

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. 9002
Order No. R-4139-C

APPLICATION OF ZIA ENERGY, INC. FOR A
NON-STANDARD GAS PRORATION UNIT, UNORTHODOX
GAS WELL LOCATION, 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 October 8, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of October, 1986, 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 Division Order No. R-4139, dated May 6, 1971, a 280-acre non-standard gas spacing and proration unit in the Jalmat Gas Pool comprising the SW/4, S/2 NW/4, and NE/4 NW/4 of said Section 20 was established and dedicated to the Cities Federal Well No. 1 located 2310 feet from the South line and 330 feet from the West line (Unit L) of said Section 20.

(3) The order was amended by Division Order No. R-4139-A, dated March 13, 1984, to include the simultaneous dedication of said 280-acre unit to the above-described Well No. 1 and to the Cities Federal Well No. 2, drilled at an unorthodox location 660 feet from the South and West lines (Unit M) of said Section 20.

(4) Order No. R-4139 was further amended by Division Order No. 4139-B, dated August 8, 1985, to include a third well to be simultaneously dedicated to the 280-acre unit, the Cities Federal Well No. 4, drilled at an unorthodox location 1650 feet

from the North line and 2310 feet from the West line (Unit F) of said Section 20.

(5) The applicant, Zia Energy, Inc., seeks the reduction of said non-standard unit to 240 acres by the elimination of the SW/4 SW/4 of said Section 20 therefrom and to simultaneously dedicate such unit to its Cities Federal Well No. 3 at an unorthodox gas well location 330 feet from the North line and 2310 feet from the West line (Unit C) of said Section 20 and to said Cities Federal Well No. 4, as described above.

(6) The aforementioned Cities Federal Well No. 1 was converted to a salt water disposal well in April, 1984; the status of the Cities Federal Well No. 2 changed from a gas well to an oil well in November, 1985, thereby creating a 40-acre oil spacing and proration unit in the SW/4 SW/4 (Unit M) of said Section 20.

(7) The Cities Federal Well No. 3 at said unorthodox gas well location will better enable applicant to produce the gas underlying the proration unit.

(8) No offset operator objected to the proposed unorthodox location, simultaneous dedication, or the formation of the 240-acre non-standard proration unit.

(9) Division Orders Nos. R-4139, R-4139-A, and R-4139-B, should be superseded.

(10) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Jalmat 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 THAT:

(1) The application of Zia Energy, Inc. to amend Division Order No. R-4139, as amended, and to form a 240-acre non-standard gas spacing and proration unit in the Jalmat Gas Pool comprising the E/2 NW/4, SW/4 NW/4, N/2 SW/4, and SE/4 SW/4 of Section 20, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby approved, said unit to be simultaneously dedicated to its Cities Federal Well No. 3 located at an unorthodox gas well location, hereby approved, 330 feet from the North line and 2310 feet from the West line (Unit C) of said Section 20 and to its Cities Federal Well No. 4

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located at a standard location 1650 feet from the North line and 2310 feet from the West line (Unit F) of said Section 20.

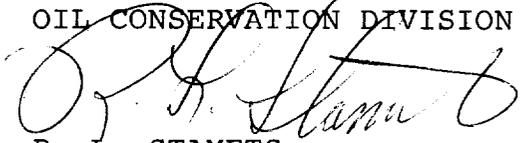
(2) The allowable for the subject proration unit may be produced from both wells on the unit in any proportion.

(3) Division Orders Nos. R-4139, R-4139-A, and R-4139-B are hereby superseded.

(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



R. L. STAMETS,
Director

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