#### STATE OF NEW MEXICO

#### ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

#### OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN, OIL OPERATOR FOR RESCISSION AND RECONSIDERATION OF PORTIONS OF DIVISION ORDER NO. R-9073, AS AMENDED, AFFECTING LANDS IN TOWNSHIPS 22 AND 23 SOUTH, RANGE 36 EAST, LEA COUNTY, NEW MEXICO.

CASE NO. 12360

#### **APPLICATION**

Doyle Hartman Oil Operator ("Hartman"), by its undersigned counsel, hereby makes application to the Division for its Order rescinding the special metering provisions adopted by the Division in Order No. R-9073, Finding ¶ (13), and dispositive order provision ¶ (3) of that Order. Hartman requests that the Division order that Raptor Resources, Inc. ("Raptor"), the current operator of the wells reflected in Exhibit A to Order No. R-9073, which is also attached hereto as Exhibit A, be required, in accordance with NMOCD Rule 403.A., to install separate meters on each Jalmat gas well, and monitor production from the wells individually. Hartman further requests that Raptor be required to separately meter any additional gas wells which Raptor completes in the Jalmat Gas Pool, within the Jalmat Gas Proration Units reflected on Exhibit A. Finally, Hartman requests that the Division require Raptor to appear and provide evidence that the testing procedures set forth in ¶ 13 of Order No. R-9073 are being followed and to produce those tests results.

As grounds for this Application, Hartman states as follows:

- 1. Hartman is an independent oil and gas operator with interests in the Jalmat Gas Pool and the operator of leases in that pool offsetting production from Raptor operated leases. Several Hartman leases offset acreage reflected on Exhibit A.<sup>1</sup>
- 2. Rule 403 of the Oil Conservation Division, 19 NMAC 15.F.403, requires generally that all natural gas produced shall be accounted for by metering so that gas from each well can be reported.
- 3. On December 14, 1989, the Division entered its Order No. R-9073 in Case No. 9775 which under existing circumstances should be reconsidered. In that proceeding, the then-operator of the proration units reflected in Exhibit A, Hal J. Rasmussen Operating, Inc. ("Rasmussen"), filed an application seeking, inter alia, approval from the Division for special metering provisions for Jalmat gas wells on the Jalmat gas proration units reflected on Exhibit A as an exception to the general rule. The wells in the Jalmat gas proration units reflected on Exhibit A are produced into an operator-owned consolidated gathering facility which connects to an area-wide gathering system at a central delivery point ("CPD"). Due to this facility configuration. there is no meaningful measurement of production from the individual wells in order to (a) determine whether the allowables assigned are observed or violated, (b) accurately evaluate the results and/or necessity of Raptors extensive infill development program, or (c) determine whether a given well is or is not producing gas that meets the Sid Richardson gathering system specifications.
- 4. The Division approved the special metering provisions requested by Rasmussen in Order R-9073, based, in part, upon the contention that it would be

<sup>&</sup>lt;sup>1</sup> Exhibit A also includes portions of Division Orders R-9073-A, R-9073-B, R-9073-C and R-9073-C-1 which modified the acreage covered by Order R-9073.

"uneconomical" for Rasmussen to meter the wells individually, due to the low production levels of the wells.

- 5. Beginning in 1999, Raptor initiated a dense, infill drilling program for Jalmat gas wells in the Jalmat Gas Pool. Raptor has sought approval to drill or recomplete additional infill wells on several of the Jalmat gas proration units reflected on Exhibit A. This activity demonstrates that the present operator and the owners of the leases have abundant financial wherewithal to afford the installation of meters on their wells. Inherent in Raptor's dense, Jalmat infill drilling program is the presumption that there are substantial reserves in the Jalmat gas reservoir capable of economically supporting the proposed additional infill wells.
- 6. Hartman has objected to numerous Raptor applications for administrative approval for infill Jalmat gas wells. Two of those cases, Division Cases 12301 and 12302, are scheduled for hearing on March 16, 2000. Additional Raptor applications for administrative approval for Jalmat infill gas wells have been scheduled for hearing on March 16, 2000, as provided by the Division letter rulings of January 5, 2000 and December 22, 1999, copies of which are attached as Exhibits B and C.
- 7. All parties to the dispute regarding Raptor's proposed Jalmat infill drilling program need individual well production figures. Such production figures are critical in accurately determining whether there is a need for infill development in the Jalmat Pool, particularly whether there is a need for additional wells on the Raptor operated leases and to evaluate the results of infill development already undertaken by Raptor. The absence of individual gas metering on the Raptor wells masks actual well performances making it impossible for Raptor, Hartman, the Division and any other party to accurately

evaluate the need for the proposed dense infill development, where infill wells should be located, and whether the units at issue even require any additional infill wells at this time. Production and pressure trends for each individual well are essential to evaluate the proposed infill drilling program.

- 8. Hartman believes the Division will deny the applications based upon the technical evidence to be presented at the March 16, 2000 hearing. However, if the Division were to approve those applications, the presence of additional Jalmat gas wells on the units would magnify the problem posed by the absence of metering the production of the Raptor wells individually, or the well or wells on a particular Jalmat gas proration unit.
- 9. It is inconsistent for Raptor to escape the requirements observed by other operators, including Hartman, by relying on Order No. R-9073, which was based on a finding that it would be uneconomical to require the then-operator of the units to individually meter the wells due to financial hardship, while at the same time arguing that there are sufficient reserves in the Jalmat gas reservoir to justify the expenditures for a large, infill drilling program proposed by Raptor. If the economics favor the drilling of additional infill wells on these units, then the economics should be sufficient to allow for individual metering of the wells.
- 10. Division Order No. R-9073, Finding ¶ (13), included a provision for testing procedures to insure that the wells are producing within their allowables. On information and belief, Hartman believes that (a) the testing procedures under Order No. R-9073 are not being observed and, if used, are ineffective to accurately allocate gas volumes to specific wells, (b) the Division and offset operators have no objective

quantitative means of ascertaining whether allowables for the Jalmat gas proration units reflected in Exhibit A are being observed or violated, and (c) certain Raptor operated wells are or at times have exceeded the allowables assigned to the particular Jalmat gas proration units.

11. Rescission of those portions of Order No. R-9073 which approve the special metering provisions for the Jalmat gas proration units reflected in Exhibit A is necessary to insure the prevention of waste and the protection of correlative rights of Hartman, Raptor, and all offset operators in the area of the units reflected in Exhibit A.

WHEREFORE, Hartman requests that this Application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 16, 2000, and after notice and hearing as required by law, the Division enter its order rescinding Finding ¶ 13 of Order R-9073, and Order provision (3) of Order No. R-9073 authorizing the special metering provisions for the Jalmat gas proration units reflected on Exhibit A, and require Raptor, as the operator of those wells, to meter each well in the proration units reflected on Exhibit A, and any other infill gas wells which may be approved in accordance with standard Division Rules and Regulations. Hartman further requests that the Division require Raptor to present evidence at the hearing confirming that the testing procedures provided under Order R-9073 have been observed, and accurately reflect the individual well production from Raptor wells, and to provide Hartman and the Division with all such test results.

Respectfully submitted,

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# EXHIBIT "A" CASE NO. 9775 ORDER NO. R-9073 HAL J. RASMUSSEN OPERATING, INC.

### PROPOSED NON-STANDARD JALMAT GAS PRORATION UNITS AND JALMAT GAS WELL LOCATIONS

	TOV	VNSHIP 22 SOUTH, RANGE :	36 EAST, NMP	<u></u>
1)	Section 5: Lots State "A" A/C-2	3 and 4, S/2 NW/4, and S/2 co	omprising 480.50	acres, more or less, in
	Well No. 44 Well No. 41 Well No. 27		Unit F Unit M Unit P	NSL NSL NSL
2)	Section 7: Lots 3 and 4, N/2 NE/4, SE/4 NE/4, E/2 SW/4, N/2 SE/4, and SE/4 SE/4 comprising 393.06 acres, more or less, in State "A" A/C-2.			
	Well No. 5 Well No. 12 Well No. 8	660' FN & EL 1980' FSL & 660' FEL 660' FS & EL	Unit A Unit I Unit P	NSL NSL NSL
3)	Section 8: All (Standard 640-acre unit) in State "A" A/C-2.			
	Well No. 49 Well No. 43 Well No. 56	660' FNL & 1980' FWL 1650' FNL & 990' FEL 1980' FS & EL	Unit C Unit H Unit J	NSL NSL Standard Location
4)	Section 9: N/2	and SW/4 comprising 480 acres	in State "A" A/	′C-2.
	Well No. 63 Well No. 38	990' FN & EL 990' FNL & 2310' FWL - 1980' FS & WL 'NSHIP 23 SOUTH, RANGE 3	Unit A Unit C Unit K	Standard Location Standard Location NSL

5) Section 3: S/2 comprising 320 acres in State "A" A/C-1.

Well No. 30	1650' FSL & 990' FEL	Unit I	NSL
Well No. 35	1650' FSL & 990' FWL	Unit L	NSL

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6)	Section 4: Lots 1, 2, 3 and 4, and S/2 N/2 comprising 327.25 acres, more or less, in
	State "A" A/C-1.

Well No. 23	660' FNL & 2310' FEL	Unit B	Standard Location
Well No. 15	1980' FN & WL	Unit F	Standard Location
Well No. 87	1980' FN & EL	Unit G	Standard Location

7) Section 4: SW/4 and Section 9: N/2 NW/4, SW/4 NW/4, and SW/4 comprising 440 acres in State "A" A/C-1.

#### (Section 4)

Well No. 18	660' FS & WL	Unit M	NSL
Well No. 111	467' FSL & 2173' FWL	Unit N	NSL
	(Section 9)		
Well No. 14	1980' FNL & 660' FWL	Unit E	NSL
Well No. 104	1650' FSL & 1980' FWL	Unit K	NSL
Well No. 10	1980' FSL & 660' FWL	Unit L	NSL
Well No. 9	660' FS & WL	Unit M	NSL

8) Section 9: S/2 NE/4, N/2 SE/4, and SE/4 SE/4 and Section 10: W/2 comprising 480 acres in State "A" A/C-1.

#### (Section 10)

Well No. 37	1650' FN & WL	Unit F	Standard Location
Well No. 38	990' FS & WL	Unit M	Standard Location

9) Section 10: E/2 comprising 320 acres in State "A" A/C-3.

Well No. 1	990' FN & EL	Unit A	Standard Location
Well No. 2	1650' FSL & 990' FEL	Unit I	Standard Location

10) Section 11: N/2 and SW/4 comprising 480 acres in State "A" A/C-1.

Well No. 16	660' FN & EL	Unit A	NSL
Well No. 29	990' FNL & 1650' FWL	Unit C	Standard Location
Well No. 34	1650' FS & WL	Unit K	Standard Location

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Section 13: N/2 and SW/4 and Section 14: NE/4 comprising 640 acres in State "A" A/C-1.

(Section 13)

	(Beetween 15)		
Well No. 20	660' FNL & 1980' FWL	Unit C	NSL
Well No. 21	1980' FNL & 660' FEL	Unit H	NSL
Well No. 22	660' FSL & 1980' FWL	Unit N	NSL
	(Section 14)	·	
Well No. 77	660' FNL & 1980' FEL	Unit B	NSL
Well No. 13	1980' FNL & 660' FEL	Unit H	NSL

12) Section 14: NW/4 and Section 15: N/2 comprising 480 acres in State "A" A/C-1.

#### (Section 14)

Well No. 28	1650' FN & WL	Unit F	Standard Location
	(Section 15)		
Well No. 33 Well No. 31	1650' FN & WL 1650' FN & 990' FEL	Unit F Unit H	Standard Location Standard Location

Section 17: SE/4, Section 20: NE/4, and Section 21: N/2 NW/4 and SW/4 NW/4 comprising 440 acres in State "A" A/C-1.

#### (Section 17)

Well No. 39	1980' FS & EL	Unit J	NSL
	(Section 20)		
Well No. 5	1320' FNL & 660' FEL	Units A/H	NSL
(Currently P & A'd)	(Section 21)		
Well No. 4 Well No. 3	330' FNL. & 1660' FWL 1650' FNL & 330' FWL	Unit C Unit E	NSL NSL

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Section 20: SE/4 and Section 21: NE/4 SW/4, S/2 SW/4, and SW/4 SE/4 comprising 320 acres in State "A" A/C-2.

		(Section 21)		
	Well No. 8	660' FSL & 1980' FEL	Unit O	NSL
15)	Section 22: NE/4 N 1.	W/4, S/2 NW/4, and SW/4 cor	nprising 280 acre	es in State "A" A,/C-
	Well No. 94 Well No. 19 Well No. 97 Well No. 1	660' FNL & 1980' FWL 1650' FNL & 330' FWL 1980' FN & WL 330' FSL & 2310' FWL	Unit C Unit E Unit F Unit N	NSL NSL Standard Location NSL
16)	Section 23: N/2 co	mprising 320 acres in State "A"	A/C-1.	
	Well No. 27 Well No. 26 Well No. 105	1650' FN & WL 1650' FN & EL 2080' FNL & 660' FEL	Unit F Unit G Unit H	Standard Location Standard Location NSL
17)	Section 24: W/2 an	d SE/4 comprising 480 acres in	1 State "A" A/C-	-1.
	Well No. 53 Well No. 25 Well No. 32 Well No. 24		Unit E Unit F Unit J Unit N	NSL Standard Location Standard Location Standard Location

Case No. 9874 Order No. R-9073-A Page No. 3

- (9) Approval of the proposed recompletions, unorthodox gas well locations and simultaneous dedication will afford the applicant to produce its just and equitable share of the gas in the subject 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.
- (10) To reduce the number of orders applicable in this proration unit, existing approvals should be consolidated with this application in order to lessen confusion; therefore, Division Administrative Order NSL-2728 should be superceded by this order and Paragraph No. (11) in Exhibit "A" attached to Order No. R-9073 should be amended to include the State "A" A/C-1 Well Nos. 66, 71 and 75.

#### IT IS THEREFORE ORDERED THAT:

Well No. 77

Well No. 13

- (1) Division Administrative Order NSL-2728, dated December 7, 1989 is hereby superceded until further notice.
- (2) Paragraph No. (11) of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same, is hereby amended to read in its entirety as follows:
  - "(11) Section 13: N/2 and SW/4 of Section 14: NE/4 comprising 640 acres in State "A" A/C-1.

#### (Section 13)

Well No. 20	660' FNL & 1980' FWL	Unit C Unit H Unit N Unit D Unit M Unit F	NSL
Well No. 21	1980' FNL & 660' FEL		NSL
Well No. 22	660' FSL & 1980' FWL		NSL
Well No. 66	660' FN & WL		NSL
Well No. 71	660' FS & WL		NSL
Well No. 75	1980' FN & WL		NSL
(Section 14)			

(3) All other provisions of said Order No. R-9073 shall remain in full force and effect until further notice.

660' FNL & 1980' FEL

1980' FNL & 660' FEL

Unit B

Unit H

NSL

NSL"

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9874 Order No. R-9073-A Page No. 4

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMAY Director

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

CASE NO. 9775 ORDER NO. R-9073-B

APPLICATION OF HAL J. RASMUSSEN OPERATING, INC. FOR NON-STANDARD GAS PRORATION UNITS, UNORTHODOX GAS WELL LOCATIONS, SIMULTANEOUS DEDICATION AND SPECIAL GAS METERING PROVISIONS, LEA COUNTY, NEW MEXICO

See Blo Order

R-9073

R-9073-A

A-9073-C

R-9073-6-1

NUNC PRO TUNC ORDER

#### BY THE DIVISION:

It appearing to the Division that Order No. R-9073 dated December 14, 1989, does not correctly state the intended order of the Division,

#### IT IS THEREFORE ORDERED THAT:

- (1) Paragraph No. (8) of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same is hereby amended to read in its entirety as follows:
  - "(8) Section 9: S/2 NE/4, N/2 SE/4, and SE/4 SE/4 and Section 10: W/2 comprising 520 acres in State "A" A/C-1.

#### (Section 10)

Well No. 37	1650' FN & WL	Unit F	Standard Location
Well No. 38	990' FS & WL	Unit M	Standard Location"

- (2) All other provisions of said Order No. R-9073 and Division Order No. R-9073-A, dated February 28, 1990, which amended Paragraph No. (11) of said Exhibit "A", shall remain in full force and effect until further notice.
- (3) The corrections set forth in this order be entered <u>nunc pro tunc</u> as of December 14, 1989.

Case No. 9775 Order No. R-9073-B Page No. 2

DONE at Santa Fe, New Mexico, on this 27th day of September, 1990.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMA

Director

## 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:

CASE NO. 10151 ORDER NO. R-9073-C

APPLICATION OF HAL J. RASMUSSEN OPERATING, INC. TO AMEND, IN PART, DIVISION ORDER NO. R-9073, LEA COUNTY, NEW MEXICO See Shor R-9073 R-9013-A R-9013-B R-9013-C-1

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 14, 1990, at Santa Fe. New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of November, 1990, 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-9073, dated December 14, 1989 (Paragraph No. 7 of Exhibit "A"), a 440-acre non-standard gas spacing and proration unit in the Jalmat Gas Pool was established comprising the SW/4 of Section 4 and the N/2 NW/4, SW/4 NW/4, and SW/4 of Section 9, both in Township 23 South, Range 36 East, NMPM, Lea County, New Mexico. Said unit was to be simultaneously dedicated to the State "A" A/C-1 Well Nos. 18 and 111 located in Units M and N, respectively, of said Section 4 and Well Nos. 14, 104, 10, and 9 located in Units E, K, L and M, respectively, of said Section 9.
- (3) At this time the applicant, Hal I, Rasmussen Operating, Inc., seeks approval to delete 40 acres, comprising the SE/4 SW/4 (Unit N) of said Section 9 from the above-described 440-acre non-standard gas spacing and proration unit.

Case No. 10151 Order No. R-9073-C Page No. 2

- (4) The acreage to be deleted is to be dedicated to the applicant's State "A" A/C-1 Well No. 123 to be drilled 990 feet from the South line and 2250 feet from the West line (Unit N) of said Section 9 as an oil well in the Seven Rivers zone of the Jalmat Pool.
- of the Special Rules and Regulations for the Jalmat Gas Pool, as promulgated by Division Order No. R-8170, as amended, which states in part that "a standard oil proration unit in the Jalmat Gas Pool shall be 40 as a standard oil to a gas well in the Jalmat as Pool shall not be si at taneously dedicated to an oil well in the Jalmat Gas Pool
- (6) Applicant has provided sufficient notice to all offset operators pursuant to Division General Rule 1207.
- (7) No offset operators or interested parties appeared at the hearing in opposition to this matter.
- (8) Approval of the proposed amendment to said Order No. R-9073 will afford the applicant the right to produce its just and equitable share of the oil and gas in the subject pool, is in the best interests of conservation and will otherwise prevent waste and protect correlative rights.

#### IT IS THEREFORE ORDERED THAT:

- (1) Paragraph No. 7 of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same is hereby amended to read in its entirety as follows:
  - "7) Section 4: SW/4 and Section 9: N/2 SW/4, SW/4 NW/4 and N/2 SW/4 and SW/4 SW/4 comprising 400 acres in State "A" A/C-1.

(Section 4)

Well No. 18	660' FS & WL	Unit M	NSL
Well No. 111	467' FSL & 2173' FWL	Unit N	NSL

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#### (Section 9)

Well No. 14	1980' FNL & 660' FWL	Unit E	NSL
Well No. 104	1650' FSL & 1980' FWL	Unit K	NSL
Well No. 10	1980' FSL & 660' FWL	Unit L	NSL
Well No. 9	660' FS & WL	Unit M	NSL"

- (2) All other provisions of said Order No. R-9073 shall remain in full force and effect until further notice.
- (3) 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

WILLIAM J. LEMAY

Director

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

CASE NO. 10151 ORDER NO. R-9073-C-1

APPLICATION OF HAL J. RASMUSSEN OPERATING, INC. TO AMEND, IN PART, DIVISION ORDER NO. R-9073, LEA COUNTY, NEW MEXICO See Blu R-9073 R-9073-A R-9073-B

#### NUNC PRO TUNC ORDER

R-9073-1

#### BY THE DIVISION:

It appearing to the Division that Order No. R-9073-C dated November 27, 1990, does not correctly state the intended order of the Division,

#### IT IS THEREFORE ORDERED THAT:

- (1) Decretory Paragraph No. (1) of Division Order No. R-9073-C, dated November 27, 1990, be and the same is hereby amended to read in its entirety as follows:
  - "(1) Paragraph No. 7 of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same is hereby amended to read in its entirety as follows:
    - 7) Section 4: SW/4 and Section 9: N/2 NW/4, SW/4
      NW/4 and N/2 SW/4 and SW/4 SW/4 comprising 400
      acres in State "A" A/C-1.

(Section 4)

Well No. 18	660' FS & WL	Unit M	NSL
Well No. 111	467' FSL & 2173' FWL	Unit N	NSL
	(Section 9)		
Well No. 14	1980' FNL & 660' FWL	Unit E	NSL
Well No. 104	1650' FSL & 1980' FWL	Unit K	NSL
Well No. 10	1980' FSL & 660' FWL	Unit L	NSL
Well No. 9	660' FS & WL	Unit M	NSL"

Case No. 10151 Order No. R-9073-C-1 Page No. 2

(2) The corrections set forth in this order be entered <u>nunc pro tunc</u> as of November 27, 1990.

DONE at. Santa Fe, New Mexico, on this 23rd day of January, 1991.

STATE OF NEW MEXICO OIL CONSERVATION, DIVISION

WILLIAM J. LEMAY

Director