STATE OF NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF ZIA ENERGY INC. FOR APPROVAL OF TWO MON-STANDARD PRORATION AND SPACING UNITS, UNORTHODOX WELL LOCATIONS, PENN-ROSE SKELLY POOL, LEA COUNTY, NEW MEXICO.

CASE: 9201

CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

In accordance with Division Rule 1207 (Order R-8054) I hereby certify that on August 25, 1987, notice of the hearing, and a copy of the application for the above referenced case, was mailed at least twenty days prior to hearings originally set for September 23, 1987 to the operators and interested parties listed in Exhibit "A".

W. Thomas Kellehin

SUBSCRIBED AND SWORF to before me this 21^{37} day of September, 1987.

-assie (gulas)
Notary Public

My Commission Expires:

9-26-81

File of a confidence graduation

Collocation for the propertien

ZIA CASIL NO. 9231

Exhibit "A"

Anadarko Production Company 215 West Wall P. O. Box 2497 Midland, Texas 79701

Shell Oil Company One Shell Place P. O. Box 2463 Houston, Texas 77252

Texaco Producing Company P. O. Box 3109 Midland, Texas 79702

Cities Service Oil & Gas Company P. O. Box 3908 Tulsa, Oklahoma 74102

Chevron, U. S. A. P.O. Box 670 Hobbs, New Mexico 88240

Amerada Hess Corporation F. O. Box 840 Seminole, Texas 79360

Mcbil Producing Texas and New Mexico 901 East Bender Boulevard Hobbs, New Mexico 88240

Sun Exploration and Production Company P. O. Box 2880 Dallas, Texas 75221

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702 TO" space on the reverse side. Failure to do this will prevent thing return receipt fee will provide you the name of the person reproduced and itself fees the following services are available. Consults) for additional service(s) requested. 2 when additional services are desired, and complete items 3 ar ompany /23/87 and addressee's address. Registered Certified Express Mail 8. Addressee's Address (ONLY if requested and fee paid) agent and DATE DELIVERED. Article Number Always obtain signature of addresses of P 484-030 Type of Service: Restricted Delivery. DOMESTIC RETURN RECE 108 lnsured COD

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2. Restricted Delivery.

3. Article Audressed to:

4. Article Number

D-484 930 112

Type of Service:

P. O. Box 670

Hobbs, New Mexico 88240

Always obtain signature of addresse o agent and DATE DELIVERED.

5. Signature - Addressee

8. Addressee's Address (ONLY if requested and fee paid)

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7. Date of Delivery	6. Signature – Agent	5. Signature — Addressee		uston,	3. Article Addressed to: Shell Oil Company P. O. Box 2463		Put your address in the "RETURN TO" space on the reverse card from being returned to you. The return receipt fee will delivered to and the date of delivery. For additional fees the postmaster for fees and check box(es) for additional service.		PS Form 3811, Feb. 1986 ZIA - 9/23/87	7. Date of Delivery	Signature - Agent	5. Signature – Addressee		bs, Ne	. New MCX1CO			3. Article Addressed to:	1. [] Show to whom delivered, date, and addressee's addre	card from being returned to you. The return receipt fee will delivered to and the date of delivery. For additional fees the postmaster for fees and check box(es) for additional service.	SENDER: Complete items 1 and 2 when additional servi	

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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. 9221 Order No. R-8527

APPLICATION OF ZIA ENERGY, INC. FOR TWO NON-STANDARD PRORATION UNITS AND AN UNORTHODOX GAS WELL LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this <u>l6th</u> day of October, 1987, 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) The applicant, Zia Energy, Inc., seeks approval for a 20-acre non-standard oil spacing and proration unit comprising the N/2 NW/4 SE/4 (N/2 of Unit J) of Section 4, Township 22 South, Range 37 East, NMPM, Penrose Skelly-Grayburg Pool, to be dedicated to its R. L. Brunson Well No. 1 located 2310 feet from the South and East lines of said Section 4.
- (3) The applicant further seeks the reclassification of its Brunson Well No. 4 located at an unorthodox gas well location 1650 feet from the South line and 2210 feet from the East line of said Section 4, from an oil well to a gas well in the Penrose Skelly-Grayburg Pool and approval of a 20-acre non-standard gas proration unit consisting of the S/2 NW/4 SE/4 (S/2 of Unit J) of said Section 4 which is to be dedicated to the well.

-2-Case No. 9221 Order No. R-8527

- (4) The NW/4 SE/4 of said Section 4 is currently simultaneously dedicated to the R. L. Brunson Well No. 1 and to the Brunson Well No. 4, which are both currently classified as oil wells in the Penrose Skelly-Grayburg Pool.
- (5) Production history from the Brunson Well No. 4 indicates the well has produced at a consistently high gas-oil ratio for a period of at least three years and that the latest production test from the Brunson Well No. 4, which was conducted in August, 1987, shows a producing gas-oil ratio of 121,200:1, which is in excess of the statewide ratio for gas well classification of 100,000:1.
- (6) The evidence indicates that the Brunson Well No. 4 should be reclassified from an oil well to a gas well in the Penrose Skelly-Grayburg Pool.
- (7) Both proposed non-standard proration units can be efficiently and economically drained and developed by the aforesaid wells.
- (8) No offset operator objected to the proposed non-standard proration units, and the evidence further indicates that the ma of offset Penrose Skelly-Grayburg Pool producing wells have either been temporarily or permanently plugged and abandoned.
- (9) Approval of the proposed non-standard proration units will afford the applicant the opportunity to produce his just and equitable share of the oil and gas in the Penrose Skelly-Grayburg Pool, will not cause reservoir energy to be wasted, will prevent waste caused by the premature abandonment of the existing wells, and will protect correlative rights.

IT IS THEREFORE ORDERED THAT:

- (1) A 20-acre non-standard oil proration unit consisting of the N/2 NW/4 SE/4 (N/2 of Unit J) of Section 4, Township 22 South, Range 37 East, NMPM, Penrose Skelly-Grayburg Pool, Lea County, New Mexico, is hereby established and dedicated to the R. L. Brunson Well No. 1 located 2310 feet from the South and East lines of said Section 4.
- (2) The Brunson Well No. 4 located at an unorthodox gas well location, also hereby approved, 1650 feet from

-3-Case No. 9221 Order No. R-8527

the South line and 2210 feet from the East line of said Section 4 is hereby reclassified as a gas well in the Penrose Skelly-Grayburg Pool.

- (3) A 20-acre non-standard gas proration unit consisting of the S/2 NW/4 SE/4 (S/2 of Unit J) of Section 4, Township 22 South, Range 37 East, NMPM, Penrose Skelly-Grayburg Pool, Lea County, New Mexico, is hereby established and dedicated to the Brunson Well No. 4 located as described above.
- (4) 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. LEMA Director