

**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. 11465 Re-Opened
CASE NO. 11466 Re-Opened
ORDER NO. R-10554-A**

**APPLICATION OF ASPEN OPERATING CO., L.L.C. TO REOPEN CASES
NO. 11465 AND 11466 TO AMEND THE VERTICAL DEPTHS OF THE
LEWIS UNIT AND FOR THE APPROVAL OF AN 80-ACRE PRORATION
UNIT FOR THE LEWIS UNIT WELL NO. 1, IN THE SW/4 SW/4 OF
SECTION 3 AND THE SE/4 SE/4 OF SECTION 4, TOWNSHIP 10 SOUTH,
RANGE 36 EAST, NMPM, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

These re-opened cases came on for hearing at 8:15 a.m. on April 28, 2016, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of May, 2016, 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 these cases and of the subject matter.

(2) Aspen Operating Company, LLC (the "Applicant") seeks an order amending the vertical depths of its Lewis Unit ("the Unit") and retroactively approving an 80-acre non-standard spacing and proration unit for the Lewis Unit Well No. 1 (API No. 30-025-33350).

(3) The Lewis Unit was approved by the Division on March 4, 1996 by Order No. R-10554 issued in Case No. 11465. Said order approved the unitization of all oil and gas in any and all formations underlying the following described 80 acres, more or less, of State Lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM

Section 3: SW/4 SW/4
Section 4: SE/4 SE/4

(4) Division Order No. R-10554 approved, in Case No. 11466, the drilling of the Lewis Unit Well No. 1 (the initial well) at an unorthodox location 675 feet from the South line and 114 feet from the West line (Unit M) of Section 3 within a standard oil spacing and proration unit consisting of the SW/4 SW/4 of Section 3.

(5) The State Land Office, and subsequently the Division on December 8, 2015 in Order No. R-14093, approved the Fire Eagle San Andres Unit which will develop the San Andres formation through horizontal wells. This Fire Eagle San Andres Unit inadvertently overlies the Lewis Unit which was approved to all depths. The Lewis Unit has targeted only the Devonian formation and is therefore being vertically contracted to exclude the San Andres formation.

(6) Applicant has recently submitted to the State Land Office an amended unit agreement limiting the vertical limits of the Lewis Unit to extend from the top of the Glorieta formation to the base of the Devonian formation. The State Land Office has given preliminary approval to defining the vertical limits of the Lewis Unit as follows:

All oil, gas, natural gasoline and associated fluid hydrocarbons from the top of the Glorieta formation, the correlative interval of which is identified in the logged depths of 5,643 feet, defined in the Borehole Compensated Sonic/Gamma Ray log formulated by Schlumberger on the Gainer 22 #1 well (API: 30-025-38792), located in Section 22, Township 10 South, Range 36 East, Lea County, NM, down to the base of the Devonian formation, the correlative interval of which is identified in the logged depths of 12,513 feet, defined in the Acoustic Velocity log formulated by Welex on the T&P State #1 well (API: 30-025-20006), located in Section 10, Township 10 South, Range 36 East, Lea County, NM.

(7) Applicant seeks in re-opened Case No. 11465 to approve the Lewis Unit Agreement as so amended.

(8) Applicant seeks in re-opened Case No. 11466 approval of an 80-acre non-standard oil spacing and proration unit to consist of the entire horizontal extent of the Lewis Unit in the Devonian formation.

(9) The applicant in Case No. 11466 did not ask for approval of a single, 80-acre, Devonian oil spacing and proration unit. However, the evidence presented shows the presence of bounding faults or pinch-outs, such that Lewis Unit Well No. 1, as it is located,

would drain portions of both 40-acre quarter-quarter sections contained in the Lewis Unit. This evidence was also reflected in the findings in Order No. R-10554, and the well was subsequently approved at an unorthodox location.

(10) The Lewis Unit Well No. 1 (API 30-025-33350) was spud on March 27, 1996 and was dedicated to an 80-acre spacing and proration unit, which is reflected on the C-102 filed for the well on March 22, 1996. The Lewis Unit Well No. 1 has produced from the Crossroads; Devonian, South Pool (Pool Code 13560) since July of 1996.

(11) Applicant appeared at the hearing and presented geologic and engineering data of the Devonian formation in the immediate area, which indicates that the Lewis Unit Well No. 1 is adequate to develop the 80-acre Lewis Unit, and production from the well completion has always been dedicated to the entire Lewis Unit.

(12) Approval of this application will afford clarification concerning the status of the proration unit for the Lewis Unit Well No. 1 well, along with the opportunity for development in the San Andres and Devonian formations within the SW/4 SW/4 of Section 3 and the SE/4 SE/4 of Section 4. Approval of this application will accordingly prevent waste and protect correlative rights.

(13) Applicant has provided notice of this application and hearing by certified mail to offset operators and to all working interest owners, overriding royalty owners, and lessees of record.

(14) In addition to the notice referenced above, Applicant has published notice of this application and hearing in the Hobbs News-Sun, a newspaper of general circulation in Lea County, New Mexico.

(15) No interested party appeared and objected to the proposed Amended Unit Agreement or the recognition of the 80-acre proration unit for the Lewis Unit Well No. 1.

IT IS THEREFORE ORDERED THAT:

(1) The application of Aspen Operating Company, LLC for approval of an amended Lewis Unit Agreement and approval of an unorthodox spacing and proration unit is hereby granted.

(2) The Lewis Unit consisting of the SW/4 SW/4 of Section 3 and the SE/4 SE/4 of Section 4, Township 10 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby approved to unitize:

All oil, gas, natural gasoline and associated fluid hydrocarbons from the top of the Glorieta formation, the correlative interval of which is identified in the logged depths of 5,643 feet, defined in the Borehole Compensated Sonic/Gamma Ray log formulated by

Schlumberger on the Gainer 22 #1 well (API: 30-025-38792), located in Section 22, Township 10 South, Range 36 East, Lea County, NM, down to the base of the Devonian formation, the correlative interval of which is identified in the logged depths of 12,513 feet, defined in the Acoustic Velocity log formulated by Welex on the T&P State #1 well (API: 30-025-20006), located in Section 10, Township 10 South, Range 36 East, Lea County, NM.

(3) The plan contained in the Unit Agreement for the development and operation of the Unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligations which is now, or may hereafter be, vested in the Division to supervise and control operations for the Unit and production of oil and gas therefrom.

(4) The Unit operator shall file with the Division an executed original or executed counterpart of the Amended Unit Agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the Unit area, the Unit operator shall file with the Division, within 30 days thereafter, counterparts of the Amended Unit Agreement reflecting the subscription of those interests having joined or ratified.

(5) This order shall become effective upon the approval of said Amended Unit Agreement by the Commissioner of Public Lands for the State of New Mexico; this order shall terminate *ipso facto* upon the termination of said Amended Unit Agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) The Lewis Unit Well No. 1 (API No. 30-025-33350) is dedicated as of March 22, 1996 to an 80-acre spacing and proration unit for production from the Devonian formation, Crossroads; Devonian, South Pool (Pool Code 13560), consisting of the SW/4 SW/4 of Section 3 and the SE/4 SE/4 of Section 4, Township 10 South, Range 36 East, NMPM, Lea County, New Mexico.

(7) 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.

SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director