

WEST JAL-ATOKA GAS POOL
Lea County, New Mexico

Order No. R-6449, September 1, 1980, Establishing Pool.

T-25-S, R-36-E E/2 Sec. 17.

SAUNDERS-MORROW GAS POOL
Lea County, New Mexico

Order No. R-6449, September 1, 1980, Establishing Pool.

T-14-S, R-33-E Sec. 35.

NORTH BELL LAKE-WOLFCAMP POOL
Lea County, New Mexico

Order No. R-6476, October 1, 1980, Establishing Pool.

T-23-S, R-33-E W/2 Sec. 2.

SOUTHWEST EUNICE-SAN ANDRES POOL
Lea County, New Mexico

Order No. R-6466, September 10, 1980, Establishing Pool, as Amended by Order No. R-6724, August 1, 1981; Order No. R-8772, November 1, 1988; Order No. R-8901, April 1, 1989; Order No. R-9447, March 1, 1991; Order No. R-9646, April 1, 1992; Order No. R-10588, May 1, 1996; Order No. R-10795, May 1, 1997; Order No. R-10972, May 1, 1998; Order No. R-11243, October 1, 1999; Order No. R-11304, February 1, 2000; Order No. R-11533, January 1, 2001; Order No. R-11633, August 1, 2001; Order No. R-11728, March 1, 2002; Order No. R-12317, April 1, 2005; Order No. R-12531, April 1, 2006.

T-22-S, R-37-E W/2 Sec. 4; E/2, NW/4 Sec. 5; NE/4 Sec. 6; E/2, NW/4 Sec. 8; W/2, SE/4 Sec. 9; NW/4 Sec. 15; Sec. 16; N/2, SE/4 Sec. 17; E/2 Sec. 18.

GOLDEN LANE-DELAWARE POOL
Eddy County, New Mexico

Order No. R-6476, October 1, 1980, Establishing Pool.

T-21-S, R-29-E Lots 3, 4, 5, 6, 11, 12 Sec. 4.

MCDONALD-ATOKA GAS POOL
Lea County, New Mexico

Order No. R-6476, October 1, 1980, Establishing Pool, as Amended by Order No. R-7800, February 1, 1985.

T-13-S, R-36-E N/2 Sec. 32; NW/4, S/2 Sec. 33.

PEARSALL-SEVEN RIVERS POOL
Lea County, New Mexico

Order No. R-6476, October 1, 1980, Establishing Pool, as Amended by Order No. R-9937, August 1, 1993.

T-17-S, R-32-E NE/4 Sec. 31; NW/4 Sec. 32.

WEST TONTO-WOLFCAMP POOL
Lea County, New Mexico

Order No. R-6476, October 1, 1980, Establishing Pool, as Amended by Order No. R-7419, January 1, 1984; Order No. R-8561, January 1, 1988.

T-19-S, R-32-E SE/4 Sec. 12.
T-19-S, R-33-E S/2 Sec. 6; W/2 Sec. 7.

WINCHESTER-BONE SPRING POOL
Eddy County, New Mexico

Order No. R-6476, October 1, 1980, Establishing Pool, as Amended by Order No. R-8179, April 1, 1986; Order No. R-9171, June 1, 1990; Order No. R-10234, November 1, 1994.

T-19-S, R-28-E N/2 Sec. 36.
T-19-S, R-29-E NW/4, S/2 Sec. 31; W/2 Sec. 32.

EAST BITTER LAKES-ABO GAS POOL
Chaves County, New Mexico

Order No. R-6499, November 1, 1980, Establishing Pool.

Pool abolished by Order No. R-7193, February 1, 1983.

FENTON-BONE SPRING POOL
Eddy County, New Mexico

Order No. R-6484, October 20, 1980, Establishing Pool.

T-21-S, R-28-E NW/4 SE/4 Sec. 20.

STINGRAY-PENNSYLVANIAN POOL
Roosevelt County, New Mexico

Order No. R-6489, October 1, 1980, Establishing Pool, as Corrected by Order No. R-6489-A, October 20, 1980.

T-5-S, R-32-E SW/4 Sec. 2.

BEFORE THE
OIL CONSERVATION DIVISION

Case No. 13820 Exhibit No. 6

Submitted By:

Range Operating

Hearing Date: November 30, 2006

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. 6861
Order No. R-6466

APPLICATION OF ZIA ENERGY, INC.
FOR POOL CREATION, SPECIAL POOL
RULES, AND AN NGPA DETERMINATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 7, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of September, 1980, 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, Zia Energy, Inc., seeks the crea-
tion of a new San Andres oil pool for its State "C" Well No. 1,
which is located 1980 feet from the North line and 1982 feet
from the West line of Section 17, Township 22 South, Range 37
East, NMPM, Lea County, New Mexico, and the promulgation of
special rules for said pool, including a provision for a gas-oil
ratio limitation of 10,000 cubic feet of gas per barrel of oil.
- (3) That the applicant further seeks a determination that
said State "C" Well No. 1 has discovered a new onshore reservoir
and should be exempt from the behind-the-pipe exclusion, and that
new wells completed in said new reservoir are entitled to the
NGPA Section 102 "New Onshore Reservoir," Wellhead Price Ceiling
Category, although said reservoir had been penetrated by other
wells which penetrated the San Andres formation prior to April
20, 1977, alleging that oil and gas could not have been produced

in commercial quantities by such old wells prior to April 20, 1977.

(4) That the evidence establishes that to have plugged back and recompleted one of said wells in the San Andres formation in April, 1977, would have cost \$112,230, and that actual operating costs plus overhead expense during an estimated 15-year life for such a well would total \$273,285.

(5) That the evidence establishes that the estimated oil reserves available to the subject well total 13,406 barrels, and that its gas reserves total some 328,500 Mcf, and that the oil reserves at an April, 1977, stripper oil price of \$13.00 per barrel less 12.5 percent royalty and .075005 percent state taxes have a 1977 value of \$141,055, and that the gas reserves at an April, 1977, price of \$0.62 per Mcf less 12.5 percent royalty and .075005 percent state taxes have a 1977 value of \$164,845, for a total 1977 value for the well's oil and gas reserves of \$305,900.

(6) That using the subject well's reserves and applying the FERC economics test to determine whether an old well which penetrated the San Andres formation could have been economically plugged back and recompleted in the San Andres or whether it should be exempt from the "Behind-the-Pipe" exclusion (market value of the production less 1.6 times development cost plus operating costs) indicates that the economics of such a well would be:

$$\$305,900 - [1.6(\$112,230) + \$273,285] = -\$146,953$$

(7) That pursuant to the above formula, such recompletion as described above would be an uneconomic venture, and the Behind-the-Pipe exclusion does not apply.

(8) That the engineering and geological evidence presented establishes that applicant's State "C" Well No. 1 is indeed producing oil and gas from a new onshore San Andres reservoir separate and distinct from any other San Andres reservoir, and that the nearest commercial San Andres production is some 2 3/4 miles away.

(9) That a new pool for San Andres production should be created and designated as the Southwest Eunice-San Andres Pool, with vertical limits comprising the San Andres formation and

horizontal limits as follows:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NW/4

(10) That a special gas-oil ratio limitation for said pool should be established and a ratio of 5000 cubic feet of gas per barrel of oil is reasonable and should be adopted.

(11) That entry of an order embodying the above findings will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a new San Andres oil pool, discovered by the Zia Energy, Inc., State "C" Well No. 1, located in Unit F of Section 17, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, with perforations from 3830 feet to 3834 feet is hereby created and defined, said pool to bear the designation of Southwest Eunice-San Andres Pool with vertical limits comprising the San Andres formation and horizontal limits as follows:

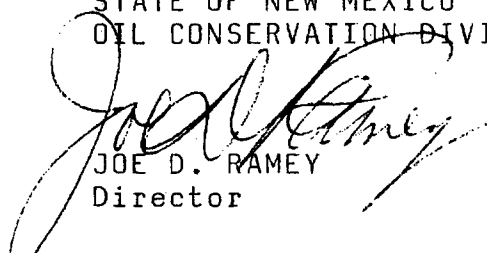
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NW/4

(2) That a special gas-oil ratio limitation of 5000 cubic feet of gas per barrel of oil is hereby established for said Southwest Eunice-San Andres Pool.

(3) 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

S E A L
fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 6861
Order No. R-6466-A

APPLICATION OF ZIA ENERGY, INC.
FOR POOL CREATION, SPECIAL POOL
RULES, AND AN NGPA DETERMINATION,
LEA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6466, dated September 10, 1980, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED:

(1) That Order No. (3) of Order No. R-6466 is hereby renumbered Order No. (4).

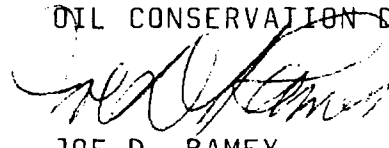
(2) That a new Order No. (3) be and the same is hereby inserted, reading in its entirety as follows:

"(3) That it is hereby determined that said Southwest Eunice-San Andres Pool is a new onshore reservoir pursuant to the provisions of Section 102 of the Natural Gas Policy Act of 1978 and that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply."

(3) That the corrections set forth in this order be entered nunc pro tunc as of September 10, 1980.

DONE at Santa Fe, New Mexico, on this 22nd day of September, 1980.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L
fd/

(NORTH BELL LAKE-DEVONIAN GAS POOL - Cont'd.)

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the North Bell Lake-Devonian Gas Pool or in the Devonian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before September 1, 1980.

(2) That, pursuant to Paragraph A. of Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, existing wells in the North Bell Lake-Devonian Gas Pool shall have dedicated thereto 640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 640 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the North Bell Lake-Devonian Gas Pool or in the Devonian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) 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.

SOUTHWEST EUNICE-SAN ANDRES POOL
Lea County, New Mexico

Order No. R-6466, Creating and Adopting Operating Rules for the Southwest Eunice-San Andres Pool, Lea County, New Mexico, September 10, 1980, as Amended by Order No. R-6466-A, September 10, 1980.

Application of Zia Energy, Inc. for Pool Creation, Special Pool Rules, and an NGPA Determination, Lea County, New Mexico.

CASE NO. 6861
Order No. R-6466

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 9 a.m. on May 7, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of September, 1980, 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, Zia Energy, Inc., seeks the creation of a new San Andres oil pool for its State "C" Well No. 1, which is located 1980 feet from the North line and 1982 feet from the West line of Section 17, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, and the promulgation of special rules for said pool, including a provision for a gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil.

(3) That the applicant further seeks a determination that said State "C" Well No. 1 has discovered a new onshore reservoir and should be exempt from the behind-the-pipe exclusion, and that new wells completed in said new reservoir are entitled to the NGPA Section 102 "New Onshore Reservoir." Wellhead Price Ceiling Category, although said reservoir had been penetrated by other wells which penetrated the San Andres formation prior to April 20, 1977, alleging that oil and gas could not have been produced in commercial quantities by such old wells prior to April 20, 1977.

(4) That the evidence establishes that to have plugged back and recompleted one of said wells in the San Andres formation in April, 1977, would have cost \$112,230, and that actual operating costs plus overhead expense during an estimated 15-year life for such a well would total \$273,285.

(5) That the evidence establishes that the estimated oil reserves available to the subject well total 13,406 barrels, and that its gas reserves total some 328,500 Mcf, and that the oil reserves at an April, 1977, stripper oil price of \$13.00 per barrel less 12.5 percent royalty and .075005 percent state taxes have a 1977 value of \$141,055, and that the gas reserves at an April, 1977, price of \$0.62 per Mcf less 12.5 percent royalty and .075005 percent state taxes have a 1977 value of \$164,845, for a total 1977 value for the well's oil and gas reserves of \$305,900.

(6) That using the subject well's reserves and applying the FERC economics test to determine whether an old well which penetrated the San Andres formation could have been economically plugged back and recompleted in the San Andres or whether it should be exempt from the "Behind-the-Pipe" exclusion (market value of the production less 1.6 times development cost plus operating costs) indicates that the economics of such a well would be:

$$\$305,900 - [1.6 (\$112,230) + \$273,285] = -\$146,953$$

(7) That pursuant to the above formula, such recompletion as described above would be an uneconomic venture, and the Behind-the-Pipe exclusion does not apply.

(8) That the engineering and geological evidence presented establishes that applicant's State "C" Well No. 1 is indeed producing oil and gas from a new onshore San Andres reservoir separate and distinct from any other San Andres reservoir, and that the nearest commercial San Andres production is some 2-3/4 miles away.

(9) That a new pool for San Andres production should be created and designated as the Southwest Eunice-San Andres Pool, with vertical limits comprising the San Andres formation and horizontal limits as follows:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NW/4

(SOUTHWEST EUNICE-SAN ANDRES POOL - Cont'd.)

(10) That a special gas-oil ratio limitation for said pool should be established and a ratio of 5000 cubic feet of gas per barrel of oil is reasonable and should be adopted.

(11) That entry of an order embodying the above findings will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That a new San Andres oil pool, discovered by the Zia Energy, Inc., State "C" Well No. 1, located in Unit F of Section 17, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, with perforations from 3830 feet to 3834 feet is hereby created and defined, said pool to bear the designation of Southwest Eunice-San Andres Pool with vertical limits comprising the San Andres formation and horizontal limits as follows:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NW/4

(2) That a special gas-oil ratio limitation of 5000 cubic feet of gas per barrel of oil is hereby established for said Southwest Eunice-San Andres Pool.

(3) (As Added by Order No. R-6466-A, September 10, 1980.) That it is hereby determined that said Southwest Eunice-San Andres Pool is a new onshore reservoir pursuant to the provisions of Section 102 of the Natural Gas Policy Act of 1978 and that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply.

(4) (Renumbered by Order No. R-6466-A, September 10, 1980.) 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.

PALMILLO-BONE SPRING POOL

(Gas-Oil Ratio)
Eddy County, New Mexico

Order No. R-6464, Adopting a Limiting Gas-Oil Ratio for the Palmillo-Bone Spring Pool, Eddy County, New Mexico, September 1, 1980.

Application of Bass Enterprises Production Company for a Special Gas-Oil Ratio Limitation, Eddy County, New Mexico.

CASE NO. 6981
Order No. R-6464

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 9 a.m. on August 20, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of September, 1980, 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, Bass Enterprises Production Company, seeks, as an exception to Rule 506 of the Division Rules and Regulations, a limiting gas-oil ratio of 8000 cubic feet of gas per barrel of oil for the Palmillo-Bone Spring Pool, Eddy County, New Mexico.

(3) That the reservoir characteristics of the subject pool justify the establishment of a gas-oil limitation of 8000 cubic feet of gas per barrel of liquid hydrocarbons.

(4) That in order to afford to the owners in the Palmillo-Bone Spring Pool the opportunity to economically produce their just and equitable share of the oil and gas in the subject pool and for this purpose to use their just and equitable share of the reservoir energy, a limiting gas-oil ratio of 8000 cubic feet of gas per barrel of liquid hydrocarbons should be established for the pool.

IT IS THEREFORE ORDERED:

(1) That effective September 1, 1980, the limiting gas-oil ratio in the Palmillo-Bone Spring Pool, Eddy County, New Mexico, shall be 8000 cubic feet of gas for each barrel of liquid hydrocarbons produced; that, effective September 1, 1980, each proration unit in the Palmillo-Bone Spring Pool shall produce only that volume of gas equivalent to 8000 multiplied by the top unit allowable for the pool.

(2) 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.