

CASE 6261: CONTINENTAL OIL CO.
FOR NON-STANDARD GAS PRORATION
UNIT AND SIMULTANEOUS DEDICATION,
RA COUNTY, NEW MEXICO.

CASE NO.

6261

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
21 June 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil Com-
pany for a non-standard gas proration
unit and simultaneous dedication, Lea
County, New Mexico. CASE
6261

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
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I N D E X

VICTOR T. LYON

Direct Examination by Mr. Kellahin 3

E X H I B I T S

Applicant Exhibit One, Plat 7

Applicant Exhibit Two, Tabulation 7

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1 MR. STAMETS: Case 6261.

2 MS. TESCHENDORF: Case 6261. Application of
3 Continental Oil Company for a non-standard gas proration
4 unit and simultaneous dedication, Lea County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and
6 Fox, Santa Fe, New Mexico, appearing on behalf of Con-
7 tinental Oil Company.

8 I'd like the record to reflect that Mr. Victor
9 Lyon has been accepted as an expert witness and will
10 testify with regards to this case.

11 MR. STAMETS: The record will so show.

12
13 VICTOR T. LYON

14 being called as a witness and having been previously sworn
15 upon his oath, testified as follows, to-wit:

16
17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q Mr. Lyon, would you refer to what we've
20 marked as Exhibit Number One, Mr. Lyon, identify it, and
21 tell us what you're seeking to accomplish?

22 A Case Number 6261 is the application of Con-
23 tinental Oil Company for approval of 320-acre non-standard
24 gas proration unit in Eumont Gas Pool, consisting of the
25 west half of Section 20, Township 21 South, Range 36 East,

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1 Lea County, New Mexico, to be jointly allocated to Wells
2 Nos. 5 and 6, located on that unit.

3 Exhibit Number One is a plat which shows the
4 State "C" 20 lease outlined in red and consisting of the
5 west half of Section 20, Township 21 South, Range 36 East,
6 Lea County, New Mexico.

7 It also shows the two wells involved here,
8 Nos. 5 and 6, circled in red, No. 5 being located in
9 Unit M; No. 6 being located in Unit C of Section 20.

10 Originally this 320-acre unit was assigned to
11 Well No. 5. Recently No. 6, about, I think, in 1975,
12 No. 6 was drilled and non-standard proration units of
13 160 acres each were assigned to these wells.

14 Unfortunately the producing capacity was not
15 equal in these wells and both of them have been classified
16 as marginal until May 1st of this year, at which time
17 Well No. 6 was reclassified to a non-marginal status.

18 Q Would you please refer to what we've marked
19 as Exhibit Number Two and identify it?

20 A Yes. Exhibit Number Two is a tabulation
21 showing a comparison of the allowables versus production
22 for these two wells.

23 The first column on the left shows the year
24 and the month, and these are arranged by balancing period.

25 The next column shows a 160-acre allowable

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1 for a non-marginal well.

2 The next column shows production by No. 5 and
3 the next column shows production by No. 6.

4 The column on the extreme right shows a com-
5 parison of of the lease production versus the total al-
6 lowable. In other words, for two 160-acre units or a
7 320-acre unit versus the production from both of the
8 wells.

9 You'll notice for No. 6 that its first pro-
10 duction was in April of 1976, and that is the first pro-
11 duction from this pool by that well. The first four
12 months the production was very small.

13 In August the well was re-entered and stimu-
14 lated very successfully and the production increased sub-
15 stantially after that date.

16 Now due to some unfortunate circumstances,
17 and I don't understand all of the reasons for this, there
18 was some confusion about this well. In the first place,
19 the form showing the work that was done, the stimulation
20 work, all of that work was completed in August, 1976, the
21 form, due to some clerical mistake in our office, was
22 not filed with the Commission until May of 1977, and
23 normally I would think that the wells -- well, actually
24 during that year it did not show overproduction, but the
25 filing of that form would normally, I think, have triggered

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1 a reclassification to non-marginal of the well.

2 And then starting in the balancing period
3 just completed on the 1st of April, the well produced
4 at considerable quantities above the normal 160-acre al-
5 lowable, and as you know, when the gas proration rules
6 were last changed, El Paso represented that a marginal
7 well could produce whatever it produced, whatever it was
8 capable of producing, and their people, and evidently our
9 field people, take this literally and the well produced
10 substantially over its allowable that it would have had
11 were it a non-marginal well.

12 Q When did the Commission act upon your appli-
13 cation to reclassify this as a non-marginal well?

14 A It was reclassified to non-marginal on -- in
15 the May proration schedule.

16 Q May of 1978?

17 A Of 1978, yes.

18 Q And the forms were filed with the Commission
19 in May of '77.

20 A Yes. Now, as shown in the figures for the
21 balancing period ending April 1st, 1978, the well or the
22 unit on a combined basis was overproduced very substantially
23 and at the current amount of overproduction, which ac-
24 cording to the June proration schedule is 372,145 Mcf, the
25 well -- or the unit will have to be shut in for a period

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1 of six months based on the June allowable of 59,914 for
2 a 320-acre unit, and under the circumstances I would re-
3 quest that the Commission give very serious consideration
4 to backdating the effective date of the status, the status
5 of the well, back to the end of the balancing period
6 ending March 31st of 1977, because had the triggering
7 mechanism have worked, we would have noticed that there
8 was a problem involved there and we could have taken this
9 action a year earlier.

10 And I do not believe that there would be any
11 impairment of anybody's correlative rights by the Com-
12 mission in doing this. And I would very seriously urge
13 the Commission to revise that status on that basis.

14 Q Were Exhibits One and Two prepared by you or
15 compiled under your direction and supervision?

16 A Yes, they were.

17 MR. KELLAHIN: We move the introduction of
18 Exhibits One and Two.

19 MR. STAMETS: These exhibits will be admitted.
20 What you'd like to have is an effective date, 7:00 a.m.
21 April 1, 1977?

22 A Yes. I don't think it would be necessary to
23 make that unit effective then. It would be merely an
24 administrative matter of calculating the status of the
25 revised unit back to production figures of that date.

1 And also we would request that the -- we be permitted to
2 produce the allowable for this unit between the two wells
3 in any proportion.

4 MR. STAMETS: I'm not sure that that's under
5 the call of the hearing but we'll give it some consider-
6 ation.

7 A We'd appreciate it.

8 MR. STAMETS: Any other questions of the wit-
9 ness? He may be excused.

10 Anything further in this case?

11 MR. KELLAHIN: No, sir.

12 MR. STAMETS: The case will be taken under
13 advisement.

14 (Hearing concluded.)
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Court Reporter, DO HEREBY
 CERTIFY that the foregoing and attached Transcript of
 Hearing before the Oil Conservation Division, 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, knowledge, and skill from my notes taken at the
 time of the hearing.

Sidney F. Morrish
 Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of case No. 6261
 heard by me on 6-21-1978
Richard L. Stant, Examiner
 New Mexico Oil Conservation Commission

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6261
Order No. R-5760

APPLICATION OF CONTINENTAL OIL
COMPANY FOR A NON-STANDARD GAS PRORATION
UNIT AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 21, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of June, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, seeks approval of a 320-acre non-standard gas proration unit comprising the W/2 of Section 20, Township 21 South, Range 36 East, NMPM, to be simultaneously dedicated to its State C-20 Wells Nos. 5 and 6, located in Units M and C, respectively, of said Section 20.

(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the Eumont Gas Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid wells.

(4) That the over/under produced status of said 320-acre proration unit should be the combined status of said State C-20 Wells Nos. 5 and 6.

-2-

Case No. 6261
Order No. R-5760

(5) That Division Administrative Orders Nos. NSP-1016 and NSP-1017, which previously approved 160-acre units for each of the above-described wells should be superseded.

(6) That approval of the subject application will afford the applicant the opportunity to produce his 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.

IT IS THEREFORE ORDERED:

(1) That effective July 1, 1978, a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the W/2 of Section 20, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to its State C-20 Wells Nos. 5 and 6, located in Units M and C of said Section 20.

(2) That the over/under produced status of said 320-acre proration unit shall be the combined status of said State C-20 Wells Nos. 5 and 6.

(3) That Division Administrative Orders Nos. NSP-1016 and NSP-1017 are hereby superseded.

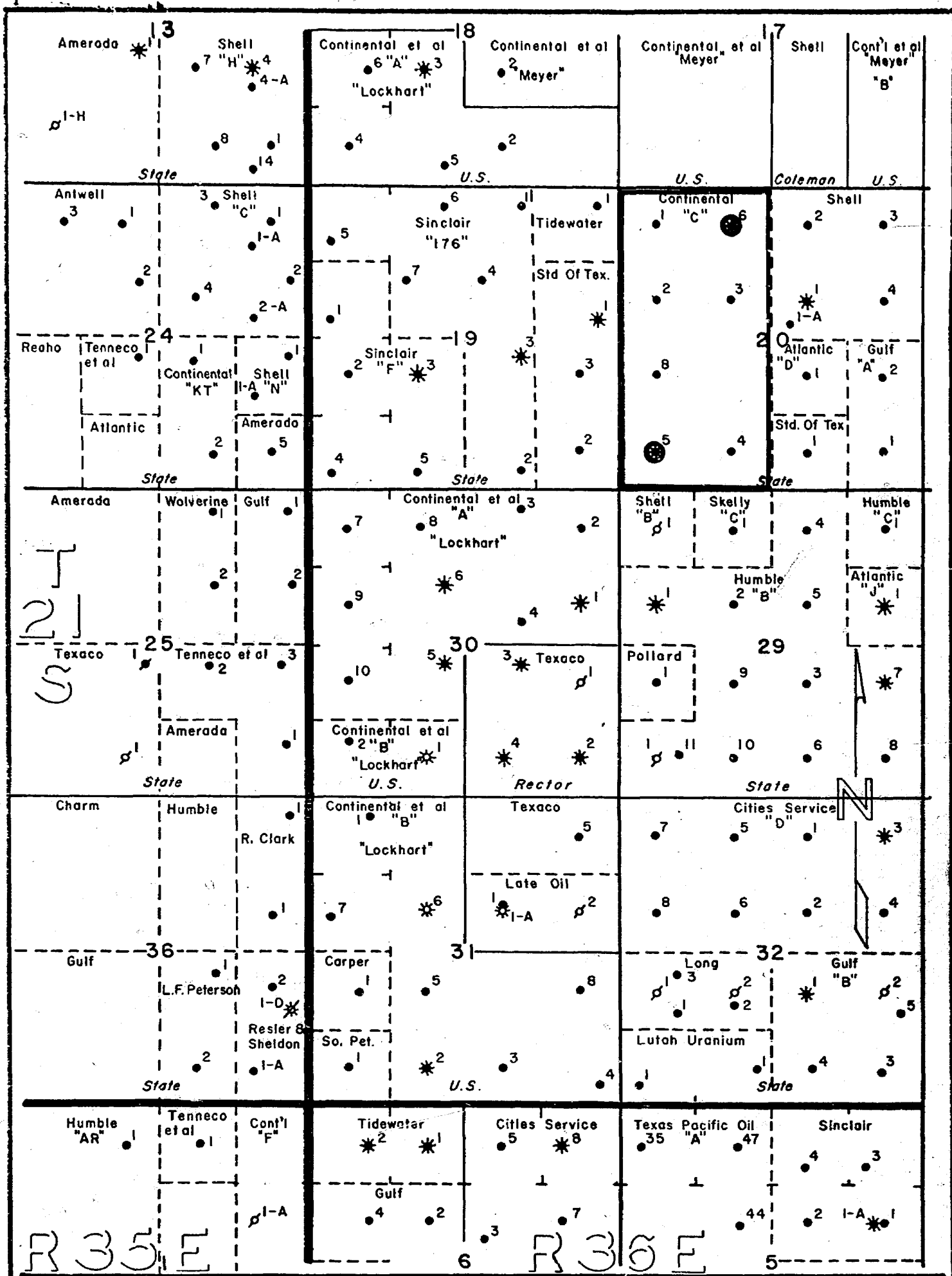
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director


dr/



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 6261

Submitted by Conoco

Hearing Date 6-21-78

STATE C-20 LEASE
COMPARISON OF ALLOWABLE VS. PRODUCTION

<u>Year/Month</u>	<u>160-Acre Allowable</u>	<u>#5 Production</u>	<u>#6 Production</u>	<u>Lease Production</u>
1976 APR	22,288	18,394	976	(25,206)
MAY	19,520	17,244	268	(21,528)
JUN	14,997	18,265	503	(11,226)
JUL	11,505	18,187	225	(4,598)
AUG	15,000	16,738	4,176	(20,914)
SEP	25,415	9,157	27,536	(14,137)
OCT	38,720	16,383	25,899	(35,158)
NOV	40,367	404	31,377	(48,953)
DEC	42,724	9,997	60,552	(14,899)
1977 JAN	31,185	11,417	59,372	8,419
FEB	43,098	7,388	54,032	(24,776)
MAR	<u>52,197</u>	<u>7,389</u>	<u>56,988</u>	(40,017)
	357,016	150,963	321,904	
APR	28,366	11,480	48,021	2,769
MAY	19,773	8,462	47,447	16,363
JUN	14,524	8,228	35,341	14,521
JUL	14,110	10,970	57,734	40,484
AUG	15,000	12,398	57,760	40,158
SEP	14,516	15,265	51,449	37,682
OCT	17,984	8,861	52,907	25,800
NOV	17,580	13,352	52,815	31,007
DEC	23,343	11,395	56,977	21,686
1978 JAN	28,303	12,651	56,103	12,148
FEB	25,343	9,620	49,703	8,637
MAR	<u>39,009</u>	<u>9,856</u>	<u>53,488</u>	(14,674)
	257,851	132,538	619,745	

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 6261

Submitted by Conoco

Hearing Date 6-21-78

CASE 6256: Application of Texaco Inc. for amendment of Commission Order No. R-5530, non-standard locations, and an administrative procedure, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend paragraph (14) on Page 7 of Commission Order No. R-5530 by removing or amending the allowable restriction therein subject to lease line agreements.

Applicant also seeks approval of nine injection wells at non-standard locations not closer than 10 feet to the Central Vacuum Unit boundary in the following units: Unit B of Section 12, Township 18 South, Range 34 East; Units D, E, L, and M of Section 6, Township 18 South, Range 35 East; Unit M of Section 31, Township 17 South, Range 35 East; and Units N, O, and P of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

Applicant further seeks an administrative procedure for approval of additional producing and injection wells at orthodox and unorthodox locations.

CASE 6257: Application of Benchmark Oil Company, Ltd., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Wright Well No. 1 to be located 1980 feet from the South line and 660 feet from the East line of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea County, New Mexico, the E/2 SE/4 to be dedicated to the well.

CASE 6258: Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian, McKee, and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5911: (Reopened and Readvertised)

In the matter of Case 5911 being reopened pursuant to the provisions of Order No. R-5353-B which order established temporary special pool rules for the Chacon-Dakota Associated Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be reclassified as an oil pool to be governed by statewide rules.

CASE 6259: Application of V-F Petroleum, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 11,085 feet to 11,102 feet in its State 14 Well No. 1 located in Unit L of Section 14, Township 9 South, Range 32 East, SRR-Devonian Pool, Lea County, New Mexico.

CASE 6260: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State J-2 Wells Nos. 7, 9 and 12 located in Units J, G and D, respectively, of said Section 2.

CASE 6261: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the W/2 of Section 20, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State C-20 Wells Nos. 5 and 6, located in Units M and C, respectively, of said Section 20.

CASE 6262: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the SE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6263: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the NE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.



L. P. Thompson
Division Manager

E. L. Oshlo
Assistant Division Manager

Production Department
Hobbs Division
North American Production

Continental Oil Company
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(505) 393-4141

MAY 31 1978

May 30, 1978

Oil Conservation Division
Department of Energy & Minerals
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention Mr. J. D. Ramey, Director

Gentlemen:

Applications for Examiner Hearing - State C-20 & State J-2 Leases, Lea County,
New Mexico

Enclosed in triplicate are applications for approval of non-standard gas
proration units and for joint allocation of acreage for our State C-20 and
State J-2 leases in the Eumont Gas Pool.

Please set these matters for hearing on the earliest available examiner
docket.

Yours very truly,

E. L. Oshlo

VTL/jj

Enc

cc:

J. W. Kellahin, Santa Fe

BEFORE THE OIL CONSERVATION DIVISION
OF THE
NEW MEXICO DEPARTMENT OF ENERGY & MINERALS

Case 6261

IN THE MATTER OF THE APPLICATION OF
CONTINENTAL OIL COMPANY FOR APPROVAL
OF A 320-ACRE NON-STANDARD GAS PRO-
RATION UNIT IN THE EUMONT GAS POOL,
CONSISTING OF THE W/2 SECTION 20,
T-21-S, R-36-E, LEA COUNTY, NEW MEXICO,
AND FOR THE JOINT ALLOCATION OF SAID
UNIT TO APPLICANT'S STATE C-20 WELLS
NOS. 5 AND 6, LOCATED RESPECTIVELY IN
UNITS M AND C OF SAID SECTION 20.

APPLICATION

Applicant, CONTINENTAL OIL COMPANY, hereby respectfully requests approval of a non-standard gas proration unit in the Eumont Gas Pool, consisting of the W/2 Section 20, T-21-S, R-36-E, Lea County, New Mexico, and for the joint allocation of said unit to applicant's State C-20 Wells Nos. 5 and 6, located in Units M and C, respectively, in said Section 20, and in support thereof would show:

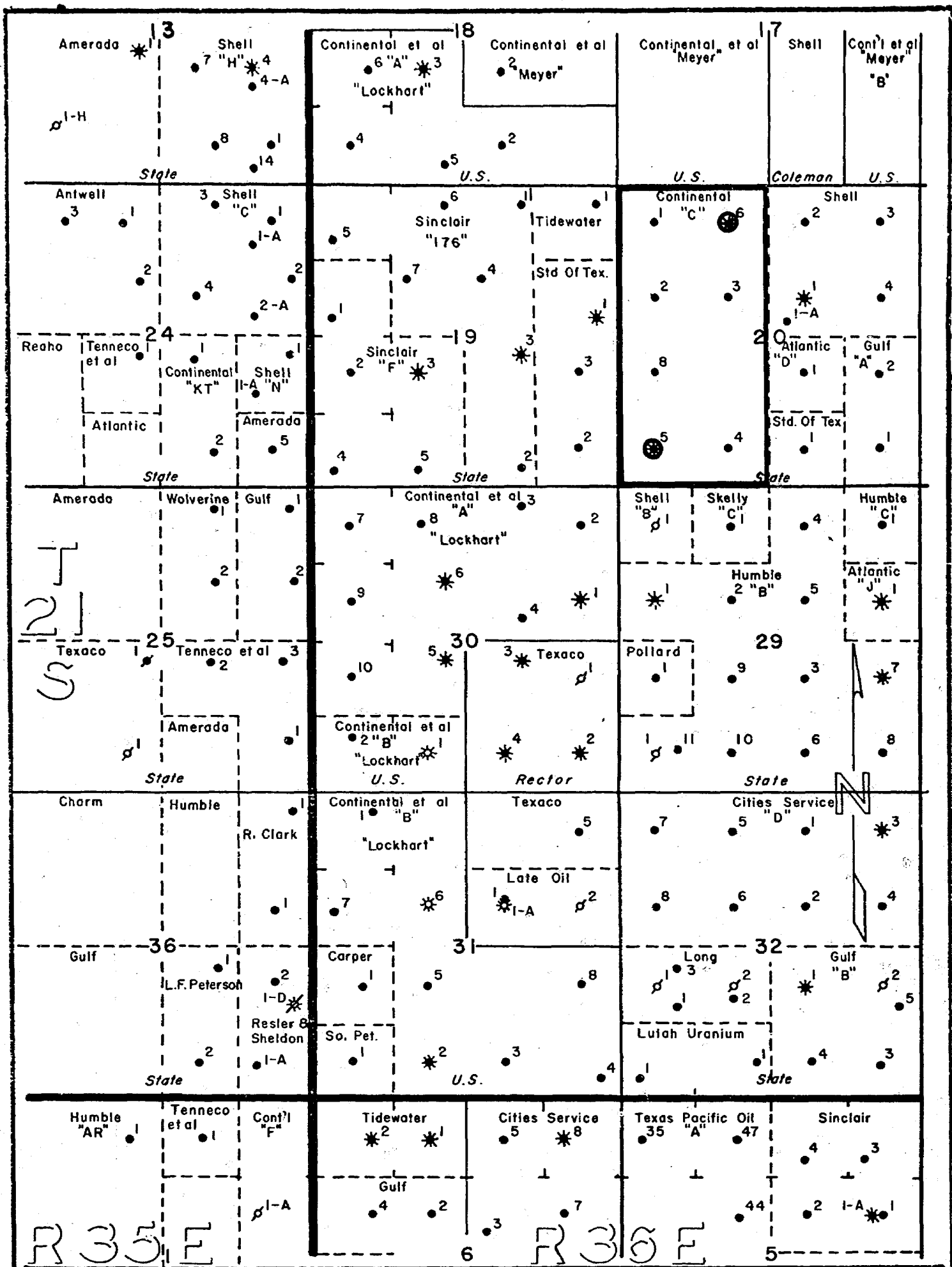
1. Applicant is the owner of the State C-20 lease, consisting of the W/2 Section 20, T-21-S, R-36-E, Lea County, New Mexico.
2. Applicant has heretofore drilled oil and gas wells on said lease including Well No. 5, located 660' FS&WL of said Section 20, and Well No. 6, located 660' FNL and 1,980' FWL of said Section 20.
3. Said Well No. 5 was completed in 1935 as an oil well and recompleted in 1947 as a gas well in the Eumont Gas Pool.
4. Well No. 6 was completed December 1, 1935 as an oil well in the Eunice Pool and was recompleted to the Eumont Gas Pool on November 5, 1975.
5. Administrative Orders NSP-1016 and 1017 created 160-acre non-standard gas proration units for each of said wells, but the deliverability of the wells is not equal.
6. Applicant desires to allocate the entire lease jointly to said wells in order to provide flexibility of production and to protect its correlative rights.

WHEREFORE, applicant respectfully requests that this matter be set for hearing before the Division's duly appointed examiner and, upon hearing, an order be entered approving the non-standard proration unit and joint allocation as described above.

Respectfully submitted,

CONTINENTAL OIL COMPANY

By E. L. Oshlo
E. L. OSHLO, Assistant Division Manager
of Production



DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6261

Order No. R- 5760

APPLICATION OF CONTINENTAL OIL COMPANY
GAS

FOR A NON-STANDARD PRORATION UNIT AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 21
19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stamey

NOW, on this day of June, 19 78, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Continental Oil Company
seeks approval of a 320-acre non-standard gas proration unit
comprising the W/2 of Section 20, Town-
ship 21 South, Range 36 East, NMPM, to be ^{simultaneously} dedicated to
its State C-20 Wells Nos. 5 and 6, located in
Units M and C, respectively, of said Section 20.

(3) That the entire non-standard proration unit may reasonably
be presumed productive of gas from the Eumont
Gas Pool and that the entire non-standard gas proration unit can
be efficiently and economically drained and developed by the
aforesaid well.

which previously approved 160-acre units for each of the above-described wells

(5) That Division Administrative Orders Nos. NSP-1016 and NSP-1017, should be superseded.

(4) That the ~~status of~~ over/under produced status of ~~the~~ said 320-acre proration unit should be the combined status of said State C-20 Wells Nos. 5 and 6.

(6) That approval of the subject application will afford the applicant the opportunity to produce his 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.

IT IS THEREFORE ORDERED:

effective July 1, 1978.

(1) That a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the W/2 of Section 20, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and ^{simultaneously} dedicated to its State C-20 Wells Nos. 5 and 6, located in Units M and C of said Section 20.

(4) That 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.

(2) That the over/under produced status of said 320-acre proration unit shall be the combined ~~status~~ status of said State C-20 Wells Nos. 5 and 6.

(3) That Division Administrative Orders Nos. NSP-1016 and NSP-1017 are hereby ~~superseded~~.