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**OIL CONSERVATION
DIVISION**

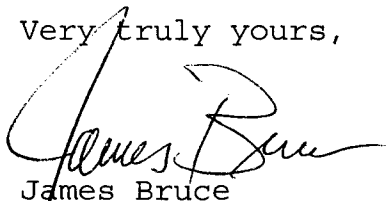
Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case Nos. 13274 & 13275/Arch Petroleum Inc. and Westbrook
Oil Corporation

Dear Mr. Stogner:

My proposed order in the above matters contained several typos.
Enclosed is a copy of the order I submitted on applicants' behalf,
highlighting the matters which need to be corrected.

Very truly yours,



James Bruce

Attorney for Arch Petroleum Inc.

cc: J.E. Gallegos w/encl.

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

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

APPLICATION OF ARCH PETROLEUM INC.
AND WESTBROOK OIL CORPORATION FOR
APPROVAL OF TWO NON-STANDARD GAS
SPACING AND PRORATION UNITS IN THE
JALMAT GAS POOL, LEA COUNTY, NEW MEXICO.

Case No. 13274

APPLICATION OF ARCH PETROLEUM INC.
FOR APPROVAL OF A NON-STANDARD GAS
SPACING AND PRORATION UNIT IN THE
JALMAT GAS POOL, LEA COUNTY, NEW MEXICO.

Case No. 13275

Order No. R-

ORDER OF THE DIVISION

(Proposed by Applicants)

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on May 27, 2004 at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this _____ day of June, 2004, 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 their subject matter.

(2) The applicants in Case No. ¹³²⁷⁴~~12374~~, Arch Petroleum Inc. ("Arch") and Westbrook Oil Corporation ("Westbrook"), seek an order approving (i) a non-standard gas spacing and proration unit comprised of the SW $\frac{1}{4}$ of Section 20, Township 23 South, Range 37 East, NMPM, to be dedicated in the Jalmat Gas Pool to the Steeler "A" Well No. 1, located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of the section, and (ii) a non-standard gas spacing and proration unit comprised of the SE $\frac{1}{4}$ of Section 20 in said township and range, to be dedicated in the Jalmat Gas Pool to the Resler "B" Well No. 1, located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of the section.

(3) The applicant in Case No. ¹³²⁷⁵~~12375~~, Arch, seeks an order approving a non-standard gas spacing and proration unit in the Jalmat Gas Pool comprised of the NW $\frac{1}{4}$ of Section 21, Township 23 South, Range 37 East, NMPM, to be dedicated to the C.E. Lamunyon

Well No. 2, located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of the section.

(4) Fulfer Oil & Cattle, LLC ("Fulfer"), an offset operator, appeared at the hearing in opposition to the applications.

(5) The Special Pool Rules for the Jalmat Gas Pool (Division Order No. R-8170-P) provide for standard 640 acre gas well units, one gas well per quarter section, and gas wells to be located no closer than 660 feet to a quarter section line nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary. Non-standard gas well units comprised of one or more complete quarter sections are allowed after notice to offsets. The Jalmat Gas Pool in this area covers the interval from the top of the Tansill formation to a point 100 feet above the base of the Yates formation.

Seven Rivers

(6) The land testimony presented at hearing, and the records of the Division, show the following:

- (a) Westbrook is operator in the Jalmat Gas Pool of a non-standard 320 acre unit comprised of the S $\frac{1}{2}$ of Section 20, currently dedicated to the Steeler "A" Well No. 1, which was drilled in 1958. NSP 351. Westbrook owns no working interest in the well unit, and is the contract operator.
- (b) In Case No. 13274, Westbrook and Arch propose to split the S $\frac{1}{2}$ of Section 20 into (i) a non-standard Jalmat gas well unit comprised of the SW $\frac{1}{4}$ of Section 20, to be dedicated to the Steeler "A" Well No. 1, to be operated by Westbrook, and (ii) a non-standard Jalmat gas well unit comprised of the SE $\frac{1}{4}$ of Section 20, to be dedicated to the Resler "B" Well No. 1, to be operated by Arch. The Resler "B" Well No. 1 has been drilled to but not completed in the Jalmat Gas Pool.
- (c) Royalty interest ownership is common throughout the S $\frac{1}{2}$ of Section 20, and thus the royalty owners will be unaffected by splitting the S $\frac{1}{2}$ of Section 20 into two well units.
- (d) Arch acquired working interests in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ and SE $\frac{1}{4}$ of Section 20, and pursuant thereto has drilled (in addition to the Resler "B" Well No. 1) the following wells:
 - (i) Resler "A" Well No. 1, located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$;
 - (ii) Resler "B" Well No. 2, located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$;
 - and

(iii) Resler "B" Well No. 3, located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$.

The above three wells are completed in and producing from the Langlie-Mattix Pool, which is spaced on 40 acres under Division regulations.

- (e) In Case No. 13275, Arch seeks approval for a non-standard Jalmat gas well unit comprised of the NW $\frac{1}{4}$ of Section 21, to be dedicated to the existing C.E. Lamunyon Well No. 2, operated by Arch, located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of the section. The C.E. Lamunyon Well No. 2 was drilled in 1959 and is currently completed in a deeper formation. It has not been completed in the Jalmat Gas Pool.
- (f) Both working and royalty interest owners will benefit from the additional production from the wells drilled or to be re-completed by Arch.
- (g) Fulfer is operator of the following Jalmat Gas Pool well units:
 - (i) the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, dedicated in the Jalmat Gas Pool to the J.C. Johnson Well No. 5. NSP 1556; and
 - (ii) the NE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, and S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 20, dedicated in the Jalmat Gas Pool to the J.C. Johnson Well Nos. 3 and 4, located in Unit Letters D and H, respectively. NSP 559.

(7) The geologic and engineering evidence presented at hearing shows the following:

- (a) The Resler "B" Lease and the C.E. Lamunyon Lease lie on the eastern fringe of the Jalmat Gas Pool, and have been largely untested in the Jalmat. Although numerous wells were drilled to deeper zones over the years, wells to the east of Section 20 did not have mud logs, and thus the potential of the wells in the Jalmat Gas Pool was unknown until recent drilling and recompletion activity by Arch in the N $\frac{1}{2}$ of Section 28.
- (b) As you move updip from west to east, the reservoir deteriorates in quality: The reservoir changes from sand to dolomite, and porosity decreases from 12-20% to 6-12%.
- (c) Pressures in the Jalmat Gas Pool wells in the N $\frac{1}{2}$ of Section 28 are 800 psi, versus 200-300 psi in Sections 19 and 30 to the west, showing that the Resler "B" Lease and

C.E. Lamunyon Lease remain undrained.

- (d) Due to the deterioration of reservoir quality to the east, additional wells are needed in the Jalmat Gas Pool to adequately produce reserves and protect the correlative rights of the interest owners.
- (e) Arch has succeeded in extending production from the Jalmat Gas Pool east of its current extent.

(8) Fulfer contends that the Resler "A" Well No. 1, Resler "B" Well No. 2, and Resler "B" Well No. 3 are partially completed in the Jalmat Gas Pool, and not in the Langlie-Mattix Pool. The evidence shows that:

- (a) All three wells are oil wells, with gas:oil ratios of less than 5000:1, which is consistent with Langlie-Mattix Pool production.
- (b) The Jalmat Gas Pool in this area produces little oil.
- (c) Arch presented a detailed cross-section which shows that the upper perforations in all three wells are less than 100 feet above the base of the ~~Yates~~ *Seven River* formation, and thus are in the Langlie-Mattix Pool.
- (d) Fulfer's witness admitted that the lower perforations in all three wells are in the Langlie-Mattix Pool.

Arch stated that if the Division determined that the upper perforations in the three wells were in the Jalmat Gas Pool, the upper perforations would be squeezed so as to comply with Division regulations. The Division determines that all three wells are Langlie-Mattix Pool producers.

(9) Fulfer has recently recompleted the J.C. Johnson Well No. 3, located in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 20, in the Jalmat Gas Pool. Fulfer provided no data on the well to the Division. Fulfer has three Jalmat wells in the N $\frac{1}{2}$ of Section 20, but objects to any additional offset Jalmat Gas Pool wells.

(10) Completing and producing the Resler "B" Well No. 1 and C.E. Lamunyon Well No. 2 in the Jalmat Gas Pool is necessary in order to prevent waste and protect the correlative rights of the interest owners in the proposed well units.

(11) Both applications should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Arch Petroleum Inc. and Westbrook Oil Corporation in Case No. 13274, seeking (i) a non-standard gas spacing and proration unit comprised of the SW $\frac{1}{4}$ of Section 20, Township 23 South, Range 37 East, NMPM, to be dedicated in the Jalmat Gas Pool to the Steeler "A" Well No. 1, located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of the section, and (ii) a non-standard gas spacing and proration unit comprised of the SE $\frac{1}{4}$ of Section 20 in said township and range, to be dedicated in the Jalmat Gas Pool to the Resler "B" Well No. 1, located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of the section, is hereby approved. The SW $\frac{1}{4}$ of Section 20 shall be operated by Westbrook Oil Corporation, and the SE $\frac{1}{4}$ of Section 20 shall be operated by Arch Petroleum Inc.

(2) The application of Arch Petroleum Inc. in Case No. 13275, seeking a non-standard gas spacing and proration unit in the Jalmat Gas Pool comprised of the NW $\frac{1}{4}$ of Section 21, Township 23 South, Range 37 East, NMPM, to be dedicated to the C.E. Lamunyon Well No. 2, located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of the section, is hereby approved.

(3) Jurisdiction of this case 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

MARK E. FESMIRE
Director

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