

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

6 September 1989

EXAMINER HEARING

IN THE MATTER OF:

In the matter of cases called on this
date and continued or dismissed with-
out testimony presented.

CASES
9712
9713
9725
9698
9700
9747
9748
9749
9715
9756

*Transcript in
Case 9712*

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

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8 IN THE MATTER OF:

9 Application of Conoco, Inc. for revision CASE
10 of Division Order R-5008 and simultaneous 9748
11 dedication, Lea County, New Mexico.

12 BEFORE: David R. Catanach, Examiner
13
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15 TRANSCRIPT OF HEARING
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17 A P P E A R A N C E S

18 For the Division: Robert G. Stovall
19 Attorney at Law
20 Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

21 For Conoco, Inc.: W. Thomas Kellahin
22 Attorney at Law
23 KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
24 Santa Fe, New Mexico 87504
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I N D E X

JERRY HOOVER

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E X H I B I T S

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1 MR. CATANACH: Okay, we'll
2 call the hearing back to order and at this time we'll call
3 Case 9748.

4 MR. STOVALL: Application of
5 Conoco, Inc., for revision of Division Order No. R-5008,
6 simultaneous dedication, Lea County, New Mexico.

7 MR. CATANACH: Appearances in
8 this case?

9 MR. KELLAHIN: Mr. Examiner,
10 I'm Tom Kellahin of the Santa Fe law firm of Kellahin,
11 Kellahin & Aubrey, appearing on behalf of the applicant.

12 I have one witness to be
13 sworn.

14 MR. CATANACH: Any other ap-
15 pearances?

16 Will the witness please stand
17 and be sworn in?

18
19 (Witness sworn.)

20
21 JERRY HOOVER,
22 being called as a witness and being duly sworn upon his
23 oath, testified as follows, to-wit:

24
25

1 DIRECT EXAMINATION

2 BY MR. KELLAHIN:

3 Q Mr. Hoover, for the record would you
4 please state your name and occupation?5 A My name is Jerry Hoover. I'm Senior
6 Reservoir Engineer with Conoco.7 Q Mr. Hoover, on prior occasions have you
8 testified on behalf of your company before the Division as
9 a reservoir engineer?

10 A Yes, I have.

11 Q And pursuant to your employment by
12 Conoco have you made a study of the engineering and other
13 factors surrounding the application that Conoco has before
14 this Hearing Examiner?

15 A Yes, I have.

16 MR. KELLAHIN: At this time,
17 Mr. Examiner, we tender Mr. Hoover as an expert reservoir
18 engineer.19 MR. CATANACH: He is so qual-
20 ified.21 Q Mr. Hoover, let me ask you to turn to
22 what is marked as Exhibit Number One in the Conoco package
23 of hearing exhibits and take a moment using this display to
24 describe to the Examiner what Conoco is seeking to accom-
25 plish with the application.

1 A All right. This map shows the Conoco-
2 operated Britt "B" Lease, which consists of the south half
3 of Section 10, which is hatched, and also the western 480
4 acres of Section 15, also cross hatched.

5 The previous order, R-5008, established
6 the two proration units as you see them on this exhibit.
7 The northern 280-acre proration unit was dedicated to Wells
8 15 and 25 that you see highlighted by the orange symbols.
9 The southern 240-acre proration unit was dedicated solely
10 to the No. 3 Well.

11 We seek to revise the order to establish
12 a 640-acre proration unit, which we'll show on a succeeding
13 exhibit.

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15 shown on Exhibit Number One that is cross lined from
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19 Q Within that area, then, there is a por-
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22 half of the east half with a vertical dashed line?

23 A That is correct.

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25 side of that line or the other?

1 A The bold, vertical, dashed line separ-
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3 "B" Lease.

4 Q We'll come to some of the other exhibits
5 in between Exhibit One and Three, but let me have you turn
6 to Exhibit Three at this moment.

7 A Yes.

8 Q And let's lay Exhibit One next to Ex-
9 hibit Three and have you describe for the Examiner what
10 you're proposing to do with this application now.

11 A All right. The northern 40 acres out-
12 lined in orange, labeled as the Britt Phillips Lease, has
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14 result of that sale, Conoco is requesting revisions of the
15 proration unit that included that acreage to exclude that
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17 Q Has Mr. Arrington been notified of your
18 proposal to delete that 40-acre tract from the existing
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8 view of Conoco to their operations in the Eumont Gas Pool?

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11 tion allowable schedules for these wells.

12 Q Let's go, then, back to Exhibit Number
13 Two and just to document the change in the proposed spacing
14 units, let me have you take a moment and turn to Exhibit
15 Number Two-A.

16 A Yes.

17 Q Identify that for me, please.

18 A 2-A is the well location, acreage dedi-
19 cation plat for Well No. 3.

20 Q As it now exists.

21 A As it now exists.

22 Q Okay, and Exhibit Number Two-B?

23 A Two-B is the same form for Well No. 15.

24 Q And you have simultaneously dedicated
25 that acreage also to Well 25?

1 A Right.

2 Q And that's shown on Exhibit Two-C?

3 A Two-C, that's correct.

4 Q Let's talk about the notifications, Mr.
5 Hoover. Have -- has Conoco caused the offset operators to
6 be notified of your proposed application?

7 A Yes, we have. Our --

8 Q Go ahead.

9 A -- Exhibits Four-A and B are copies of
10 the receipts we received when we sent the application to
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14 Q These notifications were originally sent
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17 A That's correct.

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20 A That's right.

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23 operators to the reformation of the spacing units and to
24 the multiple well dedication to the spacing units?

25 A No, we have not.

1 Q Let me have you now turn to Exhibit
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8 wells in this area. The structural pattern shown here, as
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13 Wells, 15, 25 and 3.

14 Q Let's turn to Exhibit Number Six now,
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16 A Yes.

17 Q Would you identify this exhibit, please?

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21 Column one shows that this data is for
22 the 12-month period from August of '88 through July of '89.

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15 you'll notice, looking at the bottom line of those last two
16 columns, that those two wells had been producing right at
17 the total allowed allowable for that proration unit.

18 Q Have you prepared a display similar to
19 Exhibit Number Six to show us the effect if we combine the
20 three wells into a single spacing unit consisting of the
21 640 acres as you propose for this case?

22 A Yes, that's Exhibit Seven.

23 Q Okay.

24 A We simply show again the production for
25 the three wells, totalled all three of these Britt wells

1 and show what the allowable would have been for a 640-acre
2 proration unit during that same time period. You'll notice
3 looking at the bottom line of the last two columns that
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10 pay zones that are not currently open in the Eumont to be
11 added and still fit within the allowable schedule.

12 Q In your opinion, Mr. Hoover, would ap-
13 proval of this application be in the best interest of con-
14 servation, the prevention of waste and the protection of
15 correlative rights?

16 A Yes, we believe it will.

17 Q Were Exhibits One through Seven either
18 prepared by you or compiled under your direction and super-
19 vision?

20 A Yes, they were.

21 MR. KELLAHIN: That concludes
22 our examination of Mr. Hoover.

23 I move the introduction of his
24 Exhibits One through Seven.

25 MR. CATANACH: Exhibits One

1 through Seven will be admitted as evidence.

2

3

CROSS EXAMINATION

4

BY MR. CATANACH:

5

Q Mr. Hoover, do you have any idea how Mr.

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Arrington is going to develop his acreage?

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A I do not.

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Q Now you testified that this -- all of

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the acreage within the proposed unit is all on one lease?

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A Yes, it is.

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Q Is that a fee lease?

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A That's Federal acreage, that's NMFU, New

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Mexico Federal Unit.

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Q And all the working interest and various

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other interests are common throughout the new proration

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unit?

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A That is correct.

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Q So nobody's interest will be adversely

19

affected by this.

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A No, they will not.

21

Q Does Conoco have any plans at this point

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to drill any additional wells or -- or open up any addi-

23

tional pays?

24

A I know of no plans to actually drill a

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well but there -- we are doing some reservoir studies in

1 this area that show some potential for recompletion or
2 perhaps another well in this section, and also, in looking
3 at these three wells that are currently producing from the
4 Eumont, they are completed only in the Penrose, which is
5 the lower member of the Queen, and there are surrounding
6 wells which are producing quite well from the Yates and
7 Seven Rivers in the upper part. So there is some possible
8 potential here to open more of the Eumont zone.

9 Q In Section 10 I notice in addition to
10 the Well No. 15 there are two other Eumont gas wells, one
11 of them being yours, apparently, or Conoco's, the No. 17?

12 A Yes, over in the east half of Section
13 10.

14 Q Do you know what is dedicated to that
15 well?

16 A I don't have that with me. I would sus-
17 spect it's probably that southeast quarter, since there are
18 also wells across in Section 11, but I don't have that with
19 me.

20 It might be of interest that 160 acres,
21 which consists of the west half of the east half of Sec-
22 tion 15 that we're adding into that, is currently undedi-
23 cated in the Eumont Pool, in case there are any questions
24 about that.

25 Q Do you -- is it your opinion that those

1 wells are draining that acreage?

2 A Yes, I believe they are. The Well 25,
3 which is most central to this acreage, is obviously now
4 providing the main drainage source and it was right on the
5 boundary of the two existing proration units, is why we
6 felt it was more logical to go ahead and put it within the
7 same unit, because it's obviously, it's draining (unclear)
8 both prorations units as well as the undedicated 160 acres
9 that we're asking to add.

10 MR. CATANACH: That's all the
11 questions I have for the witness.

12 Anything further in this case?

13 Case 9748 will be taken under
14 advisement.

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16 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9748 heard by me on September 20 19 54.
David R. Catant, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
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I N D E X

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E X H I B I T S

Conoco Exhibit One, Map 4

Conoco Exhibit Two-A, Plat 7

Conoco Exhibit Two-B, Plat 7

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Conoco Exhibit Five, Structural Map 9

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25 acres that you're proposing to now include for the three

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11 tion allowable schedules for these wells.

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17 Q Identify that for me, please.

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19 cation plat for Well No. 3.

20 Q As it now exists.

21 A As it now exists.

22 Q Okay, and Exhibit Number Two-B?

23 A Two-B is the same form for Well No. 15.

24 Q And you have simultaneously dedicated
25 that acreage also to Well 25?

1 A Right.

2 Q And that's shown on Exhibit Two-C?

3 A Two-C, that's correct.

4 Q Let's talk about the notifications, Mr.
5 Hoover. Have -- has Conoco caused the offset operators to
6 be notified of your proposed application?

7 A Yes, we have. Our --

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9 Q In Section 10 I notice in addition to
10 the Well No. 15 there are two other Eumont gas wells, one
11 of them being yours, apparently, or Conoco's, the No. 17?

12 A Yes, over in the east half of Section
13 10.

14 Q Do you know what is dedicated to that
15 well?

16 A I don't have that with me. I would sus-
17 pect it's probably that southeast quarter, since there are
18 also wells across in Section 11, but I don't have that with
19 me.

20 It might be of interest that 160 acres,
21 which consists of the west half of the east half of Sec-
22 tion 15 that we're adding into that, is currently undedi-
23 cated in the Eumont Pool, in case there are any questions
24 about that.

25 Q Do you -- is it your opinion that those

1 wells are draining that acreage?

2 A Yes, I believe they are. The Well 25,
3 which is most central to this acreage, is obviously now
4 providing the main drainage source and it was right on the
5 boundary of the two existing proration units, is why we
6 felt it was more logical to go ahead and put it within the
7 same unit, because it's obviously, it's draining (unclear)
8 both prorations units as well as the undedicated 160 acres
9 that we're asking to add.

10 MR. CATANACH: That's all the
11 questions I have for the witness.

12 Anything further in this case?

13 Case 9748 will be taken under
14 advisement.

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16 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9748 heard by me on September 20 1989.
David R. Catamb, Examiner
Oil Conservation Division

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. 9748
Order No. R-5008-A

APPLICATION OF CONOCO INC. FOR
REVISION OF DIVISION ORDER NO.
R-5008 AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 20, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 10th day of October, 1989, 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 Order No. R-5008, dated May 6, 1975, the Division, upon the application of Continental Oil Company (Conoco Inc.), established two non-standard gas proration units in the Eumont Gas Pool comprising parts of Sections 10 and 15, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, as follows:

A 240-acre unit comprising the SW/4 and the S/2 NW/4 of Section 15, said unit to be dedicated to the applicant's Britt "B" Well No. 3 located at an unorthodox gas well location in Unit L of said Section 15; and

A 280-acre unit comprising the SW/4 NW/4 and SW/4 of Section 10 and the N/2 NW/4 of Section 15, said unit to be dedicated to the applicant's Britt "B" Well Nos. 15 and 25 located, respectively, at unorthodox gas well locations in Unit M of said Section 10 and Unit C of said Section 15.

(3) The applicant, Conoco Inc., seeks to revise and consolidate the two non-standard gas proration units as described above by the deletion of the SW/4 NW/4 of Section 10 and the addition of the W/2 E/2 of Section 15, thereby forming a non-standard 640-acre Eumont Gas Pool spacing and proration unit comprising the SW/4 of Section 10 and the W/2 and W/2 E/2 of Section 15, said unit to be simultaneously dedicated to the applicant's Britt "B" Well Nos. 3, 15 and 25 as described above.

(4) The evidence indicates that the proposed acreage consolidation and simultaneous dedication will allow the applicant to more fully utilize the gas allowable assigned to said non-standard unit, resulting in greater gas production, and will not violate correlative rights inasmuch as the Eumont Gas Pool is a prorated gas pool.

(5) The evidence further indicates that the acreage contained within the proposed 640-acre non-standard unit, including the acreage to be added, is a single lease, being the Britt "B" Federal Lease, and that interest ownership is common.

(6) Testimony indicates that the acreage to be deleted from the proposed 640-acre non-standard unit, being the SW/4 NW/4 of said Section 10, has been sold, and that the current owner has no objection to the proposal.

(7) The entire 640-acre non-standard unit may reasonably be presumed productive of gas from the Eumont Gas Pool and said unit can be efficiently and economically drained and developed by the aforesaid Britt "B" Well Nos. 3, 15 and 25.

(8) No other offset operator and/or interest owner appeared and objected to the application.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Eumont Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(10) The portion of Division Order No. R-5008 which approved the two non-standard units as described in Finding No. (2) above should be superseded by this order.

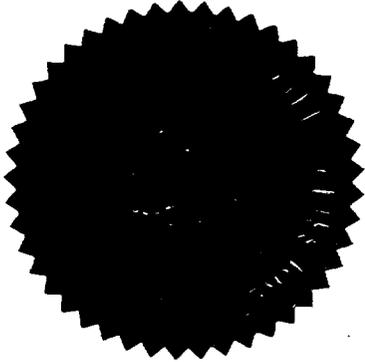
IT IS THEREFORE ORDERED THAT:

(1) A 640-acre non-standard gas spacing and proration unit comprising the SW/4 of Section 10 and the W/2 and W/2 E/2 of Section 15, both in Township 20 South, Range 37 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and simultaneously dedicated to Conoco Inc's. Britt "B" Well Nos. 3, 15 and 25, all located at previously approved unorthodox gas well locations, respectively, in Unit L of Section 15, Unit M of Section 10, and Unit C of Section 15.

(2) That portion of Division Order No. R-5008 which approved the two non-standard units as described in Finding No. (2) above is hereby superseded by this order.

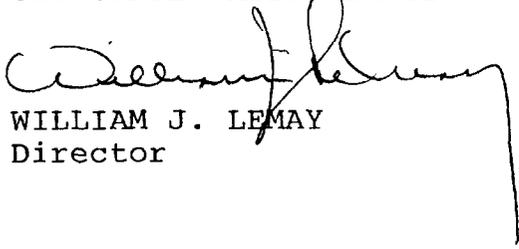
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
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. 9748

Order No. R-~~5070~~

5008-A

D.P. 9/28
cm/s
9/28/89
10/13/89
WJ

APPLICATION OF CONOCO INC. FOR
REVISION OF DIVISION ORDER NO.
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LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

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(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 Order No. R-5008, dated May 6, 1975, the Division, upon the application of Continental Oil Company (Conoco Inc.), established two non-standard gas proration units in the Eumont Gas Pool comprising parts of Sections 10 and 15, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, as follows:

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and 25 located, respectively, at unorthodox gas well locations in Unit M of said Section 10 and Unit C of said Section 15.

(3) The applicant, Conoco Inc., seeks to revise and consolidate the two non-standard gas proration units as described above by the deletion of the SW/4 NW/4 of Section 10 and the addition of the W/2 E/2 of Section 15, thereby forming a non-standard 640-acre Eumont Gas Pool spacing and proration unit comprising the SW/4 of Section 10 and the W/2 and ~~W/2~~ ~~E/2~~ of Section 15, said unit to be simultaneously dedicated to the applicant's Britt "B" Well Nos. 3, 15 and 25 as described above.

(4) The evidence indicates that the proposed acreage consolidation and simultaneous dedication will allow the applicant to more fully utilize the gas allowable assigned to said non-standard unit, resulting in greater gas production, and will not violate correlative rights inasmuch as the Eumont Gas Pool is a prorated gas pool.

(5) The evidence further indicates that the acreage contained within the proposed 640-acre non-standard unit, including the acreage to be added, is a single lease, being the Britt "B" Federal Lease, and that interest ownership is common.

(6) Testimony indicates that the acreage to be deleted from the proposed 640-acre non-standard unit, being the SW/4 NW/4 of said Section 10, has been sold, and that the current owner has no objection to the proposal.

(7) The entire 640-acre non-standard unit may reasonably be presumed productive of gas from the Eumont Gas Pool and said unit can be efficiently and economically drained and developed by the aforesaid Britt "B" Well Nos. 3, 15 and 25.

(8) No other offset operator and/or interest owner appeared and objected to the application.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Eumont Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(10) The portion of Division Order No. R-5008 which approved the two non-standard units as described in Finding No (2) above should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) A 640-acre non-standard gas spacing and proration unit comprising the SW/4 of Section 10 and the W/2 and W/2 E/2 of Section 15, both in Township 20 South, Range 37 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and simultaneously dedicated to Conoco Inc's.

Britt "B" Well Nos. 3, 15 and 25, all located at previously approved unorthodox gas well locations, respectively, in Unit L of Section 15, Unit M of Section 10, and Unit C of Section 15.

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(3) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L