



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

— MEMORANDUM — EXAMINER'S RULE INTERPRETATION

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

TO: All Jalmat and Eumont Oil and Gas Operators.

FROM: Michael E. Stogner, Chief Hearing Examiner/Engineer (OCD). *MS.*

SUBJECT: The restoration of previously authorized/established non-standard gas spacing units within the Jalmat (79240) and Eumont (76480) Gas Pools under the provisions of Rules 4 (C) of the "*Special Pool Rules for the Jalmat Gas Pool*" and "*Special Pool Rules for the Eumont Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 4, 2001.

DATE: June 8, 2004.

Development of the Eumont and Jalmat Gas Pools commenced in the early 1950's under a gas prorationing system based on acreage and a considerable number of non-standard gas spacing and proration units were routinely approved under special rules governing both pools applicable at the time.

By Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, the Division caused the prorationing of gas production to cease within the Jalmat and Eumont Gas Pools and promulgated special pool rules that provide for: (i) oil development on standard 40-acre oil spacing units [Rule 2 (B)] and gas development on standard 640-acre gas spacing units [Rule 2 (A)]; (ii) gas development on a well density based on one well per 160 acres [Rules 3 (C) and (D)]; (iii) gas well locations to be no closer than 660 feet to any outer boundary of the assigned gas spacing unit or governmental quarter section line nor closer than 330 feet to any governmental quarter-quarter section line [Rule (A) (2)]; and (iv) administrative exceptions, in most cases, to these rules (Rule 4) with notification, including the formation of non-standard gas spacing units [Rule 4 (C) (1)]. The special pool rules prohibit: (i) the simultaneous dedication of acreage committed to a gas well in either the Jalmat or Eumont Gas Pool to an oil well [Rule 2 (C)]; and (ii) a gas well density greater than one Jalmat or Eumont well per quarter-quarter section [Rule 3 (D)]. The special pool rules further provided that all existing rule exceptions, whether granted administratively or through hearing, in effect on the issuance date of Division Order No. R-8170-P, be "grandfathered" [Rule 6 (B)].

Earlier this year, the Division restored two previously authorized 160-acre non-standard spacing units in these pools that had not produced for some time and/or where the previous dedicated well or wells had been abandoned [see AMENDED Administrative Order NSP-1435, dated March 30, 2004, and Administrative Order NSP-1871 (Administrative Reinstatement of Division Order No. R-479) dated April 12, 2004]. In each case only one well was to be dedicated to the restored unit, which complied with the well density provisions in both pools and each well location was standard. Both restored units were at the request of the operator in the form of abbreviated applications and were issued Administrative Orders; however, notification under special Rule 4 (D) was not provided nor asked for by the Division's examiner.

After reassessing its practice for processing such request and the spirit in which the Division Order No. R-8170-P was issued, the Division has determined that in the best interest of conservation and to assure that correlative rights are protected, the same procedure required under special Rule 4 (C) in establishing non-standard spacing units within the Jalmat and Eumont Gas Pools must be followed when restoring previously established spacing and proration units that are no longer active.

CMD :
OGSSECT

ONGARD
INQUIRE LAND BY SECTION

03/14/05 15:35:15
OGOMES -TP7N
PAGE NO: 1

Sec : 34 Twp : 20S Rng : 36E Section Type : NORMAL

<p>D 40.00 CS L06438 0002 RALPH C BRUTON 08/01/81 A</p>	<p>C 40.00 CS L06438 0002 RALPH C BRUTON 08/01/81 A A</p>	<p>B 40.00 MH V07095 0002 PRIMERO OPERATING 07/01/09</p>	<p>A 40.00 MH V07095 0002 PRIMERO OPERATING 07/01/09 A</p>
<p>E 40.00 CS B00230 0001 CHEVRON U S A INC 02/28/38 A</p>	<p>F 40.00 CS B00230 0001 CHEVRON U S A INC 02/28/38 A</p>	<p>G 40.00 MH V07095 0002 PRIMERO OPERATING 07/01/09</p>	<p>H 40.00 MH V07095 0002 PRIMERO OPERATING 07/01/09 A</p>
<p>L 40.00 Federal owned A</p>	<p>K 40.00 Federal owned A</p>	<p>J 40.00 Fee owned A A</p>	<p>I 40.00 Fee owned</p>
<p>M 40.00 Federal owned A</p>	<p>N 40.00 Federal owned A</p>	<p>O 40.00 Fee owned</p>	<p>P 40.00 Fee owned A</p>

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 2, 1955

Amerada Petroleum Corporation
Drawer D
Monument, New Mexico

Administrative Order NSP-86

Attention: Mr. D. C. Capps

Gentlemen:

Reference is made to your application for approval of a 160-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the following acreage:

TOWNSHIP 20 South, RANGE 36 East, NMPM
NE 1/4 of Section 34

It is understood that this unit is to be ascribed to your State WE "G" #1, located 1980' from the North line, and 660' from the East line of Section 34, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

By authority granted me under provisions of Rule 5, Section (b)-6 of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520, you are hereby authorized to operate the above described acreage as a non-standard gas proration unit, with allowable to be assigned thereto in accordance with pool rules, based upon the unit size of 160 acres.

Very truly yours,

W. B. MACEY,
Secretary-Director

WBM/lr

cc: N. M. Oil & Gas Engineering Committee - Hobbs
Oil Conservation Commission - Hobbs

CC. OCC - 148888
1/3/55
1121-86
Dec - 1/2/55

MAIN OFFICE OCC

1955 JAN 3 AM 8:41

Drawer D
Monument, New Mexico
December 30, 1954

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: Application for Exception to Rule
5(a) of Order No. R-520 for Amerada
State WE"G" No. 1, Eumont Gas Pool

Gentlemen:

By this letter of application Amerada Petroleum Corporation wishes to state the following:

- (a) That Amerada Petroleum Corporation State WE"G" No. 1 located 1980' FNL and 660' FEE of Section 34, Township 20-S, Range 36-E was completed as a gas well July 3, 1954 and connected to El Paso Natural Gas Company August 27, 1954.
- (b) That the applicant proposes to assign this well a non-standard gas proration unit consisting of 160 acres which is the NE/4 of Section 34, Township 20-S, Range 36-E.
- (c) That the proposed non-standard gas proration unit lies wholly within a single governmental section.
- (d) That the proposed non-standard gas proration unit may reasonably be presumed to be productive of gas.
- (e) That the proposed non-standard gas proration unit does not exceed 5280 feet in length or width.
- (f) That by copy of this letter of application all operators owning interests (1) in the subject section and (2) within 1500 feet of the subject well of the proposed gas unit are notified by registered mail of this proposed non-standard gas proration unit.

Therefore, Amerada Petroleum Corporation requests that through provisions of Rule 5(b) of Order No. R-520, the Secretary of the Oil Conservation Commission approve the subject non-standard gas proration unit as proposed in this application.

Respectfully submitted,

By: D.C. Capps
D. C. Capps
District Superintendent

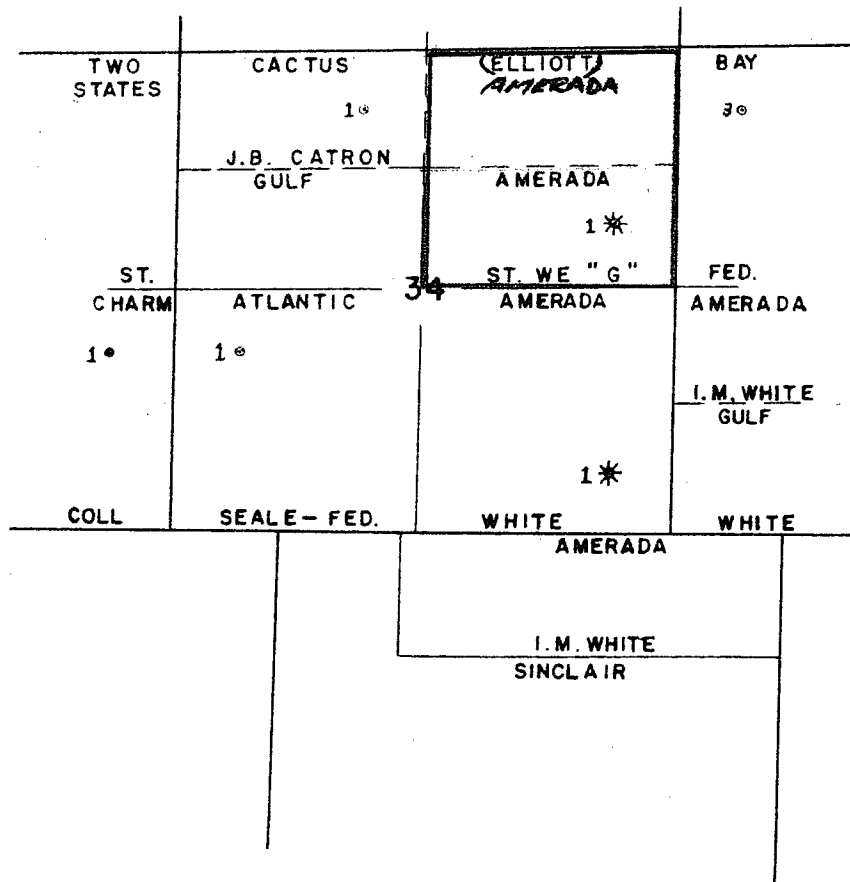
DCC/WGA/df

cc: Bay Petroleum
217 West Wall, Midland, Tex

The Atlantic Refining Company
Box 1038, Denver City, Tex.

Lactus Drilling Company
Box 348, San Angelo, Tex.

✓ Gulf Oil Corporation
Box 1667, Hobbs, N. M.



AMERADA PETROLEUM CORPORATION

State WE"G"
 NE/4 of Section 34, T-20-S, R-36-E
 Lea County, New Mexico

Scale 1" 2000'

OIL CONSERVATION COMMISSION

BOX 2045

HOBBS, NEW MEXICO

DATE January 10, 1955

MR. W. B. MACEY
OIL CONSERVATION COMMISSION
BOX 871
SANTA FE, NEW MEXICO

RE:
PROPOSED NSP 86
PROPOSED NSL

Dear Mr. Macey:

I have examined the application dated 12/30/54

for the Amerada WE"G" #1-G 34-20-36
Operator Lease and Well No. S-T-R

and my recommendations are as follows:

OK-RFM

160 A. NE/4 SJS

Yours very truly,

OIL CONSERVATION COMMISSION

Stanley J. Stanley
Stanley J. Stanley
Engineer

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