

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

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

**NOMENCLATURE
CASE NO. 13174
ORDER NO. R-12115**

**APPLICATION OF CHEVRON U.S.A., INC. FOR SPECIAL POOL RULES, LEA
COUNTY.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 23, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of March, 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 this case and its subject matter.

(2) By Division Order No. R-10795, issued in Case No. 11765 on April 28, 1997, the North Lusk-Strawn Pool (96678) was established for the production of oil from the Strawn formation. The horizontal limits for this pool, as currently defined, include the following-described lands in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPPM

Section 28:	SW/4
Section 29:	S/2
Section 32:	NW/4
Section 33:	N/2.

(3) The North Lusk-Strawn Pool is currently governed by the Division's General Statewide Rules and Regulations with development on standard 40-acre spacing and proration units each having a top unit depth bracket allowable of 365 barrels of oil per day and a gas-oil ratio of 2,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 730 MCF per day.

(4) The applicant, Chevron U.S.A., Inc. ("Chevron"), seeks an order promulgating special pool rules for the North Lusk-Strawn Pool, including a provision for a limiting gas-oil ratio of 20,000 cubic feet of gas per barrel of oil.

(5) Since the pool's discovery by Chevron with its Spear Federal Well No. 1 (API No. 30-025-33645), located at a standard oil well location 2310 feet from the North line and 2308 feet from the West line (Unit F) of Section 33, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, four other wells have been successfully completed in the North Lusk-Strawn Pool. All five wells were operated by Chevron. There are currently three wells still producing from the North Lusk-Strawn Pool.

(6) According to Chevron's testimony, this pool consists of multiple small porous algal reef mounds, and the subject reservoir is a gas depletion-type drive with no indication that a gas cap is present.

(7) The technical evidence indicates that the subject reservoir may be produced at a limiting gas-oil ratio of 20,000 cubic feet of gas per barrel of oil without incurring waste, and this higher gas-oil ratio limitation may in fact prevent waste by allowing the recovery of oil that otherwise may not be recovered at the current gas-oil ratio limitation of 2,000 cubic feet of gas per barrel of oil.

(8) There was no opposition by any interested party to increasing the limiting gas-oil ratio in this pool to 20,000 to one.

(9) Approval of the proposed increased gas-oil ratio limitation factor will afford the applicant the opportunity to efficiently produce its share of the oil and casinghead gas within the North Lusk-Strawn Pool, will not result in the excessive waste of reservoir energy, is in the best interest of conservation, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

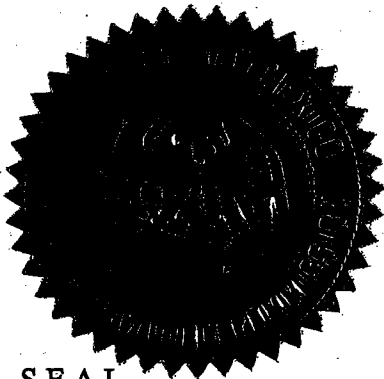
(1) Pursuant to the application of Chevron U.S.A., Inc., special rules and regulations for the North Lusk-Strawn Pool (96678) in Lea County, New Mexico, previously defined and classified, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
NORTH LUSK-STRAWN POOL**

RULE 1. The limiting gas-oil ratio for the North Lusk-Strawn Pool shall be 20,000 cubic feet of gas per barrel of oil produced; each proration unit shall produce only the volume of gas equivalent to 20,000 multiplied by the top unit depth bracket oil allowable set for the pool (which remains at 365 barrels of oil per day).

(2) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
DIRECTOR