days after Director has received the application.

RULE 2(b) WELL LOCATION: Each well drilled or completed on a spacing and proration unit governed by these rules, including approved non-standard GPUs, shall be located as provided below:

(1) NORTHWEST NEW MEXICO

STANDARD PRORATION UNIT

LOCATION REQUIREMENTS

160 acres

Not closer than 790 feet to the outer boundary of the tract, nor closer than 130 feet to any quarter-quarter

section or subdivision inner boundary.

320 acres

Not closer than 790 feet to the outer boundary of the quarter-section upon which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(2) SOUTHEAST NEW MEXICO

STANDARD PRORATION UNIT

LOCATION REQUIREMENTS

160 acres

Not closer than 660 feet to any outer boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

320 acres

Not closer than 660 feet to any side boundary (long dimension) or 1980 feet to any end boundary (short dimension) of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

640 acres

Not closer than 1650 feet to the outer boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 2(c) UNORTHODOX WELL LOCATION: The Division Director shall have authority to grant an exception to the well location requirements of Rule 2(b) above without notice and hearing when the necessity for such unorthodox location is based upon topographic conditions or the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.

Applications for administrative approval of unorthodox locations shall be filed in duplicate (original to Santa Fe

and one copy to the appropriate Division District Office) and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based on topography, the plat shall also show and describe the existent topographic conditions.

The Division Director shall have authority to grant an exception to the well location requirements for wells in Southeast New Mexico on 320 acre spacing without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the GPU.

If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic maps, cross-sections, and/or logs, and discussion of the geologic conditions which result in the necessity for the unorthodox location.

All operators of proration or spacing units offsetting the unorthodox location on the two GPU boundaries and two GPU corners closest to the unorthodox well location shall be furnished a copy of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all such offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

The Division Director may, at his discretion, set any application for administrative approval of an unorthodox location for public hearing.

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: Each month each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it actually in good faith desires to purchase during the ensuing proration month from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter by notifying the Division's Santa Fe office. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe office on Form C-121-A by the

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6193
Order No. R-5708

APPLICATION OF ZIA ENERGY, INC., FOR
AN UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 5, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of April, 1978, 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, Zia Energy, Inc., seeks approval of an unorthodox gas well location for its Elliott Federal Well No. 1 located 2310 feet from the South line and 330 feet from the East line of Section 26, Township 20 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

(3) That said well was originally drilled as an oil well at a standard location but has been recompleted as a Eumont gas well.

(4) That no offset operator objected to the proposed unorthodox location.

(5) That the applicant further requests that the N/2 SE/4 and W/2 NE/4 of said Section 26 be simultaneously dedicated to the aforesaid well and to Well No. 2 in Unit J.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

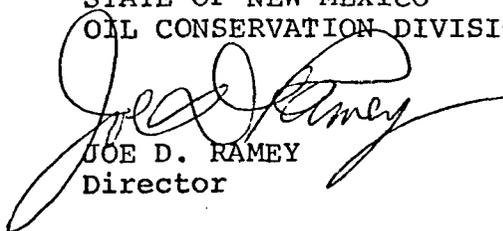
(1) That an unorthodox gas well location is hereby approved for the Zia Energy, Inc., Elliott Federal Well No. 1 located at a point 2310 feet from the South line and 330 feet from the East line of Section 26, Township 20 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

(2) That the N/2 SE/4 and W/2 NE/4 of said Section 26 shall be simultaneously dedicated to the aforesaid well and to Well No. 2 in Unit J.

(3) 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 herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

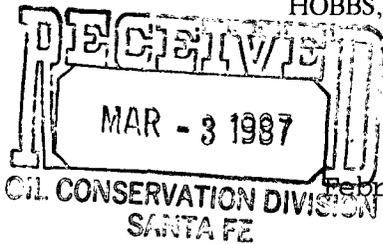
S E A L

P. O. BOX 2219

ZIA ENERGY, INC.

PHONE (505) 393-2937

HOBBS, NEW MEXICO 88240



February 27, 1987

Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Subject: Reduction in Acreage Assigned to Zia Energy,
Inc.'s Elliott Federal Com Well No. 2-J

Dear Sir:

Enclosed is a revised Form C-102 for the Elliott Federal Com Well No. 2-J operated by Zia Energy, Inc.. As a result of work performed on our Elliott Federal Well No. 1-I, it was reclassified as an oil well and sales commenced to Phillips 66 Natural Gas Company under a casinghead gas contract on 2-12-87. We have therefore reduced the requested acreage within the proration unit established by the Commission under R-5708 by 40 acres.

If any additional information is required, please contact me at 393-2937.

Sincerely,

D.E. Bratton

Enclosures

All distances must be from the outer boundaries of the Section.

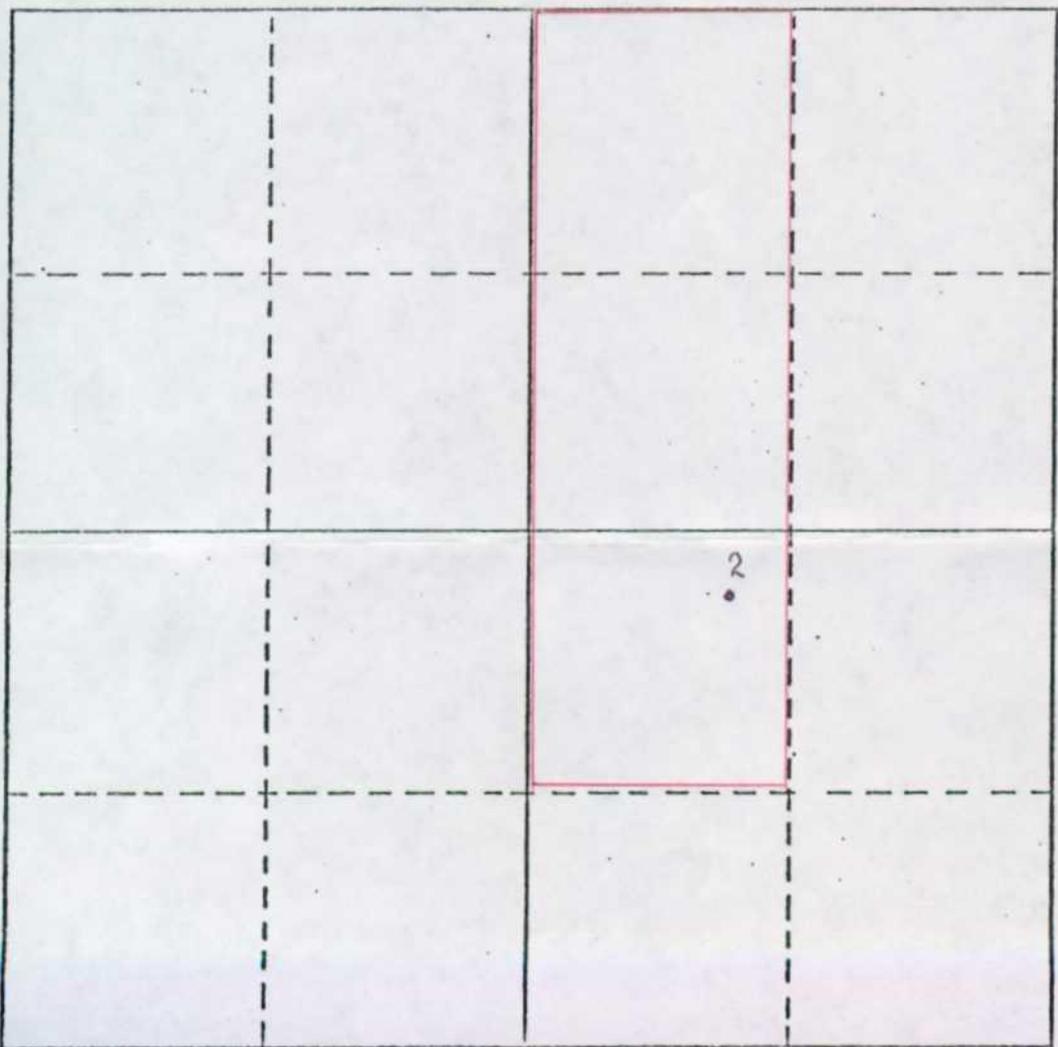
Operator Zia Energy, Inc.		Lease Elliott Federal Comm.		Well No. 2	
Unit Letter J	Section 26	Township 20 South	Range 36 East	County Lea	
Actual Footage Location of Well: 2310 feet from the South line and 1650 feet from the East line					
Ground Level Elev. 3564	Producing Formation Yates SR Queen		Pool Eumont	Dedicated Acreage: 120 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name DE Bratton
 Position Engineer
 Company Zia Energy, Inc.
 Date 2/26/87

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

