



NSL-3827-A

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera
Cabinet Secretary

August 12, 2002

Lori Wrotenbery

Director

Oil Conservation Division

Gruy Petroleum Management Company

Attention: Zeno Farris

P. O. Box 140907

Irving, Texas 75014-0907

Re: *Administrative application (Division administrative application reference No. pMES0-222439677) to establish a non-standard 280.55-acre gas spacing unit within the Quail Ridge-Morrow Gas Pool (83280) to comprise Lots 1 and 2, W/2 NE/4, SE/4 NE/4, and E/2 NW/4 of Section 30, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.*

Dear Mr. Farris:

Reference is made to your application dated May 28, 2002 to reduce the acreage of an existing 320.55-acre standard gas spacing unit in the unprorated Quail Ridge-Morrow Gas Pool comprising Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 30, by omitting the 40 acres comprising the NE/4 NE/4 (Unit A) of Section 30 from this unit.

The unprorated Quail Ridge-Morrow Gas Pool is currently spaced on 320-acre spacing, pursuant to Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999 (see Division Orders No. R-3890, issued in Case No. 4261 on December 3, 1969, and R-5378, issued in Case No. 5858 on February 22, 1977).

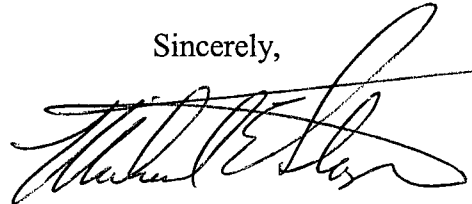
The information submitted in your application and from the records of the Division indicates that development of the Quail Ridge-Morrow Gas Pool within the N/2 equivalent of Section 30 commenced in June, 1997 when Mallon Oil Company drilled and completed the Mescalero "30" Federal Well No. 4 (API No. 30-025-33813) at a location considered to be unorthodox at the time (approved by Division Order NSL-3827, dated July 8, 1997) 1330 feet from the North and East lines (Unit G) of Section 30. Since this well's inception, Morrow gas production has been dedicated to the N/2 equivalent of Section 30, being a standard lay-down gas spacing unit for the Quail Ridge-Morrow Gas Pool. It is our understanding Gruy Petroleum Management Company wants to form the proposed 280.55-acre non-standard unit "after the fact" and "due to the participating area of the Mescalero Ridge Unit," which is approximately 14 feet to the northeast of the surface location of the well.

Your request is not in the best interest of conservation, obviously violates correlative rights, and does not promote the orderly development of oil and gas interest in New Mexico; therefore, your application to form a non-standard 280.55-acre gas spacing unit for the Mescalero "30" Federal Well No. 4 is hereby **denied**.

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Should you or anyone else at Gruy Petroleum Management Company need additional information or explanation, I suggest that you contact your legal counsel, Mr. Jim Bruce at (505) 982-2043.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Carlsbad
U. S. Bureau of Land Management - Roswell
Jim Bruce, Legal Counsel for Gruy Petroleum Management Company – Santa Fe
Kathy Valdes, NMOCD - Santa Fe
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