

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

CASE NO. 4261
ORDER NO. R-3890-A
NOMENCLATURE

APPLICATION OF PENNZOIL UNITED, INC. FOR
SPECIAL POOL RULES AND AN UNORTHODOX
GAS WELL LOCATION, LEA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the New Mexico Oil Conservation Division ("Division") that Order No. R-3890, issued in Case No. 4261 on December 3, 1969, does not accurately depict in an enduring fashion the intended order of the Division.

FINDS:

(1) By Order No. R-2241, issued in Case No. 2562 on May 23, 1962 and made effective June 1, 1962, the Division created and defined the Quail Ridge-Morrow Gas Pool (83280) for the production of gas from the Morrow formation underlying the W/2 of Section 21 and the N/2 of Section 28, both in Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) With amendments to this order the horizontal limits of the Quail Ridge-Morrow Gas Pool have been extended since that time and currently comprise the following described area in Lea, County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 24: E/2
Section 36: E/2

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 16: S/2
Section 17: E/2
Sections 19 and 20: All
Section 21: W/2
Sections 28 through 31: AH
Section 32: N/2 and SW/4
Section 33: W/2

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 12: SE/4
Section 13: N/2

TOWNSHIP 70 SOUTH, RANGE 34 EAST, NMPM

Sections 6 and 7: All
Section 18: W/2 and SE/4
Section 19: W/2.

(3) By Division Order No. R-2707, issued in Case No. 3044 and dated May 25, 1964, **Rule 104** of the "*New Mexico Oil Conservation Division General Rules and Regulations*" was amended in order to provide for 320-acre spacing for gas wells in southeast New Mexico (Lea, Chaves, Eddy, and Roosevelt Counties) of Pennsylvanian age or older which were created and defined after June 1, 1964. Because the Quail Ridge-Morrow Gas Pool was of Pennsylvanian age, created and defined prior to the June 1, 1964 cut-off date, the statewide gas spacing rules of 160 acres applicable prior to June 1, 1964 were in effect [see Rule 104 (d) (1) as promulgated by Division Order No. R-855, issued in Case No. 1104 on August 10, 1956].

(4) The rules for gas well locations on 160-acre spacing in southeast New Mexico both prior to and after Division Order No. R-2707 required wells to be no closer than 660 feet to the outer boundary of such unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(5) Division Order No. R-2707 adopted rules requiring gas wells in southeast New Mexico of Pennsylvanian age or older to be no closer than 660 feet to the nearest side boundary of the dedicated unit nor closer than 1980 feet from the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(6) The Division's customary procedure, which was developed at that time, in addressing an operator's request to respace gas pools in southeast New Mexico of Pennsylvanian age or older created prior to the June 1, 1964 cut-off date from 160-acre units to 320-acre units is to issue an order authorizing such pool to henceforth be governed under Division Rule 104 applicable to gas wells in southeast New Mexico spaced on 320-acre units.

(7) Upon an application filed by Pennzoil United, Inc. in Case No. 4261, the Division broke from this accepted practice and changed spacing in the Quail Ridge-Morrow Gas Pool from 160-acre units to 320 acres by issuing Division Order No. R-3890 on December 3, 1969, which order promulgated special pool rules that included identical provisions contained in Division Rule 104 all ready in existence at the time.

(8) Subsequent to the issuance of Order No. R-2707 in 1964, the Division has amended Rule 104 numerous times and the current rules pertaining to deep gas wells in

southeast New Mexico [see Division Rule 104.C (2)] provide for: (i) 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section; (ii) wells to be located not closer to a quarter section line than 660 feet nor closer to any internal quarter-quarter section line than 10 feet, and (iii) allows for an optional infill well within an existing unit provided the infill well is located in the quarter section not containing the unit's initial producing gas well.

(9) The above-described procedure followed to space the Quail Ridge-Morrow Gas Pool on 320 acres accomplished the desired immediate affect; however, the procedure unfortunately locked these antiquated special pool rules in place.

(10) Most Morrow gas development within the four townships containing the Quail Ridge-Morrow Gas Pool is on 320-acre spacing and is governed under Division Rule 104.C (2). There are eight offsetting Morrow gas pools within this four township area that were created after the June 1, 1964 cut-off date cited in Division Order No. R-2707.

East La Rica-Morrow Gas Pool (79810)
Gem-Morrow Gas Pool (77370)
East Gem-Morrow Gas Pool (77380)
West Teas-Morrow Gas Pool (86050)
Halfway-Morrow Gas Pool (78052)
West Lynch-Morrow Gas Pool (80850)
Laguna Valley-Morrow Gas Pool (79900)
South Laguna Valley-Morrow Gas Pool (79910)

(11) Also within this same four township area, the following three Morrow gas pools were created prior to this June 1, 1964 cut-off date and all were subsequently respaced from 160 acres to 320 acres following the procedure discussed in Finding Paragraph No. (6) above: (i) the Buffalo-Pennsylvanian Gas Pool (73000), initially created and designated by Division Order No. R-1559, issued in Case No. 1833 on December 18, 1959 and made effective January 1, 1960, was respaced by Division Order No. R-5850, issued in Case No. 6361 on November 14, 1978; (ii) the North Quail Ridge-Morrow Gas Pool (83320), initially created and designated by Division Order No. R-2241, issued in Case No. 2562 on May 23, 1962 and made effective June 1, 1962, was respaced by Division Order No. R-5378, issued in Case No. 5858 on February 22, 1977; and (iii) the South Salt Lake-Morrow Gas Pool (84480), initially created and defined by Division Order No. R-2101, issued in Case No. 2401 on October 23, 1961 and made effective November 1, 1961.

(12) Development within these eleven (11) Morrow gas pools has been allowed to change over time as Rule 104 pertaining to gas from formations or pools of Pennsylvanian age or older in southeast New Mexico has been amended; however, the ability to develop the Quail Ridge-Morrow Gas Pool in an equitable manner with respect

to these other pools has been hindered because of the Division's chosen method to address the respacing of this pool in Case No. 4261 back in 1969.

(13) So as not to perpetuate this unwitting oversight further and the detrimental effects on development within the Quail Ridge-Morrow Gas Pool, Division Order No. R-3890 should be amended to allow this pool to be governed under the applicable provisions of Division Rule 104 and to allow future development to occur dynamically as Division Rule 104 is amended and modified.

IT IS THEREFORE ORDERED THAT:

(1) Those provisions in their entirety contained in Division Order No. R-3890, issued in Case No. 4261 dated December 3, 1969, under the heading titled "IT IS THEREFORE ORDERED" on pages 2, 3, and 4 are hereby amended to read as follows:

"That effective immediately, each well completed or recompleted in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof shall be subject to the provisions of Rule 104 of the Division Rules and Regulations notwithstanding the fact said pool was created and defined prior to June 1, 1964."

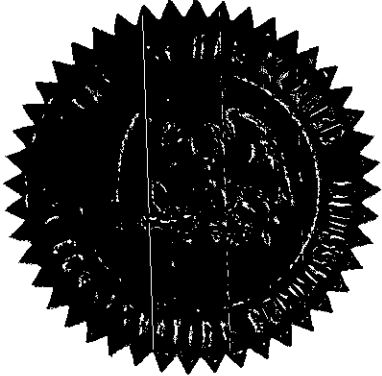
IT IS FURTHER ORDERED THAT:

(2) Ordering Paragraph No. (4) on page 4 of Order No. R-3890 is hereby amended to read in its entirety as follows:

"(4) That, pursuant to Paragraph A, of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Quail Ridge-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with Rule 104 of this agency's Rules and Regulations; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto."

(3) The amendments set forth in this order shall be entered retroactively as of December 3, 1969.

DONE at Santa Fe, New Mexico, on this 17th day of January, 2006.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire", followed by a horizontal line.

MARK E. FESMIRE, P. E.
Director