

**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. 13139 (NOMENCLATURE)
ORDER NO. R-12097**

**APPLICATION OF GRUY PETROLEUM MANAGEMENT COMPANY TO
EXPAND THE WHITE CITY-PENNSYLVANIAN GAS POOL, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 9 and November 20, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of February, 2004, 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) The applicant, Gruy Petroleum Management Company ("Gruy"), seeks to expand the horizontal boundaries of the White City-Pennsylvanian Gas Pool to include all of Section 14, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico.
- (3) Division records demonstrate that the White City-Pennsylvanian Gas Pool currently comprises the following-described area in Eddy County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Sections 8 and 9:	All
Sections 15 through 17:	All
Sections 19 through 22:	All
Sections 26 through 35:	All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Sections 1 through 4: All
Sections 10 through 14: All

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

Section 7: All

(4) The White City-Pennsylvanian Gas Pool is currently governed by the "Special Rules and Regulations for the White City-Pennsylvanian Gas Pool," as established by Division Order No. R-2429, as amended, and which require that:

- (a) wells shall be located on a standard unit containing 640 acres, more or less, consisting of a single governmental section;
- (b) no more than four wells shall be drilled on a standard 640-acre unit. No more than one well shall be drilled on each quarter section within the 640-acre unit; and
- (c) initial and infill wells shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) Section 14, on its western boundary, is adjacent to the White City-Pennsylvanian Gas Pool. Section 14, on its northern boundary, is adjacent to the South Carlsbad-Morrow Gas Pool. This pool is currently spaced on 320 acres and is governed by Division Rule No. 104.C which allows a well density of one well per quarter section. Rule No. 104.C also requires a well to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(6) The vertical limits of the White City-Pennsylvanian Gas Pool include the Cisco, Canyon, Strawn, Atoka and Morrow intervals. The vertical limits of the South Carlsbad-Morrow Gas Pool include only the Morrow interval.

(7) Gruy presented evidence that demonstrates that:

(a) Section 14 is comprised of two separate Federal leases. Federal Lease No. LC-065421 encompasses the E/2 and NW/4 of Section 14, and Federal Lease No. LC-0402170 encompasses the SW/4 of Section 14;

(b) there is an existing joint operating agreement (JOA) in effect for Section 14. This JOA, which has been in effect since 1968, has been executed by all working interest owners within this section. The effect of the JOA is that it makes the working interest ownership uniform throughout all of Section 14; and

(c) Gruy is also currently obtaining approval of a communitization agreement that encompasses all of Section 14. After Gruy has obtained the consent of all the interest owners in Section 14, this agreement will be submitted to the United States Bureau of Land Management (BLM) for its approval.

(8) Gruy presented further evidence that demonstrates that:

(a) it has recently drilled the Bradley Federal Com Well No. 1 (API No. 30-015-32672) at a standard gas well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 14. This well is currently completed in and producing from the Strawn and Morrow formations;

- (b) the Bradley Federal Com Well No. 1 is producing from Strawn and Morrow pay sands that are fairly continuous and correlatable to wells that are producing within the White City-Pennsylvanian Gas Pool; and
- (c) Gruy is proposing to drill three additional wells within Section 14 to test the Pennsylvanian interval. These proposed wells are the Bradley Federal Com Wells No. 2, 3 and 4, located respectively in SW/4, NE/4 and SE/4.

(9) Gruy testified that expanding the White City-Pennsylvanian Gas Pool to include Section 14 will allow the recovery of gas reserves in the Strawn and Morrow formations that may otherwise not be economically recovered if it is required to produce these zones separately.

(10) The evidence further demonstrates that by virtue of the existence of the JOA and communitization agreement, Section 14 is more suited to be placed within a pool spaced on 640 acres.

(11) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(12) Approval of the application will afford the applicant the opportunity to economically produce the oil and gas reserves within the Pennsylvanian formation underlying Section 14, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

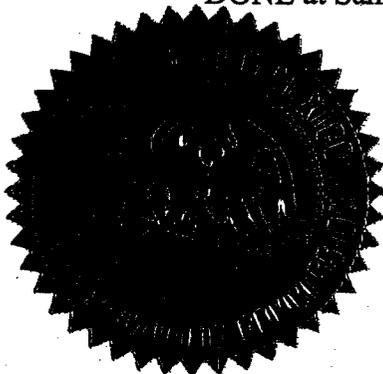
(1) Pursuant to the application of Gruy Petroleum Management Company, the White City-Pennsylvanian Gas Pool, located within portions of Township 24 South, Range 26 East, and Township 25 South, Ranges 26 and 27 East, NMPM, Eddy County, New Mexico, is hereby expanded to include Section 14, Township 24 South, Range 26 East, NMPM.

Case No. 13139
Order No. R-12097
Page 5

(2) In accordance with the pool expansion approved herein, the applicant shall file with the Artesia District Office of the Division a Division Form C-102 dedicating 640 acres to the Bradley Federal Com Well No. 1 (API No. 30-015-32672) located at a standard gas well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 14.

(3) 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
LORI WROTENBERY
Director