



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 5, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Gruy Petroleum Management Company
P. O. Box 140907
Irving, Texas 75014-0907

Telefax No. (972) 443-6450

Attention: Zeno Farris

Administrative Order NSL-4640(SD)

Dear Mr. Farris:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on July 20, 2001 (*Division application reference No. pKRV0-120152765*); (ii) the Division's initial response by letter dated July 30, 2001 from Mr. Michael E. Stogner, Engineer in Santa Fe and (iii) the Division's records in Santa Fe, including the file on Division Administrative Orders NSP-1848 and SD-91-04, Division Order No. R-619, and Case No. 12724; all concerning Gruy Petroleum Management Company's ("Gruy") requests for an unorthodox Jalmat infill gas well location within an existing non-standard 120-acre gas spacing and proration unit ("GPU") for the Jalmat Gas Pool (**79240**) comprising the N/2 NE/4 and SW/4 NE/4 of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico.

The rules and procedures currently governing the Eumont Gas Pool include but are not necessarily limited to:

- (i) the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (ii) Division Rule 605.B;
- (iii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999;
- (iv) Rule 1207.A (2); and
- (v) the amended Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe County, New Mexico issued on July 11, 2001 in Hartman vs. Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgement").

The subject 120-acre GPU was established in part by Division Administrative Order NSP-1848, dated August 30, 2001 and has dedicated thereon Gruy's Myers "B" Well No. 6 (**API No. 30-025-31382**), located at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 11.

The Division's records indicate that Gruy originally permitted the subject well to be considered at this time, the Myers "B" Well No. 8 (**API No. 30-025-34768**), as a deeper Langlie-Mattix oil test (proposed depth to be 3,900 feet), see the "*Application for Permit to Drill (APD)*", U.S. BLM Form OMB No. 1004-0136, dated October 12, 1999. The NMOC Form C-102 attached to the APD indicated that this well would be drilled at a standard oil well location 2260 feet from the North line and 2310 feet from the East line (Unit G) of Section 11. By a "*Sundry Notice*" (U.S. BLM Form No. 1004-0135) dated January 29, 2001 Gruy requested and received authorization to extend the time period of this APD for the Langlie-Mattix interval for an additional 12 months. A second "*Sundry Notice*" dated June 11, 2001 indicates that: (i) this well was spud on March 8, 2001; (ii) a production string of 5 1/2 inch casing was set to 3,885 feet on March 21, 2001; and (iii) the Jalmat Gas Pool is the intended pool for which the well is to be completed as an oil well.

By the authority granted me under the provisions of these rules, regulations, and directives, the above-described Myers "B" Well No. 8, located at an unorthodox infill Jalmat gas well location in the subject 120-acre GPU, is hereby approved.

Also, Gruy is hereby authorized to simultaneously dedicate Jalmat gas production from both the Myers "B" Wells No. 6 and 8. Furthermore, Gruy is hereby permitted to produce the allowable assigned the subject 120-acre GPU from all both wells in any proportion

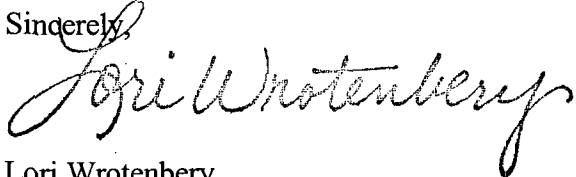
Further, Division Administrative Order NSP-1848 shall remain in full force and affect until further notice.

PLEASE NOTE HOWEVER THAT, in the future, Gruy, as a prudent operator, should take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations.

Administrative Order NSL-4640(SD)
Gruy Petroleum Management Company
September 5, 2001
Page 3

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
David R. Catanach, NMOCD - Santa Fe
Michael Feldewert, Legal Counsel for Gruy Petroleum Management Company - Santa Fe
Paul R. Owen, Legal Counsel for Lewis Burleson, Inc. - Santa Fe
File: NSP-1848
Case No. 12724
SD-91-04 /



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

August 30, 2001

Lori Wrotenberg

Director

Oil Conservation Division

Gruy Petroleum Management Company
P. O. Box 140907
Irving, Texas 75014-0907
Attn: Zeno Farris

Telefax No. (972) 443-6450

Westbrook Oil Corporation
P. O. Box 2264
Hobbs, New Mexico 88241
Attention: V. H. Westbrook

Administrative Order NSP-1848

Reference is made to the following: Gruy Petroleum Management Company's ("Gruy") application dated August 6, 2001 to divide the existing 160-acre non-standard gas spacing and proration unit ("GPU") in the Jalmat Gas Pool which records indicate is currently operated by Gruy and comprising the NE/4 of Section 11, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico, into two separate gas spacing and proration units comprising 40 acres and 120 acres.

The rules and procedures currently governing the Jalmat Gas Pool include but are not necessarily limited to:

- (i) the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (ii) Division Rule 605.B (2) (b);
- (iii) Division Rule 104.D (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999;
- (iv) Rule 1207.A (3); and
- (v) the amended Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe County, New Mexico issued on July 11, 2001 in Hartman vs. Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgement").

This 160-acre GPU was created by Division Order R-619, dated April 20, 1955, and, according to the Division's records, is currently simultaneously dedicated to: (1) Gruy's Myers "B" Well No. 6 (API No. 30-025-31382) located at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 11, which was the subject Division Administrative Order SD-91-04 dated July 8, 1991; and (2) Westbrook Oil Corporation's ("Westbrook") Myers "B" Well No. 2 (API No. 30-025-09543) located at a standard gas well location 1980 feet from the North line and 660 feet from the East line of Section 11, which

was the subject of Division Order No. R-619.

From this consolidated application, it is our understanding at this time that:

- (1) Gruy will be the operator of the proposed 120-acre non-standard GPU comprising the N/2 NE/4 and SW/4 NE/4 of Section 11 in which its Myers "B" Well No. 6 in Unit "A" is to be dedicated; and,
- (2) the remaining 40- acres comprising the SE/4 SE/4 (Unit H) of Section 11 is to be dedicated to Westbrook's above-described Myers "B" Well No. 2.

By the authority granted me under the provisions of these rules, regulations, and directives, the two above-described non-standard GPU's within the Jalmat Gas Pool in Section 11 are hereby approved with allowables to be assigned thereto in accordance with Rule 5 of the rules governing the Jalmat Gas Pool based upon the respective unit sizes.

It is further ordered that the operator of each of the above-described units shall file, within 20-days from the date of this order, a new OCD Form C-102 for each well with the Division reflecting the above-described acreage changes.

At this time Division Order Nos. R-619 and Division Administrative Order SD-91-04 are hereby placed in abeyance until further notice.

Sincerely,



LORI WROTENBERY
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
William F. Carr, Legal Counsel for Gruy Petroleum Management Company - Santa Fe
File: SD-91-04
Case No. 12724

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 835
Order No. R-619

THE APPLICATION OF THE COMMISSION
UPON ITS OWN MOTION, DIRECTED TO
R. OLSEN OIL COMPANY, FOR THE
RECONSIDERATION OF ADMINISTRATIVE
ORDER NSP-23 WHICH CREATED A NON-
STANDARD GAS PRORATION UNIT IN THE
JALMAT GAS POOL CONSISTING OF THE
NE/4, S/2 NW/4, AND NE/4 NW/4 OF
SECTION 11, TOWNSHIP 24 SOUTH, RANGE
36 EAST, NMPM, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 16, 1955, and March 16, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 20th. day of April, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

FINDS:

- (1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.
- (2) That pursuant to the provisions of Rule 5 (a) of Order No. R-520, the Commission has power and authority to permit the formation of a gas proration unit consisting of other than a legal section after notice and hearing by the Commission.
- (3) That applicant, R. Olsen Oil Company, is the owner of an oil and gas lease in Lea County, New Mexico, the land consisting of other than a legal section, and described as follows:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
NE/4, S/2 NW/4 and NE/4 NW/4 of Section 11

containing 280 acres, more or less.

(4) That applicant, R. Olsen Oil Company, has a producing gas well on the aforesaid lease, known as the Myers "B" Well No. 2, located 1980 feet from the north line and 660 feet from the east line of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico.

(5) That the aforesaid well is located and completed within the horizontal and vertical limits of the Jalmat Gas Pool.

(6) That Continental Oil Company, the owner of adjoining acreage which offsets the Myers "B" Well No. 2 to the east, has specifically protested and objected to the 280-acre proration unit, and

(7) That there is no showing made that unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share in the Jalmat Gas Pool, or that such a unit is necessary to prevent confiscation of applicant's property.

IT IS THEREFORE ORDERED:

(1) That Administrative Order NSP-23 and the 280-acre non-standard gas proration unit which it created, consisting of the following described acreage:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
NE/4, S/2 NW/4 and NE/4 NW/4 of Section 11

be, and the same are hereby cancelled and rescinded, and

(2) That the said non-standard gas proration unit is reduced in size, in accordance with the provisions of Paragraph 3 of Rule 5 (a) of Order No. R-520, to contain the following described acreage:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
NE/4 of Section 11

containing 160 acres, more or less, and a proration unit consisting of the aforesaid acreage is hereby created effective March 1, 1955.

(3) That applicant's well, Myers "B" Well No. 2, located in the SE/4 NE/4 of Section 11, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico, shall be granted an allowable in the proportion that the above described 160-acre unit bears to the standard or orthodox proration unit for the Jalmat Gas Pool, all until further order of the Commission.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Signed by: John F. Simms, Chairman; E. S. Walker, Member; W. B. Macey, Member and Secretary.

/ir

MERIDIAN OIL

June 17, 1991

Mr. William J. Lemay
State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

RECEIVED

JUN 20 1991

OIL CONSERVATION DIVISION

RE: REQUEST AND NOTICE FOR:
SIMULTANEOUS DEDICATION
MYERS B LEASE
NE/4 SECTION 11
T24S, R36E
LEA COUNTY, NEW MEXICO

Gentlemen:

We are currently in the process of filing a C-101 and C-102 with the New Mexico Oil Conservation Division's district office in Hobbs for permission to drill a second Jalmat (Gas) well as an infield well to the same producing interval on an existing 160-acre proration unit comprised of the NE/4 Section 11, T24S, R36E, Lea County, New Mexico. The subject proration unit is currently dedicated to our Myers B #2 located in Section 11, T24S, R36E, Unit E. I hereby file for administrative approval to simultaneously dedicate the 160-acre proration unit, consisting of the NE/4 of Section 11 to both our existing well (Myers B #2) located in Sec. 11, 24S 36E, Unit E and our newly proposed well (Myers B #6) located in Sec. 11, R24S, R36E, Unit A).

Three copies of a plat showing the location of the original well on the existing 160-acre proration unit plus the location of the proposed well are enclosed.

Copies of this plat and application have also been sent to all offsetting parties owning shallow Jalmat dry gas rights. The following is a list of the offset Jalmat owners:

Mr. William J. Lemay
June 18, 1991
Myers B. Lease
Page 2

Arco Oil & Gas Company
Attn: Liz Bush
P.O. Box 1610
Midland, Texas 79702

Texaco Inc.
Attn: R. S. Lane
P.O. Box 3109
Midland, Texas 79701

Kern Company
Attn: William G. Kern
3005 N. Big Spring
Midland, TX 79705

V. H. Westbrook Oil Operator
Attn: V. H. Westbrook
P. O. Box 2264
Hobbs, NM 88240

Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in cursive script, reading "Connie L. Malik". The signature is written in dark ink and is positioned above the printed name and title.

Connie L. Malik
Regulatory Compliance Rep.

CLM/sm

cc: New Mexico Oil Conservation Division
District I Office
P.O. Box 1980
Hobbs, New Mexico 88240

Atten: Jerry Sexton

MERIDIAN OIL

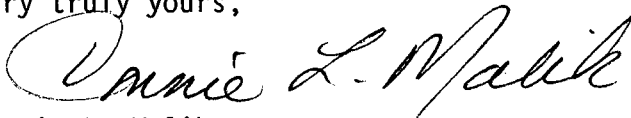
June 18, 1991

Offset Jalmat Dry Gas Operators
Myers B Lease
NE/4 Section 11
T24S, R36E
Lea County, NM

We would be very appreciative if you would indicate your approval of our request of simultaneous dedication of the NE/4 of Section 11, T24S, R36E, Lea County, New Mexico to our Myers B #2 and to our Myers B #6 by signing one copy of this request and returning it in the enclosed stamped, self-addressed envelope.

We appreciate your consideration in this matter.

Very truly yours,



Connie L. Malik
Regulatory Compliance Rep.

AGREED to this _____ day of _____, 1991.

ARCO OIL & GAS COMPANY

KERN COMPANY

Title _____

Title _____

TEXACO INC.

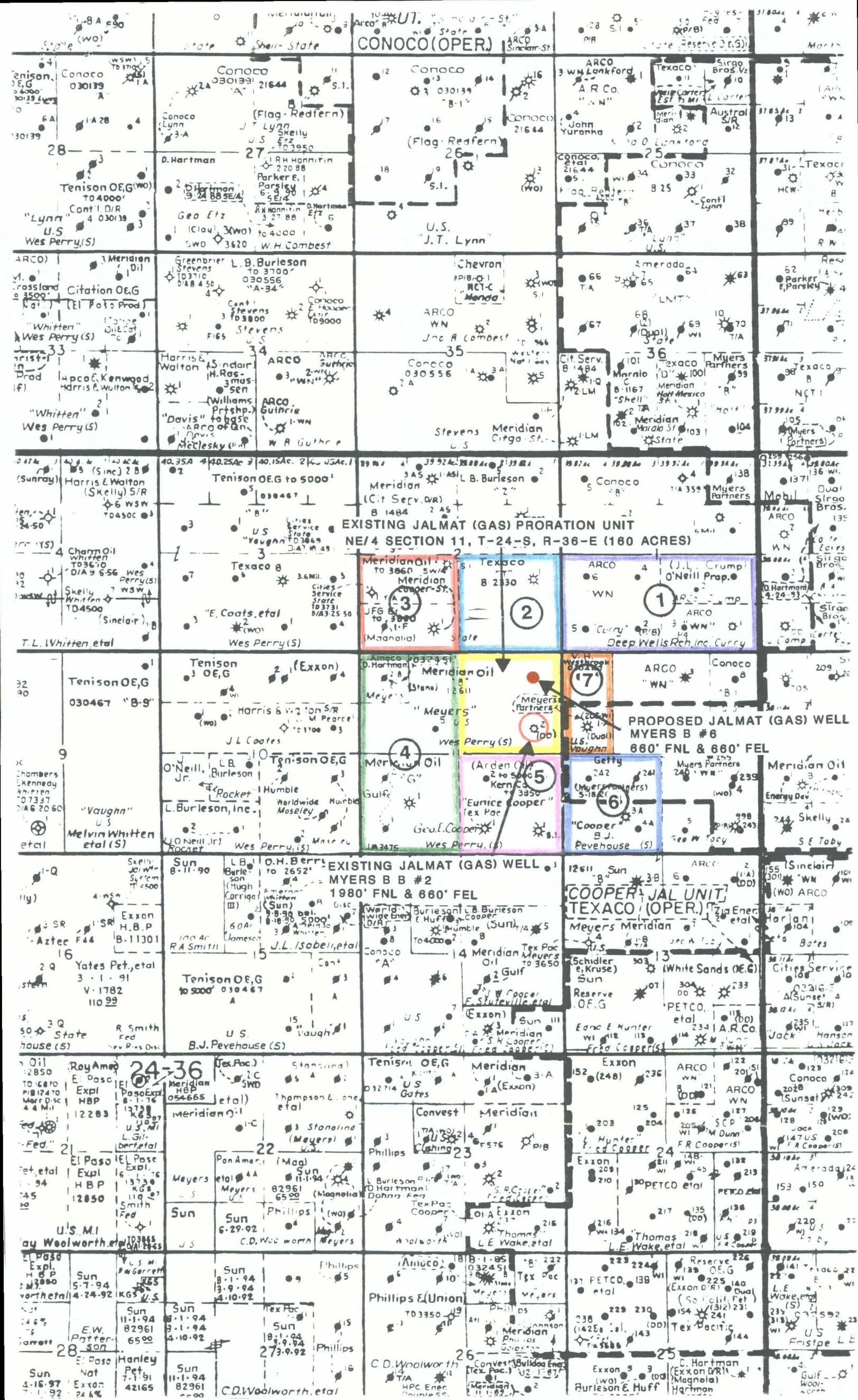
V. H. WESTBROOK

Title _____

Title _____

LIST OF OFFSET OPERATORS
JALMAT TANSILL YT 7 RVRS (PRO GAS)
MERIDIAN OIL INC.
MYERS B #6
(A-11-24-36)
NE/4 SECTION 11, T-24-S, R-36-E
LEA COUNTY, NEW MEXICO

| REF. NO. | OPERATOR | LEASE & WELL NAME(S) | GAS WELL LOCATIONS | UNIT DESCRIPTION | NO. OF ACRES |
|----------|------------------------|--|------------------------------|--|--------------|
| 1. | ARCO OIL & GAS COMPANY | FREDERICK H. CURRY WN #2 FREDERICK H. CURRY WN #1 | N-01-24S-36E P-01-24S-36E | S/2 SECTION 1 T-24-S, R-36-E | 320 |
| 2. | TEXACO PRODUCING INC. | STATE T #1 | I-02-24S-36E | SE/4 SECTION 2 T-24-S, R-36-E | 160 |
| 3. | MERIDIAN OIL INC. | COOPER STATE #2 COOPER STATE #1 | K-02-24S-36E N-02-24S-36E | SW/4 SECTION 2 T-24-S, R-36-E | 160 |
| 4. | MERIDIAN OIL INC. | COOPER G #1 | K-11-24S-36E | W/2 SECTION 11 T-24-S, R-36-E | 320 |
| 5. | KERN COMPANY | EUNICE COOPER #1 | P-11-24S-36E | N/2 SE/4, SE/4 SE/4 SECTION 11 T-24-S, R-36-E | 120 |
| 6. | TEXACO PRODUCING INC. | J. W. COOPER A #3 | N-12-27S-36E | SW/4 SECTION 12 T-24-S, R-36-E | 80 |
| 7. | V. H. WESTBROOK | VAUGHAN A 12 #2 VAUGHAN A 12 #1 | D-12-24S-36E E-12-24S-36E | W/2 NW/4 SECTION 12 T-24-S, R-36-E | 160 |





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

'91 JUN 24 AM 10 50
CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

6-20-91

BRUCE KING
GOVERNOR

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RE: Proposed:

MC _____
DHC _____
NSL _____
NSP _____
SWD _____
WFX _____
PMX _____

Simultaneous dedication X

Gentlemen:

I have examined the application for the:

Meridian Oil Inc. *Myers B #2-H* *11-24-36* *(Jalmat)*
Operator Lease & Well No. Unit S-T-R
and my recommendations are as follows: *proposed new well Myers B #6-A 11-24-36*

OK

Yours very truly,

Jerry Sexton
Jerry Sexton
Supervisor, District 1

/ed

MERIDIAN OIL

OIL CONSERVATION DIVISION
RECEIVED

'91 JUL 11 AM 8 49

July 9, 1991

Mr. William J. Lemay
State of New Mexico
Energy and Minerals Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

RE: ORIGINAL OFFSET OPERATORS WAIVERS

Dear Mr. Lemay:

Attached are the original waivers for various leases in the Lea County, New Mexico for simultaneous dedication as follows:

SHELL STATE #7 & 4, Sec. 2, T23S, R36E
Waivers for Clayton W. Williams, Jr. Inc
Chevron USA, Inc.
Arco Oil & Gas Co.
Texaco, Inc. (not in yet)

SHELL STATE #10 & 9 Sec. 36, T20S, R36E
Waivers for Exxon Company USA
Chevron USA, Inc.

SHELL STATE #6 & 8: Sec. 32, T20S, R37E
Waivers for Chevron USA, Inc..
Texaco, Inc. (not in yet)
Doyle Hartman (not in yet)
Conoco, Inc. (not in yet)

MATTIE JAMES #1 & 2: Sec. 10, T22S, R36E
Waivers for Clayton W. Williams, Jr. Inc.
Arco Oil & Gas Co.

SHELL STATE "A" COM #5 & 6: Lots 3, 4, 5, 6, 11, & 12; T21S, R36E
Waivers from Chevron USA, Inc.
Oxy USA, Inc. (not in yet)
Conoco Production Company (not in yet)

Mr: William J. Lemay
Page 2

STATE 'E' COM #1 & 4: Sec. 35, T20S, R37E
Waivers from Estoril Producing Corp.
Chevron USA, Inc.(not in yet)
Oxy USA, Inc. (not in yet)

SHELL STATE "E" COM # 1, 2, & 3: Sec. 6, T21S, R36E
Waivers from Chevron USA, Inc.
Arco Oil & Gas Company
Citation Oil & Gas Corp. (not in yet)

BROWNLEE #1 & 2: Sec. 25, T21S, R36E
Waivers from Arco Oil & Gas Company
Chevron USA, Inc.

MYERS "B" #2 & 6: Sec. 11, T24S, R36E
Waivers from Arco Oil & Gas Company
Kern Company
Texaco, Inc. (not in yet)
V.H. Westbrook (not in yet)

OLSON BLINEBRY #2 & 3: Sec. 29, T23S, R37E
Waivers from Arco Oil & Gas
Great Western Drilling (not in yet)
Doyle Hartman (not in yet)

The remaining waivers will be submitted to you as soon as we receive them.

Sincerely:



Maria Perez
Production Asst.
A/C 915-686-5767

xc: D. McBee
C. Malik

MERIDIAN OIL

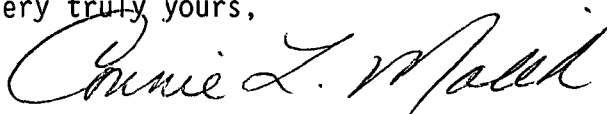
June 18, 1991

Offset Jalmat Dry Gas Operators
Myers B Lease
NE/4 Section 11
T24S, R36E
Lea County, NM

We would be very appreciative if you would indicate your approval of our request of simultaneous dedication of the NE/4 of Section 11, T24S, R36E, Lea County, New Mexico to our Myers B #2 and to our Myers B #6 by signing one copy of this request and returning it in the enclosed stamped, self-addressed envelope.

We appreciate your consideration in this matter.

Very truly yours,



Connie L. Malik
Regulatory Compliance Rep.

AGREED to this 21 day of June, 1991.

ARCO OIL & GAS COMPANY



Title District Engineer

KERN COMPANY

Title _____

TEXACO INC.

V. H. WESTBROOK

Title _____

Title _____

MERIDIAN OIL

JUN 19 1991

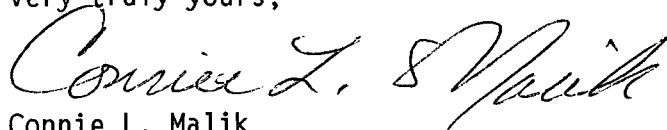
June 18, 1991

Offset Jalmat Dry Gas Operators
Myers B Lease
NE/4 Section 11
T24S, R36E
Lea County, NM

We would be very appreciative if you would indicate your approval of our request of simultaneous dedication of the NE/4 of Section 11, T24S, R36E, Lea County, New Mexico to our Myers B #2 and to our Myers B #6 by signing one copy of this request and returning it in the enclosed stamped, self-addressed envelope.

We appreciate your consideration in this matter.

Very truly yours,



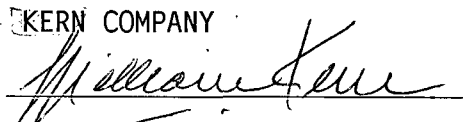
Connie L. Malik
Regulatory Compliance Rep.

AGREED to this _____ day of _____, 1991.

ARCO OIL & GAS COMPANY

Title _____

KERN COMPANY


Title Engineer

TEXACO INC.

Title _____

V. H. WESTBROOK

Title _____