

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. 11267
ORDER NO. R-10375

**APPLICATION OF ARCH PETROLEUM
INC. FOR SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 20, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of June, 1995 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Order No. R-1143, dated March 25, 1958, the Justis-Fusselman Pool was established for the production of oil from the Fusselman formation. The horizontal limits for said pool, as currently defined, include the following described lands in Lea County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 13: W/2
Section 24: W/2
Section 25: All
Section 36: NE/4

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 30: SW/4

Section 31: NW/4.

(3) The Justis-Fusselman Pool is currently governed by the Division's General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 187 barrels of oil per day and a gas/oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 374 MCF per day.

(4) Arch Petroleum Inc. operates two wells within said pool, the Learcy McBuffington Well Nos. 8 and 9 located in the SW/4 of Section 13, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) Initially the boundary of said pool comprised the NW/4 of Section 24, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, by 1961 the current boundary of said pool was established. Oil Conservation Division records and evidence presented indicate a total of 37 wells have produced from the subject pool, there are currently only five remaining producing wells in the pool.

(6) According to the testimony presented there is no indication that a gas cap is present in the subject reservoir however there appears to be a strong bottom-water drive mechanism in place.

(7) The pool is nearing depletion and at this stage of development evidence indicates that those wells capable of producing from the subject pool may now be operated at a limiting gas-oil ratio of 10,000 to one without creating or causing waste.

(8) To protect any "new" or future development of Fusselman production in the vicinity of one mile or less of the current Justis-Fusselman Pool boundary any special provisions adopted for said pool by this order should be confined to its boundary and that the "one-mile rule" as provided in Division General Rule 104.A be waived. Therefore, any well drilled to and completed in the Fusselman formation outside of the boundary of the Justis-Fusselman Pool will be governed by the applicable rules and regulations of the Division. Once tested however any such well drilled and/or completed within one mile of the pool boundary may be extended to include said well if it's shown to indeed be an extension of the pool.

(9) There was no opposition by any operator in the area or by any interested party in the pool to increase the limiting gas/oil ratio in the pool to 10,000 to one.

(10) In order to afford the owner of each property in the Justis-Fusselman Pool the opportunity to produce his just and equitable share of oil and gas in the subject pool and for him to use his just and equitable share of the reservoir energy, a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of liquid hydrocarbons should be established for said pool.

IT IS THEREFORE ORDERED THAT:

(1) Effective June 1, 1995, special rules and regulations for the Justis-Fusselman Pool in Lea County, New Mexico, previously defined and classified, are hereby promulgated as follows:

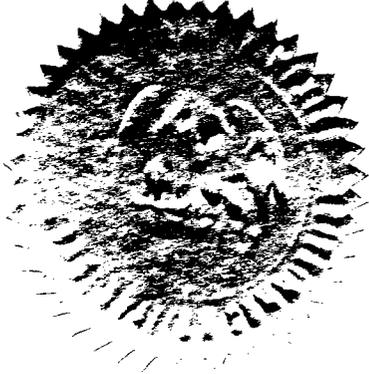
**SPECIAL RULES AND REGULATIONS
FOR THE
JUSTIS-FUSSELMAN POOL**

RULE 1. Each well completed or re-completed within the designated boundary of the Justis-Fusselman Pool shall be produced in accordance with the Special Rules herein set forth.

RULE 2. The limiting gas/oil ratio for said Justis-Fusselman Pool shall be 10,000 cubic feet of gas per barrel of oil produced; each proration unit in said pool shall produce only that volume of gas equivalent to 10,000 multiplied by the top unit depth bracket allowable set for the pool (which remains to be 187 barrels of oil per day).

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY
DIRECTOR