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NSP

5/20/02

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
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William F. Carr

wcarr@hollandhart.com

April 30, 2002

HAND DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 St. Francis Dr.
Santa Fe, New Mexico 87505

COPIES
10/1/02
10/1/02

Re: Application of Raptor Resources, Inc for Administrative Approval for the reduction of a 440.50-acre non-standard gas spacing unit, Jalmat Gas Pool, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Pursuant to the provisions of Rule 4 (C) of the Special Pool Rules for the Jalmat Gas Pool, as promulgated by Division Order No. R-8170-P dated December 14, 2001, Raptor Resources, Inc hereby files its application for an administrative exception to the requirements of Rule 2(A) for the reduction of the existing 440.50-acre non-standard gas spacing unit comprised of Lots 3 and 4, S/2 NW/4, SW/4, W/2 SE/4 and SE/4 SE/4 of Section 5, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, to a 400.50-acre unit by deleting the SW/4 NW/4 of Section 5. This 440.50-acre non-standard gas spacing unit was authorized by Division Order NSP-1636-A (L) (SD), dated July 18, 2000.

The reduction of this non-standard Jalmat gas spacing unit is necessary because the gas-liquid test conducted on the State "A" A/C-2 Well No. 78 (API No. 30-025-34910) located in the SW/4 NW/4 of Section 5, showed that it produced at a gas-liquid ratio of less than 100,000 cubic feet of gas per barrel of oil [See, Rule 1] and therefore is an oil well in the Jalmat formation, Jalmat Tansil Yates 7 Rivers (Oil Pool)[Rule 4(C)(2)(a)]. Simultaneous dedication of the 40-acre oil spacing unit dedicated to the State "A" A/C-2 Well No. 78 and the 440.50-acres non-standard gas spacing unit would violate Rule 2(C) of the Special Pool Rules for the Jalmat Gas Pool.

By Order No. R-11643 entered in Case No 12679 dated August 27, 2001 the Division approved unorthodox infill gas well locations for the State "A" A/C-2 Well No. 78 and Well No. 80 and also approved the simultaneous dedication of the following nine wells to this non-standard 440.50-acre Jalmat gas spacing unit in Section 5 of Township 22 South, Range 36 East, NMPM:

- (A) State "A" A/C-2 Well No. 2 (**API No. 30-025-08791**), located at an unorthodox gas well location 1980 feet from the South line and 660 feet from the West Line (Unit L),
- (B) State "A" A/C-2 Well No. 27 (**API No. 30-025-08789**), located at an unorthodox gas well location 660 feet from the South and East lines (Unit P),
- (C) State "A" A/C-2 Well No. 33 (**API No. 30-025-08793**), located at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O),
- (D) State "A" A/C-2 Well No. 34 (**API No. 30-025-08794**), located at an unorthodox gas well location 1980 feet from the South and East lines (Unit J),
- (E) State "A" A/C-2 Well No. 44 (**API No. 30-025-08797**), located at an unorthodox gas well location 1980 feet from the North and West lines (Unit F),
- (F) State "A" A/C-2 Well No. 46 (**API No. 30-025-08800**), located at an unorthodox gas well location 660 feet from South line and 1980 feet from the West line (Unit N),
- (G) State "A" A/C-2 Well No. 47 (**API No. 30-025-08798**), located at an unorthodox gas well location 660 feet from the North line and 1980 feet from the West Line (Unit C),
- (H) State "A" A/C-2 Well No. 78 (**API No. 30-025-34910**) located at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E), and
- (I) State "A" A/C-2 Well No. 81 (**API No. NOT ASSIGNED**) located at an unorthodox gas well location 2080 feet from the South line and 1980 feet from the West line (Unit K).

The proposed 400.50-acre non-standard Jalmat gas spacing unit consists of quarter-quarter sections or lots that share a common bordering side. Attached hereto as **Exhibit A** is a land plat which shows:

- (1) the subject 400.50-acre spacing unit comprised of Lots 3 and 4, SE/4 NW/4, SW/4, W/2 SE/4 and SE/4 SE/4 of Section 5, Township 22 South, Range 36 East [Rule 4(C)(2)(b)],
- (2) all Jalmat gas wells contained within the acreage[Rule 4(C)(2)(b)],
- (3) all Jalmat oil and/or gas spacing units that directly offset the proposed non-standard spacing unit [Rule 4(C)(2)(d)], and

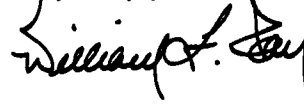
- (4) the acreage of ARCO and Raptor that will be excluded from the unit [Rule 4 (C)(2)(e)] and the operators of offsetting tracts which are not operated by Raptor Resources.

Exhibit B-1 is a copy of the Oil Conservation Division Form C-102 that shows the 40-acre location for Well No. 78. **Exhibit B-2** is a copy of the Oil Conservation Division Form C-102 that shows the 400.50-acre locations of the other wells dedicated to this non-standard spacing unit.

Exhibit C is a list of wells that shows the State "A" A/C-2 Wells No. 41 (cumulative production of 6.5 bcf of gas from the Jalmat Gas Pool) and No. 45 (cumulative production of 52,938 bbls of oil and 354,638 mcf of gas from the South Eunice-Seven Rivers-Queen Pool) were plugged and abandoned in December 1994 and March 1992 respectively [Rule 4(C)(2)(c)]. **Exhibit D** lists the parties affected by this application. **Exhibit E** is an affidavit confirming that notice of this application has been provided in accordance with the provisions of Rule 1207(C) [Rule 4(D)] by providing a copy of this application, including all attachments, to the affected parties by certified mail-return receipt requested in accordance with Rule 1207 (B) advising them that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days after filing of this application and proof of notice with the Division.

Your attention to this application is appreciated.

Very truly yours,



William F. Carr
Attorney for Raptor Resources, Inc

Enclosures

cc: Oil Conservation Division-Hobbs

Pecos River Op Zone



EXHIBIT A

OFFSET OPERATORS	
SECTION 5, T 22S R 36E	
	Operator Name
	Chevron USA Inc
	Ralph C Burton
	Southwest Royalties Inc
	Mirage Energy
	Arco Permian
	Conoco Inc
	Campbell & Hedrick
	Permian Resources Inc
	Pecos River Op Inc
	OXY USA Inc
	Yale E. Key, Inc
	Raptor Resources Inc

District I
1625 N. French Dr., Hobbs. NM 88240

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd. Aztec, NM 87410

District IV
PO Box 2088, Santa Fe. NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Revised February 21, 199.
instructions on back

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

EXHIBIT B-1

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34910		2 Pool Code 33820		3 Pool Name Jalmat Tansill Yates 7 Rvrs (Oil)	
4 Property Code 24671		5 Property Name State A A/C 2			
7 OGRID No. 162791		8 Operator Name Raptor Resources			
		6 Well Number 78			
		9 Elevation			

10 Surface Location

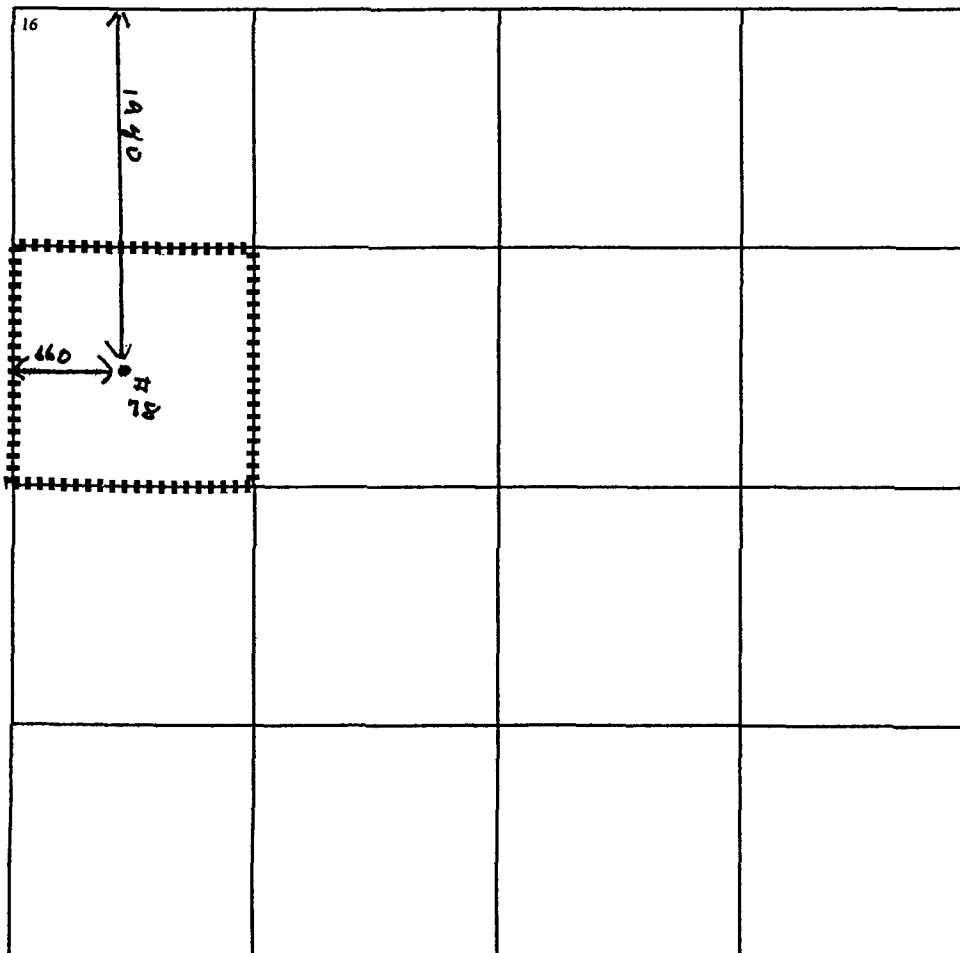
UL or lot no. E	Section 5	Township 22S	Range 36E	Lot Idn	Feet from the 1980	North/South line North	Feet from the 660	East/West line West	County Lea
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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12 Dedicated Acres 40	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

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

Bill R. Keathly
Signature

Bill R. Keathly

Printed Name

Regulatory Agent

Title

2-23-02

Date

18 SURVEYOR CERTIFICATION

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 belief.

Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number

District I
1625 N. French Dr., Hobbs. NM 88240

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd. Aztec, NM 87410

District IV
PO Box 2088, Santa Fe. NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102

Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

EXHIBIT B-2

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025- 34910	2 Pool Code 33820	3 Pool Name Jalmat Tansill Yates 7 Rvrs (oil)
4 Property Code 24671	5 Property Name State A A/C 2	6 Well Number 78
7 OGRID No. 162791	8 Operator Name Raptor Resources	9 Elevation

10 Surface Location

UL or lot no. E	Section 5	Township 22S	Range 36E	Lot Idn	Feet from the 1980	North/South line North	Feet from the 460	East/West line West	County Lea
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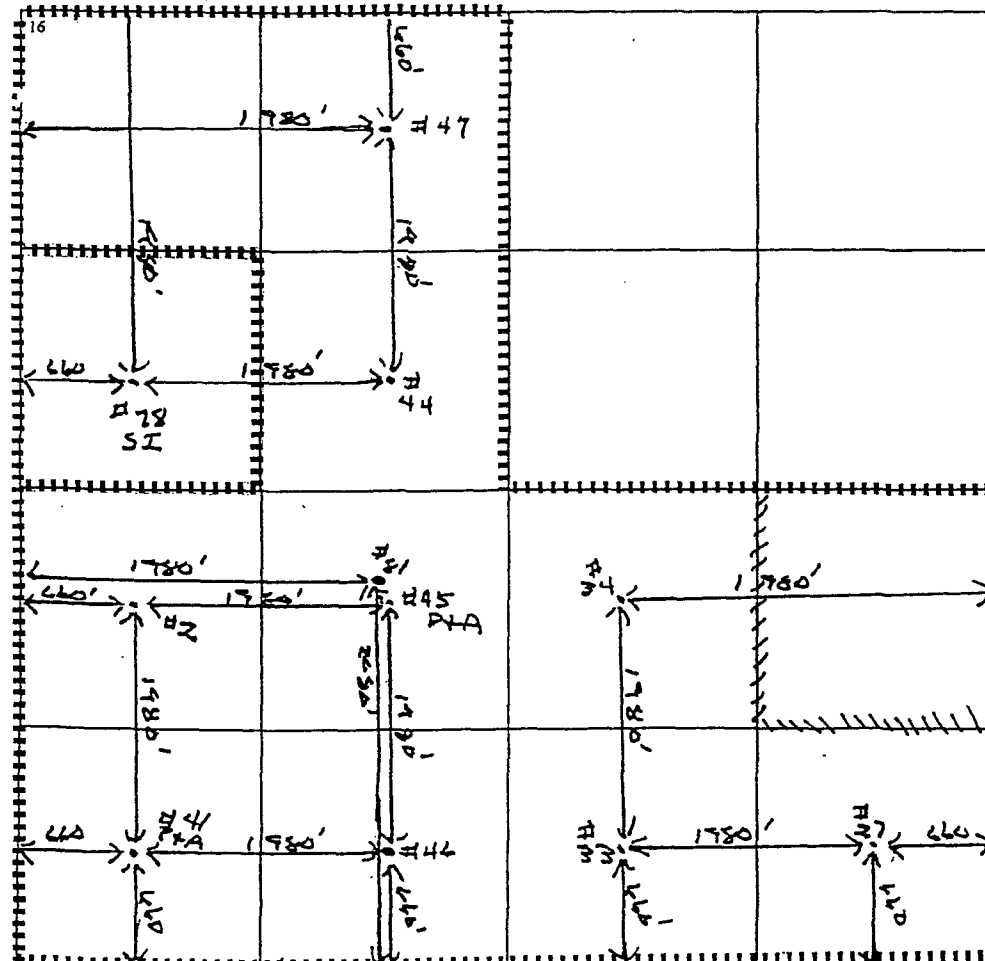
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

12 Dedicated Acres 40	13 Joint or Infil	14 Consolidation Code	15 Order No.
---------------------------------	-------------------	-----------------------	--------------

Applied For

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

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

Bill R. Keathly
Signature

Bill R. Keathly
Printed Name

Regulatory Agent
Title

1-5-02
Date

Date

18 SURVEYOR CERTIFICATION

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 belief.

Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number

EXHIBIT C				
State "A" A/C 2 Well No. 78				
400.50 acre Non-Standard Jalmat Gas Pool Spacing and Proration Unit				
Township 22 South, Range 36E, N.M.P.M.				
Section 5, 1980' FNL & 660' FWL (Unit E)				
WELL Name	Well No	Status	API No.	Sec/Twp/Rg/UL
State "A" A/C 2	47	P	30-025-08798	5 22S 36E C
State "A" A/C 2	44	P	30-025-08797	5 22S 36E F
State "A" A/C 2	34	P	30-025-08794	5 22S 36E J
State "A" A/C 2	2	P	30-025-08791	5 22S 36E L
State "A" A/C 2	46	P	30-025-08800	5 22S 36E N
State "A" A/C 2	33	P	30-025-08793	5 22S 36E O
State "A" A/C 2	27	P	30-025-08793	5 22S 36E P
State "A" A/C 2	45	P&A	30-025-08799	5 22S 36E K
State "A" A/C 2	41	P&A	30-025-08796	5 22S 36E M
State "A" A/C 2	78	SI	30-025-34910	5 22S 36E E
State "A" A/C 2	81	ND	Not assigned	5 22S 36E K
				</

EXHIBIT D

**State "A" A/C/ 2 Well No. 78
400.50 acre Non-Standard Jalmat Gas Pool Spacing and Proration Unit
Township 22 South, Range 36 East, N.M.P.M.
Section 5, 1980' FNL & 660' FWL (Unit E)**

Notification of Offset Operators

Conoco Inc
10 Desta Dr., Ste 100 W
Midland, TX 79705

Chevron USA Inc
Attn: WOJV- Business Unit
P.O. Box 1635
Houston, TX 77251

Permian Resources Inc
P.O. Box 590
Midland, TX 79702

Southwest Royalties Inc
P.O. Box 11390
Midland, TX 79702

Mirage Energy Inc
7915 N. Llewelyn
Hobbs, NM 88242

Ralph C. Burton
3500 Acoma
Hobbs, NM 88240

Arco Permian
PO Box 1610
Midland, TX 79701

Campbell & Hedrick
P.O. Box 401
Midland, TX 79702

OXY USA
P.O. Box 50250
Midland, TX 79710

Pecos River OP Inc
500 W. Texas, Suite 720
Midland, TX 79701


Yale E Key, Inc
P.O. Box 10627
Midland, TX 79702

**APPLICATION OF RAPTOR RESOURCES, INC. FOR ADMINISTRATIVE
APPROVAL FOR THE REDUCTION OF A 440.50-ACRE NON-STANDARD
SPACING UNIT, JALMAT GAS POOL, LEA COUNTY, NEW MEXICO.**

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr

SUBSCRIBED AND SWORN to before me this 30th day of April, 2002.


Notary Public

August 23, 2005

EXHIBIT E

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

April 30, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS:

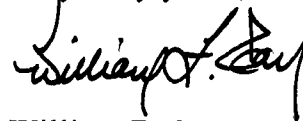
Re: Application of Raptor Resources, Inc for Administrative Approval
for the reduction of a 440.50-acre non-standard gas spacing unit,
Jalmat Gas Pool, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that on this date Raptor Resources, Inc has filed the enclosed application and a proof of notice with the Oil Conservation Division seeking exception to the acreage dedication requirements of Rule 2(A) of the Special Pool Rules for the Jalmat Gas Pool, as promulgated by Division Order No. R-8170-P dated December 14, 2002, to contract an existing 440.50-acre non-standard gas spacing unit by 40 acres (SW/4 NW/4) as a result of the completion of its State "A" A/C-2 Well No. 78 (API No. 30-025-34910) as an oil well. This well is located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 5, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico.

As the owner of an interest that will be affected by the proposed non-standard unit, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the filing of this application and proof of notice with the Division, the non-standard spacing unit may be approved.

Very truly yours,



William F. Carr
Attorney for Raptor Resources, Inc.

Enclosures

cc: John Lawrence

**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. 12563
ORDER NO. R-8170-P**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR
TERMINATION OF GAS PRORATIONING IN THE JALMAT AND EUMONT
GAS POOLS AND TO AMEND THE SPECIAL RULES GOVERNING BOTH
POOLS, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 12, and September 6, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of December, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) The Jalmat Gas Pool and the Eumont Gas Pool are currently classified by the Division as "prorated" gas pools and are subject to the following special rules and procedures:

- (a) the "*Special Rules and Regulations for the Jalmat Gas Pool*" and the "*Special Rules and Regulations for the Eumont Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (b) the general rules for gas proration as contained in Division Rules 601 through 605;
- (c) 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; and

(d) Rule 1207.A.(2).

(3) The New Mexico Oil Conservation Division ("Division") seeks to terminate gas prorationing in the Jalmat and Eumont Gas Pools, thereby excluding both pools from the provisions of Division Rules No. 601 through 605. The Division further seeks to amend the special rules and regulations for the Jalmat and Eumont Gas Pools by whatever means necessary to prevent waste, maintain orderly development, and protect correlative rights.

(4) Doyle Hartman, Oil Operator ("Hartman"), Raptor Resources, Inc. ("Raptor"), BP Amoco ("BP Amoco"), and Chevron USA Inc. ("Chevron"), all operators within the Jalmat and/or Eumont Gas Pools, appeared at the hearing.

(5) The Eumont Gas Pool currently comprises all or portions of Township 18 South, Ranges 36 and 37 East, Township 19 South, Ranges 36 and 37 East, Township 20 South, Ranges 35 through 38 East, Township 21 South, Ranges 35 through 37 East, and Township 22 South, Ranges 36 and 37 East, NMPM, Lea County, New Mexico.

(6) The Jalmat Gas Pool currently comprises all or portions of Township 21 South, Ranges 35 and 36 East, Township 22 South, Ranges 35 through 37 East, Township 23 South, Ranges 35 through 37 East, Township 24 South, Ranges 36 and 37 East, Township 25 South, Ranges 36 and 37 East, and Township 26 South, Ranges 36 and 37 East, NMPM, Lea County, New Mexico.

(7) The "*Special Rules and Regulations for the Jalmat Gas Pool*" currently provide that:

- (a) the vertical limits of the pool extend from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation; however, in an area that encompasses portions of Township 24 South, Ranges 36 and 37 East, the vertical limits of the pool extend from the top of the Tansill formation to a point 250 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation;

- (b) a gas well shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil. An oil well shall be a well producing from the vertical limits of the pool with a gas-liquid ratio less than or equal to 100,000 cubic feet of gas per barrel of oil;
- (c) the limiting gas-oil ratio for oil wells in the Jalmat Gas Pool is 10,000 cubic feet of gas per barrel of oil;
- (d) a standard gas proration unit shall be 640 acres;
- (e) a standard oil proration unit shall be 40 acres;
- (f) a gas well to which 640 acres is dedicated shall be located no closer than 1650 feet to the outer boundary of the section and no closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary;
- (g) an oil well shall be located no closer than 330 feet to the outer boundary of the proration unit;
- (h) for a non-standard gas proration unit, the location of the well with respect to the two nearest boundary lines of the unit shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660-660	160 acres
660-990	320 acres
990-990	600 acres

- (i) acreage dedicated to a gas well shall not be simultaneously dedicated to an oil well, and the dual completion of a well so as to produce oil from

the Yates formation and oil from the Seven Rivers or Queen formation is prohibited; and

- (j) for gas proration purposes, a 640-acre gas proration unit shall be assigned an Acreage Factor of 4.0, a 160-acre proration unit shall be assigned an Acreage Factor of 1.0, etc.

(8) The "*Special Rules and Regulations for the Eumont Gas Pool*" are the same as the "*Special Rules and Regulations for the Jalmat Gas Pool*," with the exception of the following:

- (a) the vertical limits of the Eumont Gas Pool extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations; and
- (b) the pool rules for the Eumont Gas Pool do not contain a provision prohibiting the simultaneous dedication of acreage to an oil well and a gas well.

(9) A minimum gas allowable of 600 MCF of gas per day (18,300 MCF/month) per Acreage Factor of 1.0 was established for the Eumont and Jalmat Gas Pools by Division Order No. R-8170-G dated November 8, 1990, and by Division Order No. R-8170-J dated January 8, 1991, respectively.

(10) In September, 2000, the Division hired a contractor to perform an analysis of the gas proration system in New Mexico's prorated gas pools, and in particular, the Eumont and Jalmat Gas Pools.

(11) On November 8, 2000, the contractor, Mr. Jim Morrow, presented the results of his study to the New Mexico Oil Conservation Commission.

(12) The Division presented Mr. Morrow's report titled "Analysis of Proration System, Southeast New Mexico" as evidence in this case. In addition, Mr. Morrow testified at the hearing by telephone.

(13) With respect to the Eumont Gas Pool, the results of Mr. Morrow's study demonstrate that:

- (a) in October, 1992, the non-marginal monthly gas allowable for the Eumont Gas Pool was increased to

24,730 MCF per Acreage Factor of 1.0. In April, 1993, this allowable was increased to 28,928 MCF, and in April, 1995, this allowable was increased to 38,000 MCF. The non-marginal monthly gas allowable of 38,000 MCF per Acreage Factor of 1.0 remains in place at the current time;

- (b) in March, 2000, 555 wells were producing from the Eumont Gas Pool at an average monthly producing rate of 3,054 MCF per month per well;
- (c) production data was analyzed for the period commencing January, 1997 and ending March, 2000. At some time during this production period, six gas proration units ("GPU's") produced in excess of their gas allowable for one or more months; however, all overproduction accrued by these six GPU's was made up by the end of 1999;
- (d) very few, if any, of the GPU's in the Eumont Gas Pool are currently capable of producing at or near the current gas allowable; and
- (e) no production in excess of the gas allowable was reported by any GPU in January, February or March, 2000.

(14) With respect to the Jalmat Gas Pool, the results of Mr. Morrow's study demonstrate that:

- (a) the current non-marginal monthly gas allowable for the Jalmat Gas Pool is 18,300 MCF per Acreage Factor of 1.0;
- (b) in March, 2000, 495 wells were producing from the Jalmat Gas Pool at an average monthly producing rate of 1,117 MCF per month per well;
- (c) production data was analyzed for the period commencing January, 1997 and ending June, 2000. At some time during this production period, five GPU's produced in excess of their gas allowable for

one or more months; however, all overproduction accrued by these five GPU's was made up by November, 1999; and

- (d) very few, if any, of the GPU's in the Jalmat Gas Pool are currently capable of producing at or near the current gas allowable.

(15) Mr. Morrow's report further shows that of the eleven GPU's that overproduced in the Eumont and Jalmat Gas Pools during the period of production analysis, none would have been required to be shut-in pursuant to the provisions of Division Rule 605.E.(3), and none was ever six times overproduced, or overproduced at the end of two consecutive proration periods.

(16) The evidence presented further demonstrates that gas production from the Eumont and Jalmat Gas Pools has declined significantly over the past several years, and will continue to decline in the future.

(17) A reduction in the minimum gas allowable for the Eumont and Jalmat Gas Pools, thereby increasing the effectiveness of gas proration, would tend to discourage further drilling and workover activity in the pools, thereby reducing the ultimate recovery of gas from the Yates, Seven Rivers and Queen formations.

(18) At the conclusion of the hearing on July 12, 2001, the Examiner directed the Division to provide notice to all operators of wells within the Eumont and Jalmat Gas Pools of its proposal to: (i) terminate gas prorationing in the Eumont and Jalmat Gas Pools; and (ii) amend the special pool rules for the Eumont and Jalmat Gas Pools. This notice was sent to these operators on or about July 18, 2001.

(19) No operator appeared at the July 12 or September 6 hearing to oppose the Division's proposal to terminate gas prorationing and to amend the special pool rules for the Eumont and Jalmat Gas Pools. In addition, no operator submitted written correspondence or comments to the Division in opposition to the application.

(20) The evidence presented in this case demonstrates that gas prorationing currently serves no purpose in the Eumont and Jalmat Gas Pools.

(21) Gas prorationing in the Eumont and Jalmat Gas Pools should be terminated.

(22) The evidence presented further demonstrates that:

- (a) development of the Eumont and Jalmat Gas Pools commenced in the 1950's;
- (b) development within these pools has occurred over the years in a somewhat unconventional manner due to certain factors including, but not limited to: (i) the geology and drainage characteristics of the Yates, Seven Rivers and Queen formations; (ii) 640-acre gas spacing; and (iii) the pools being subject to gas proration;
- (c) within the Eumont and Jalmat Gas Pools, there are a considerable number of non-standard gas proration units that have been routinely approved by the Division over the years. These non-standard gas proration units vary in size and shape from 40 acres to 640 acres; and
- (d) within the Eumont and Jalmat Gas Pools, there are a considerable number of wells that have been drilled at non-standard locations.

(23) With termination of gas prorationing within the Eumont and Jalmat Gas Pools, it becomes necessary to amend the special pool rules in order to maintain orderly development, prevent waste, and protect correlative rights.

(24) The Division has proposed that the "*Special Rules and Regulations for the Jalmat Gas Pool*," and the "*Special Rules and Regulations for the Eumont Gas Pool*," be amended to contain provisions whereby:

- (a) a gas well shall be located no closer than: (i) 660 feet to any outer boundary of its assigned gas spacing unit; (ii) 660 feet to any governmental quarter section line; and (iii) 330 feet to any governmental quarter-quarter section line or subdivision inner boundary;
- (b) no more than one well shall be permitted on a standard 40-acre, more or less, oil proration unit;

- (c) no more than one well shall be permitted per 160 acres within existing gas spacing and proration units, either standard or otherwise;
- (d) exceptions may be granted to the requirements of (a), (b) and (c); and
- (e) in no event shall any standard or non-standard gas spacing and prorating unit in the Eumont and Jalmat Gas Pools be allowed more than one well per quarter-quarter section.

(25) Hartman presented evidence and testimony at the hearing generally in agreement with the proposed rule amendments set forth by the Division. Hartman presented written comments and recommendations regarding the proposed rule amendments.

(26) BP Amoco and Raptor, which also expressed general agreement with the proposed rule amendments set forth by the Division, submitted written comments and recommendations regarding the proposed rule amendments.

(27) No other operator presented written comments or correspondence in this case.

(28) Due consideration has been given to the evidence presented in this case, including written comments and recommendations by Hartman, BP Amoco and Raptor in the development of special pool rules for the Eumont and Jalmat Gas Pools.

(29) Approval of amended rules for the Eumont and Jalmat Gas Pools will promote orderly development within the pools, prevent waste and protect correlative rights.

(30) Amended pool rules for the Eumont and Jalmat Gas Pools should be established, and the "*Special Rules and Regulations for the Eumont Gas Pool*," and the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended, should be superseded by the special pool rules set forth by this order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Oil Conservation Division, gas prorationing in the Eumont Gas Pool, encompassing all or portions of Township 18 South, Ranges 36 and 37 East, Township 19 South, Ranges 36 and 37 East, Township 20 South, Ranges 35 through 38 East, Township 21 South, Ranges 35 through 37 East, and Township 22 South, Ranges 36 and 37 East, NMPM, Lea County, New Mexico, is hereby terminated.

(2) Pursuant to the application of the Oil Conservation Division, gas prorationing in the Jalmat Gas Pool, encompassing all or portions of Township 21 South, Ranges 35 and 36 East, Township 22 South, Ranges 35 through 37 East, Township 23 South, Ranges 35 through 37 East, Township 24 South, Ranges 36 and 37 East, Township 25 South, Ranges 36 and 37 East, and Township 26 South, Ranges 36 and 37 East, NMPM, Lea County, New Mexico, is hereby terminated.

(3) The "*Special Rules and Regulations for the Eumont Gas Pool*," and the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended, are hereby superseded by the special pool rules for the Eumont and Jalmat Gas Pools hereinafter set forth.

(4) "*Special Pool Rules for the Eumont Gas Pool*" and "*Special Pool Rules for the Jalmat Gas Pool*" are hereby established as follows:

SPECIAL POOL RULES
FOR THE EUMONT GAS POOL

RULE 1. DEFINITIONS:

THE VERTICAL LIMITS of the Eumont Gas Pool shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers, and Queen formations.

A GAS WELL in the Eumont Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil.

AN OIL WELL in the Eumont Gas Pool shall be a well producing from the vertical limits of the pool and not classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Eumont Gas Pool shall be 10,000 cubic feet of gas per barrel of oil.

RULE 2. ACREAGE ASSIGNMENT:

(A) A standard gas spacing unit in the Eumont Gas Pool shall be 640 acres, more or less, and shall comprise a single governmental section.

(B) A standard oil spacing and proration unit in the Eumont Gas Pool shall be 40 acres, more or less, and shall comprise a single governmental quarter-quarter section or lot.

(C) Acreage dedicated to a gas well in the Eumont Gas Pool shall not be simultaneously dedicated to an oil well in the Eumont Gas Pool, and the dual completion of a well so as to produce oil from the Yates formation and oil from the Seven Rivers or Queen formation is prohibited.

RULE 3. WELL DENSITY AND LOCATION:

(A) **Well Location:**

(1) An oil well in the Eumont Gas Pool shall be located no closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

(2) A gas well in the Eumont Gas Pool shall be located no closer than:
(a) 660 feet to any outer boundary of its assigned gas spacing unit; (b) 660 feet to any governmental quarter section line; and (c) 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

(B) For any 40-acre, more or less, oil spacing and proration unit within the Eumont Gas Pool, no more than one well shall be allowed. Only those 40-acre oil spacing and proration units committed to active secondary recovery projects shall be permitted more than one well. Otherwise, an exception to this rule will require a hearing.

(C) For any gas spacing unit, either standard or otherwise, the number of wells allowed shall be limited to no more than one well per 160 acres. For either a standard or non-standard 640-acre unit, a maximum of four wells shall be allowed, provided that no more than one well shall be allowed to occupy any one of the four quarter sections. For a non-standard 480, 320 or 160-acre unit, a maximum of three wells, two wells, or one

well, respectively, shall be allowed, provided that no more than one well shall be allowed to occupy each quarter section that comprises the unit.

(D) In no event shall any Eumont gas spacing unit be allowed more than one well per quarter-quarter section.

RULE 4. ADMINISTRATIVE EXCEPTIONS:

(A) The Division Director may grant an administrative exception to the well location requirements of Rule 3(A) above, without hearing, when the exception is necessary to prevent waste or protect correlative rights, so long as:

(1) an application has been duly filed under the provisions of Division Rule 104.F; and

(2) the applicant presents proof of consent of or notice to all operators of any unit or units adjacent to the gas spacing unit in which the well is located and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4(D).

(B) The Division Director may grant an administrative exception to the gas well density provisions of Rule 3(C) above, or may administratively approve the formation of a non-standard gas spacing unit that will result in a well density of more than one well per 160 acres, so long as the operator presents sufficient engineering, geologic, reservoir drainage and other applicable evidence that demonstrates:

(1) the proposed well is necessary (a) to effectively and efficiently drain a 160-acre quarter section that cannot be adequately drained by the existing well or wells, or (b) to adequately protect the subject unit from offsetting drainage, or (c) to prevent waste by utilizing an existing or previously abandoned wellbore, or (d) to recover additional reserves that would otherwise not be recovered from the reservoir;

(2) the proposed well will not violate correlative rights; and

(3) the applicant has obtained consent of or given notice to all operators of any unit or units adjacent to the gas spacing unit requiring the well density exception and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4(D).

(C) **Non-Standard Gas Spacing Units:**

(1) The Director may establish non-standard gas spacing units in the Eumont Gas Pool as follows:

(a) **Units that comprise complete quarter sections:**

The Director may administratively grant an exception to the requirements of Rule 2(A) above to establish a single 160-acre, more or less, non-standard spacing unit comprising a single quarter section, or a 320-acre, 480-acre, or 640-acre, more or less, non-standard gas spacing unit that consists of two, three, or four complete quarter sections that share a common bordering side, without a hearing, so long as the applicant presents proof of consent of or notice to all operators of any unit or units adjacent to the proposed non-standard spacing unit and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4 (D).

(b) **Units that involve partial quarter sections regardless of size (up to 640 acres):**

The Director may administratively grant an exception to the requirements of Rule 2(A) above to establish a non-standard gas spacing unit containing legal subdivisions smaller than a quarter section [quarter-quarter section(s) or lots] without a hearing provided that:

(i) the non-standard spacing unit consists of quarter-quarter sections or lots that share a common bordering side; and

(ii) the applicant presents proof of consent of or notice to all offset operators of any unit or units adjacent to the proposed non-standard spacing unit and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4(D).

(2) Applications for non-standard gas spacing units shall include:

(a) a detailed explanation of the necessity for requesting the proposed non-standard gas spacing unit;

(b) a land plat that identifies the non-standard gas spacing unit being sought and identifies all existing Eumont gas wells contained within the acreage;

(c) information concerning any old well within the proposed unit that once had Eumont production, either oil or gas (well name and number, operator, last acreage dedication, plugging date and cumulative oil and gas production, and any applicable Division order granting an exception to any Eumont rule);

(d) a land plat that clearly shows all existing Eumont oil and gas spacing units that directly offset the proposed non-standard unit and, if available, reference to all orders approving such non-standard gas spacing units;

(e) for a non-standard Eumont gas spacing unit that contains partial quarter sections, a land plat must be submitted that clearly depicts the acreage and mineral interests that will be excluded from the unit within the quarter section and that are not committed to any other Eumont gas or oil spacing unit; the plat shall identify the owners of such mineral interests by name, address (if known) and percentage;

(f) geological and technical information required by Rule 4(B), if applicable; and

(g) proof of compliance with applicable consent or notice provisions of Rule 4.

(D) With reference to any exception that may be granted administratively without hearing as provided by any provision of this Rule 4:

(1) any required proof of consent shall be evidenced by written waivers setting forth the substance of the exception sought and expressly consenting thereto, and signed by the person whose consent is required by the applicable provision of this Rule;

(2) any required notice shall be given in the manner provided in Rule 1207 (B), except that in lieu of stating the time and place of hearing, such notice shall state that the exception sought may be granted without hearing unless a protest is filed with the Santa Fe office of the Division within

twenty (20) days after the filing of the application and proof of notice with the Division. An affidavit shall be filed with the application setting forth the information required by Rule 1207 (C) with respect to any persons required to be notified by the applicable provision of this Rule from whom written waivers are not furnished;

(3) if an application is supported by written waivers as provided in Rule 4(D) (1) from all persons whose consent is required and an affidavit attesting that the persons whose waivers are attached are all of the persons whose consent is required, the Director may grant the application without further notice or hearing; and

(4) if an application is supported by proof of notice as provided in Rule 4(D) (2), the Director may grant the application without hearing if no protest is filed with the Division within twenty (20) days after the date of filing of the application and proof of notice.

(E) The Division Director may set for hearing any application that was filed for administrative approval. If a protest is filed as to any such application as provided in Rule 4(D), such application shall be denied or set for hearing, in the discretion of the Director.

RULE 5. WELL TESTING:

(A) **Gas-liquid ratio tests:** The operator of each newly completed well shall conduct a gas-liquid ratio test on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production. Semi-annual gas-liquid ratio tests shall be conducted on all wells during each year in accordance with a test schedule prepared by the Hobbs district office of the Division. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Any well that is shut-in shall be exempt from the gas-liquid ratio test requirement so long as it remains shut-in. Gas-liquid ratio tests shall be conducted for 24 hours, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of each test shall be filed on Division Form C-116 on or before the tenth day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Hobbs district office of the Division a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The supervisor of the Hobbs district office may grant an exception to the above well-test requirements where it is demonstrated that the well produces no liquids. Special gas-liquid ratio tests shall also be conducted at the request of the Division and may also be conducted at the option of the operator. Such special

gas-liquid ratio tests shall be conducted in accordance with the procedures outlined hereinabove, including notification to the Division and offset operators.

(B) An initial shut-in pressure test shall be conducted on each gas well and shall be reported to the Division on Form C-125.

RULE 6. MISCELLANEOUS:

(A) Oil wells in the Eumont Gas Pool shall receive oil and casinghead gas allowables as provided in Division Rules 503, 505, and 506.

(B) All existing exceptions, whether granted administratively or through hearing, in effect on the issuance date of this order shall be "grandfathered" and shall remain in full force and effect until further notice.

**SPECIAL POOL RULES
FOR THE JALMAT GAS POOL**

RULE 1. DEFINITIONS:

THE VERTICAL LIMITS of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation, except as provided below.

In the area described immediately below, the vertical limits of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 250 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 13:	SE/4 NE/4, SE/4
Section 23:	E/2 E/2
Section 24:	All
Section 25:	N/2
Section 26:	E/2 NE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 18:	SW/4 NW/4, W/2 SW/4
Section 19:	W/2
Section 30:	NW/4

A GAS WELL in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil.

AN OIL WELL in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool and not classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Jalmat Gas Pool shall be 10,000 cubic feet of gas per barrel of oil.

RULE 2. ACREAGE ASSIGNMENT:

(A) A standard gas spacing unit in the Jalmat Gas Pool shall be 640 acres, more or less, and shall comprise a single governmental section.

(B) A standard oil spacing and proration unit in the Jalmat Gas Pool shall be 40 acres, more or less, and shall comprise a single governmental quarter-quarter section or lot.

(C) Acreage dedicated to a gas well in the Jalmat Gas Pool shall not be simultaneously dedicated to an oil well in the Jalmat Gas Pool, and the dual completion of a well so as to produce oil from the Yates formation and oil from the Seven Rivers or Queen formation is prohibited.

RULE 3. WELL DENSITY AND LOCATION:

(A) **Well Location:**

(1) An oil well in the Jalmat Gas Pool shall be located no closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

(2) A gas well in the Jalmat Gas Pool shall be located no closer than:
(a) 660 feet to any outer boundary of its assigned gas spacing unit; (b) 660 feet to any governmental quarter section line; and (c) 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.

(B) For any 40-acre, more or less, oil spacing and proration unit within the Jalmat Gas Pool, no more than one well shall be allowed. Only those 40-acre oil spacing and proration units committed to active secondary recovery projects shall be permitted more than one well. Otherwise, an exception to this rule will require a hearing.

(C) For any gas spacing unit, either standard or otherwise, the number of wells allowed shall be limited to no more than one well per 160 acres. For either a standard or non-standard 640-acre unit, a maximum of four wells shall be allowed, provided that no more than one well shall be allowed to occupy any one of the four quarter sections. For a non-standard 480, 320 or 160-acre unit, a maximum of three wells, two wells, or one well, respectively, shall be allowed, provided that no more than one well shall be allowed to occupy each quarter section that comprises the unit.

(D) In no event shall any Jalmat gas spacing unit be allowed more than one well per quarter-quarter section.

RULE 4. ADMINISTRATIVE EXCEPTIONS:

(A) The Division Director may grant an administrative exception to the well location requirements of Rule 3(A) above, without hearing, when the exception is necessary to prevent waste or protect correlative rights, so long as:

(1) an application has been duly filed under the provisions of Division Rule 104.F; and

(2) the applicant presents proof of consent of or notice to all operators of any unit or units adjacent to the gas spacing unit in which the well is located and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4(D).

(B) The Division Director may grant an administrative exception to the gas well density provisions of Rule 3(C) above, or may administratively approve the formation of a non-standard gas spacing unit that will result in a well density of more than one well per 160 acres, so long as the operator presents sufficient engineering, geologic, reservoir drainage and other applicable evidence that demonstrates:

(1) the proposed well is necessary (a) to effectively and efficiently drain a 160-acre quarter section that cannot be adequately drained by the existing well or wells, or (b) to adequately protect the subject unit from offsetting drainage, or (c) to prevent waste by utilizing an existing or previously abandoned wellbore, or (d) to recover additional reserves that would otherwise not be recovered from the reservoir;

(2) the proposed well will not violate correlative rights; and

(3) the applicant has obtained consent of or given notice to all operators of any unit or units adjacent to the gas spacing unit requiring the well density exception and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4(D).

(C) **Non-Standard Gas Spacing Units:**

(1) The Director may establish non-standard gas spacing units in the Jalmat Gas Pool as follows:

(a) **Units that comprise complete quarter sections:**

The Director may administratively grant an exception to the requirements of Rule 2(A) above to establish a single 160-acre, more or less, non-standard spacing unit comprising a single quarter section, or a 320-acre, 480-acre, or 640-acre, more or less, non-standard gas spacing unit that consists of two, three, or four complete quarter sections that share a common bordering side, without a hearing, so long as the applicant presents proof of consent of or notice to all operators of any unit or units adjacent to the proposed non-standard spacing unit and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4 (D).

(b) **Units that involve partial quarter sections regardless of size (up to 640 acres):**

The Director may administratively grant an exception to the requirements of Rule 2(A) above to establish a non-standard gas spacing unit containing legal subdivisions smaller than a quarter section [quarter-quarter section(s) or lots] without a hearing provided that:

(i) the non-standard spacing unit consists of quarter-quarter sections or lots that share a common bordering side; and

(ii) the applicant presents proof of consent of or notice to all offset operators of any unit or units adjacent to the proposed non-standard spacing unit and, for any adjacent unit or units where there is no operator, all lessees or unleased mineral interest owners, in the form and manner prescribed by Rule 4(D).

(2) Applications for non-standard gas spacing units shall include:

(a) a detailed explanation of the necessity for requesting the proposed non-standard gas spacing unit;

(b) a land plat that identifies the non-standard gas spacing unit being sought and identifies all existing Jalmat gas wells contained within the acreage;

(c) information concerning any old well within the proposed unit that once had Jalmat production, either oil or gas (well name and number, operator, last acreage dedication, plugging date and cumulative oil and gas production, and any applicable Division order granting an exception to any Jalmat rule);

(d) a land plat that clearly shows all existing Jalmat oil and gas spacing units that directly offset the proposed non-standard unit and, if available, reference to all orders approving such non-standard gas spacing units;

(e) for a non-standard Jalmat gas spacing unit that contains partial quarter sections, a land plat must be submitted that clearly depicts the acreage and mineral interests that will be excluded from the unit within the quarter section and that are not committed to any other Jalmat gas or oil spacing unit; the plat shall identify the owners of such mineral interests by name, address (if known) and percentage;

(f) geological and technical information required by Rule 4(B), if applicable; and

(g) proof of compliance with applicable consent or notice provisions of Rule 4.

(D) With reference to any exception that may be granted administratively without hearing as provided by any provision of this Rule 4:

(1) any required proof of consent shall be evidenced by written waivers setting forth the substance of the exception sought and expressly consenting thereto, and signed by the person whose consent is required by the applicable provision of this Rule;

(2) any required notice shall be given in the manner provided in Rule 1207 (B), except that in lieu of stating the time and place of hearing, such notice shall state that the exception sought may be granted without hearing unless a protest is filed with the Santa Fe office of the Division within twenty (20) days after the filing of the application and proof of notice with the Division. An affidavit shall be filed with the application setting forth the information required by Rule 1207 (C) with respect to any persons required to be notified by the applicable provision of this Rule from whom written waivers are not furnished;

(3) if an application is supported by written waivers as provided in Rule 4(D) (1) from all persons whose consent is required and an affidavit attesting that the persons whose waivers are attached are all of the persons whose consent is required, the Director may grant the application without further notice or hearing; and

(4) if an application is supported by proof of notice as provided in Rule 4(D) (2), the Director may grant the application without hearing if no protest is filed with the Division within twenty (20) days after the date of filing of the application and proof of notice.

(E) The Division Director may set for hearing any application that was filed for administrative approval. If a protest is filed as to any such application as provided in Rule 4(D), such application shall be denied or set for hearing, in the discretion of the Director.

RULE 5. WELL TESTING:

(A) **Gas-liquid ratio tests:** The operator of each newly completed well shall conduct a gas-liquid ratio test on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production. Semi-annual gas-liquid ratio tests shall be conducted on all wells during each year in accordance with a test schedule prepared by the Hobbs district office of the Division. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Any well that is shut-in shall be exempt from the gas-liquid ratio test requirement so long as it remains shut-in. Gas-liquid ratio tests shall be conducted for 24 hours, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of each test shall be filed on Division Form C-116 on or before the tenth day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Hobbs district office of the Division a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the

test schedule shall also be furnished to all offset operators. The supervisor of the Hobbs district office may grant an exception to the above well-test requirements where it is demonstrated that the well produces no liquids. Special gas-liquid ratio tests shall also be conducted at the request of the Division and may also be conducted at the option of the operator. Such special gas-liquid ratio tests shall be conducted in accordance with the procedures outlined hereinabove, including notification to the Division and offset operators.

(B) An initial shut-in pressure test shall be conducted on each gas well and shall be reported to the Division on Form C-125.

RULE 6. MISCELLANEOUS:

(A) Oil wells in the Jalmat Gas Pool shall receive oil and casinghead gas allowables as provided in Division Rules 503, 505, and 506.

(B) All existing exceptions, whether granted administratively or through hearing, in effect on the issuance date of this order shall be "grandfathered" and shall remain in full force and effect until further notice.

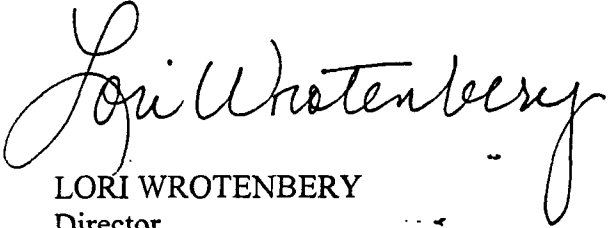
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

**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. 12679
ORDER NO. R-11643**

**APPLICATION OF RAPTOR RESOURCES, INC. FOR TWO UNORTHODOX
INFILL GAS WELL LOCATIONS AND SIMULTANEOUS DEDICATION, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 14, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of August, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) Division Cases No. 12678 and 12679 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, Raptor Resources, Inc. ("Raptor"), seeks an exception to the well location and well density provisions currently governing the Jalmat (Tansill-Yates-Seven Rivers) Gas Pool for the following-described wells in Section 5, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico:

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
State "A" A/C-2 No. 78	30-025-34910	1980' FNL & 660' FWL (Unit E)
State "A" A/C-2 No. 81	N/A	2080' FSL & 1980' FWL (Unit K)

(4) These wells are to be dedicated to an existing non-standard 440.50-acre Jalmat Gas Pool gas proration unit comprising Lots 3 and 4, and the S/2 NW/4, SW/4, W/2 SE/4 and SE/4 SE/4 of Section 5.

(5) The applicant also seeks authority to simultaneously dedicate the subject non-standard gas proration unit to its proposed State "A" A/C-2 Wells No. 78 and 81, and to the following-described existing wells:

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
State "A" A/C-2 No. 2	30-025-08791	1980' FSL & 660' FWL (Unit L)
State "A" A/C-2 No. 27	30-025-08789	660' FSL & 660' FEL (Unit P)
State "A" A/C-2 No. 33	30-025-08793	660' FSL & 1980' FEL (Unit O)
State "A" A/C-2 No. 34	30-025-08794	1980' FSL & 1980' FEL (Unit J)
State "A" A/C-2 No. 44	30-025-08797	1980' FNL & 1980' FWL (Unit F)
State "A" A/C-2 No. 46	30-025-08800	660' FSL & 1980' FWL (Unit N)
State "A" A/C-2 No. 47	30-025-08798	660' FNL & 1980' FWL (Unit C)

(6) The subject non-standard gas proration unit was initially established by Division Order No. R-9073 dated December 14, 1989. This order further authorized the simultaneous dedication to this unit of the State "A" A/C-2 Wells No. 27, 41 and 44, all located at unorthodox gas well locations.

(7) By Division Order No. NSP-1636(SD)(L) dated September 19, 1991, a 400.50-acre non-standard gas proration unit in the Jalmat Gas Pool was established comprising Lots 3 and 4, and the S/2 NW/4, SW/4 and W/2 SE/4 of Section 5. This order further authorized the simultaneous dedication to this unit of the State "A" A/C-2 Wells No. 33, 41, 44 and 47, all located at unorthodox gas well locations.

(8) By Division Order No. NSP-1636-A(L)(SD) dated July 18, 2000, a 440.50-acre non-standard gas proration unit in the Jalmat Gas Pool was established comprising Lots 3 and 4, and the S/2 NW/4, SW/4, W/2 SE/4 and SE/4 SE/4 of Section 5. This order further authorized the simultaneous dedication to this unit of the State "A" A/C-2 Wells No. 2, 33, 34, 41, 44, 46 and 47, all located at unorthodox gas well locations.

(9) Division records demonstrate that the State "A" A/C-2 Well No. 41 was plugged and abandoned on December 28, 1994.

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

- (a) the "*Special Rules and Regulations for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (b) Division Rule 605.B.;
- (c) 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;
- (d) Rule 1207.A.(2); and
- (e) the amended Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe, New Mexico issued on July 11, 2001 in Hartman vs Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Amended Stipulated Declaratory Judgement").

(11) Division records demonstrate that Raptor originally filed an administrative application dated January 30, 2001, to recomplete its State "A" A/C-2 Well No. 78 to the Jalmat Gas Pool at an unorthodox gas well location, and to simultaneously dedicate this well to the subject 440.50-acre non-standard gas proration unit.

(12) No action was taken by the Division on this administrative application pursuant to certain provisions contained within the original Stipulated Declaratory Judgement of the First Judicial District Court in Santa Fe, New Mexico issued on January 4, 2001 in Hartman vs Oil Conservation Division, Cause No. D-0101-CV-9902927 ("Stipulated Declaratory Judgement").

(13) The Amended Stipulated Declaratory Judgement provided greater flexibility to the Division to approve these types of applications, and as a result, Raptor's original administrative application was approved by Division Order No. NSL-4615(SD) dated July 27, 2001.

(14) That portion of Raptor's application to recomplete its State "A" A/C-2 Well No. 78 to the Jalmat Gas Pool at an unorthodox gas well location, and to simultaneously dedicate this well to the subject 440.50-acre non-standard gas proration unit should be dismissed.

(15) The evidence presented in this case demonstrates that:

- (a) there is substantial geologic discontinuity in the Yates and Seven Rivers formations within the Jalmat Gas Pool underlying Section 5 in which Raptor proposes to drill its State "A" A/C-2 Well No. 81;
- (b) modern well logs and well completion techniques provide Raptor the opportunity to identify, perforate, stimulate and produce sands in the Yates and Seven Rivers formations that may not have been produced in older offset wells;
- (c) with the exception of certain well recompletions Raptor has accomplished recently, most of the wells offsetting the proposed State "A" A/C-2 Well No. 81 are producing at marginal rates from the Jalmat Gas Pool;
- (d) by drilling the State "A" A/C-2 Well No. 81, Raptor expects to recover at least 0.5 BCF of gas from the subject proration unit that may otherwise not be recovered by the existing wells, thereby preventing waste;
- (e) the State "A" A/C-2 Well No. 81 can be economically drilled to recover the incremental gas reserves underlying the subject gas proration unit; and
- (f) the proposed unorthodox gas well location for the State "A" A/C-2 Well No. 81 is necessary due to geologic and engineering considerations, and will provide Raptor the best opportunity to recover incremental gas reserves from the Jalmat Gas Pool underlying the subject gas proration unit.

(16) All Jalmat Gas Pool operators within the eight-section area surrounding Section 5 were notified of Raptor's application. No offset operator or interest owner appeared at the hearing in opposition to the application.

(17) Approval of the proposed unorthodox gas well location and simultaneous dedication will result in the recovery of hydrocarbons that will otherwise not be

recovered, thereby preventing waste, and will otherwise be in the best interest of conservation and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Raptor Resources, Inc., is hereby authorized to drill its State "A" A/C-2 Well No. 81 at an unorthodox gas well location for the Jalmat Gas Pool 2080 feet from the South line and 1980 feet from the West line (Unit K) of Section 5, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico.

(2) A 440.50-acre non-standard gas proration unit comprising Lots 3 and 4, and the S/2 NW/4, SW/4, W/2 SE/4 and SE/4 SE/4 of Section 5, shall be simultaneously dedicated to the State "A" A/C-2 Well No. 81 and to the following-described existing Jalmat Gas Pool wells:

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
State "A" A/C-2 No. 2	30-025-08791	1980' FSL & 660' FWL (Unit L)
State "A" A/C-2 No. 27	30-025-08789	660' FSL & 660' FEL (Unit P)
State "A" A/C-2 No. 33	30-025-08793	660' FSL & 1980' FEL (Unit O)
State "A" A/C-2 No. 34	30-025-08794	1980' FSL & 1980' FEL (Unit J)
State "A" A/C-2 No. 44	30-025-08797	1980' FNL & 1980' FWL (Unit F)
State "A" A/C-2 No. 46	30-025-08800	660' FSL & 1980' FWL (Unit N)
State "A" A/C-2 No. 47	30-025-08798	660' FNL & 1980' FWL (Unit C)
State "A" A/C-2 No. 78	30-025-34910	1980' FNL & 660' FWL (Unit E)

(As approved by Division Order No. NSL-4615(SD) dated July 27, 2001)

(3) That portion of Raptor's application to recomplete its State "A" A/C-2 Well No. 78, located at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 5, to the Jalmat Gas Pool, and to simultaneously dedicate this well to the subject 440.50-acre non-standard gas proration unit is hereby dismissed.

(4) Jurisdiction is hereby 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director



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

BRUCE KING
GOVERNOR

September 19, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Clayton W. Williams, Jr., Inc.
3000 Claydesta National Bank Building
Six Desta Drive
Midland, Texas 79705

Attention: Dorothea Owens

Administrative Order NSP-1636(SD)(L)

Dear Ms. Owens:

Reference is made to your application dated August 28, 1991 for a 400.50-acre non-standard gas proration unit consisting of the following acreage in the Jalmat Gas Pool:

LEA COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 5: Lots 3 and 4, S/2 NW/4, SW/4, and W/2 SE/4

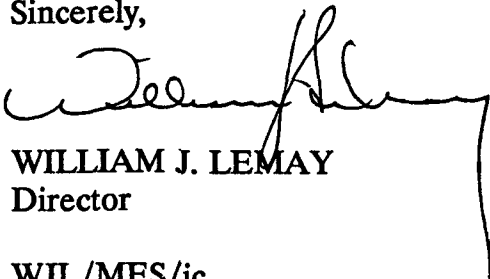
It is my understanding that this unit is to be simultaneously dedicated to the following four existing wells on the State "A" A/C-2 Lease:

Well No.	Description	Unit	Location
33	660' FSL - 1980' FEL	O	Non-Standard Location
41	660' FS & WL	M	Non-Standard Location
44	1980' FN & WL	F	Non-Standard Location
47	660' FNL - 1980' FWL	C	Non-Standard Location

By authority granted me under the provisions of Rule 2(a)4 and 2(c) of the Special Rules and Regulations for the Jalmat Gas Pool as promulgated by Division Order No. R-8170, as amended, the above-described non-standard gas spacing and proration unit and resulting unorthodox gas well locations are hereby approved. Also, you are hereby permitted to produce the allowable assigned the GPU from all of said wells in any proportion.

Further, Paragraph No. 1 in Exhibit "A" of Division Order No. R-9073, which authorized a 480.05-acre non-standard Jalmat Gas Pool gas spacing and proration unit comprising Lots 3 and 4, S/2 NW/4, and S/2 of said Section 5, is hereby placed in abeyance until further notice.

Sincerely,

A handwritten signature in dark ink, appearing to read 'William J. Lemay', with a long horizontal stroke extending to the right.

WILLIAM J. LEMAY
Director

WJL/MES/jc

cc: Oil Conservation Division - Hobbs
NMSLO - Santa Fe
File: Case No. 9775

CMD : ONGARD 06/03/02 12:40:09
 OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGO MES -TQJR

OGRID Idn : 162791 API Well No: 30 25 35868 APD Status(A/C/P) : A
 Opr Name, Addr: RAPTOR RESOURCES INC Aprvl/Cncl Date : 03-22-2002
 PO BOX 2342
 MIDLAND, TX 79702

Prop Idn: 24671 STATE A A/C 2 Well No: 81

U/L	Sec	Township	Range	Lot Idn	North/South	East/West
Surface Locn	: K	5	22S	36E	FTG 2080 F S	FTG 1980 F W
OCD U/L	: K	API County	: 25			

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C) : G Cable/Rotary (C/R) : R
 Lease typ(F/S/P/N/J/U/I) : S Ground Level Elevation : 3593

State Lease No: Multiple Comp (S/M/C) : S
 Prpsd Depth : 4100 Prpsd Frmtn : T-Y-7R

E0009: Enter data to modify record
 PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12

Sec _____ Township No. _____ of Range No. _____

4 O #47	3	2	1
E O #78	F O #44	6	H
L O #2	K O #81	J O #34	I
M	N O #46	O O #33	P O #27

NSP-1636-A(L)(SD)

Acres to be deleted.