

**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. 10756 (Reopened)
ORDER NO. R-9988-A**

**APPLICATION OF HAL J. RASMUSSEN
OPERATING, INC. FOR UNORTHODOX
LOCATIONS AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 14, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 10th day of May, 1994, 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) The applicant, Hal J. Rasmussen Operating, Inc., seeks authorization to drill its Sholes "A" Well Nos. 9 and 10 at unorthodox oil well locations, respectively, 1300 feet from the South line and 660 feet from the East line (Unit P), and 1300 feet from the North line and 660 feet from the East line (Unit A), both in Section 24, Township 25 South, Range 36 East, NMPM, Jalmat Oil and Gas Pool, Lea County, New Mexico.

(3) The applicant further proposes to dedicate the SE/4 SE/4 of Section 24 to the Sholes "A" Well No. 9 and to its existing Sholes "A" Well No. 1 located at a standard oil well location 660 feet from the South and East lines. In addition, the applicant proposes to simultaneously dedicate the NE/4 NE/4 of Section 24 to the Sholes "A" Well No. 10 and to its existing Sholes "A" Well No. 2 located at a standard oil well location 660 feet from the North and East lines.

(4) This case was originally heard on July 29, 1993.

(5) The application was subsequently denied by Division Order No. R-9988 which was issued in Case No. 10756 on October 13, 1993.

(6) Included among the findings of Division Order No. R-9988 were the following:

- a) the SE/4 NE/4 (Unit H) of said Section 24, being a standard 40-acre oil spacing and proration unit in the Jalmat Oil and Gas Pool, is currently dedicated to the applicant's Sholes "A" Well No. 4 located at a standard oil well location 1980 feet from the North line and 660 feet from the East line;
- b) the NE/4 SE/4 (Unit I) of said Section 24, being a standard 40-acre oil spacing and proration unit in the Jalmat Oil and Gas Pool, is currently dedicated to the applicant's Sholes "A" Well No. 3 located at a standard oil well location 1980 feet from the South line and 660 feet from the East line;
- c) the applicant's Sholes "A" Well No. 8 located 2310 feet from the South line and 330 feet from the East line (Unit I) of said Section 24 appears on the Division's October 1992 through March 1993 Gas Proration Schedule as a Jalmat Gas well with an acreage dedication factor of 1.0 (160 acres); however, the well file does not contain a Division Form C-102, Acreage Dedication Plat, showing the assigned acreage dedication for this well.

(7) The Jalmat Oil and Gas Pool is governed by the General Rules For The Prorated Gas Pools Of New Mexico/Special Rules And Regulations For The Jalmat Gas Pool, as promulgated by Division Order No. R-8170, as amended, which contains a provision (Rule 2(a)(3)) whereby:

"Acreage dedicated to a gas well in the Jalmat Gas Pool shall not be simultaneously dedicated to an oil well in the Jalmat Gas Pool".

(8) The original application was denied for the following reasons:

- a) the applicant was found to be in violation of Rule 2(a)(3) by having the Jalmat Oil and Gas Pool underlying the E/2 E/2 of Section 24 fully developed with four active oil wells on four oil proration units and one active gas well with an acreage factor of 1.0; and,

- b) the applicant failed to provide sufficient evidence to show that correlative rights would be adequately protected and waste prevented by the drilling of the Sholes "A" Well Nos. 9 and 10.

(9) Division records indicate that Conoco Inc. (Conoco), the previous owner/operator of the Sholes "A" Well Nos. 1, 2, 3 and 4, drilled its Sholes "A" Well No. 8 (previously named the Sholes "A" AC/1 Well No. 5) in 1981-82 as a Grayburg-San Andres test. The subject well tested wet and was temporarily abandoned. In 1983-84 Conoco recompleted the well as a gas well in the Jalmat Oil and Gas Pool.

(10) On August 4, 1983, Conoco filed an application for a non-standard gas proration unit comprising the E/2 E/2 of Section 24, and an unorthodox gas well location in the Jalmat Oil and Gas Pool for the aforesaid Sholes "A" Well No. 8. Included in the application was the following described information regarding the Jalmat Oil and Gas Pool completion intervals within the Sholes "A" Well Nos. 1, 2, 3, 4 and 8:

<u>WELL NAME</u>	<u>PERFORATED INTERVAL</u>	<u>PRODUCING FORMATION</u>
Sholes "A" No. 1	2868'-2970'	Seven Rivers
Sholes "A" No. 2	2938'-2946'	Seven Rivers
Sholes "A" No. 3	2892'-2948'	Seven Rivers
Sholes "A" No. 4	2878'-2899'	Seven Rivers
Sholes "A" No. 8	2656'-2736'	Yates

(11) By Order No. NSP-1402(L) dated September 6, 1983, the Division established a non-standard gas proration unit in the Jalmat Oil and Gas Pool comprising the E/2 E/2 of Section 24 for the Sholes "A" Well No. 8 and further authorized the unorthodox gas well location.

(12) The Sholes "A" Well Nos. 1, 2, 3, 4 and 8 have been simultaneously producing oil and gas from the Jalmat Oil and Gas Pool since the issuance of Order No. NSP-1402(L).

(13) It appears that by the issuance of Order No. NSP-1402(L), the Division knowingly and concurrently approved the simultaneous dedication of the E/2 E/2 of Section 24 to both oil and gas wells in the Jalmat Oil and Gas Pool.

(14) The applicant is not in violation of Rule No. 2(a)(3) of the General Rules For The Prorated Gas Pools Of New Mexico/Special Rules And Regulations For The Jalmat Gas Pool, as promulgated by Division Order No. R-8170, as amended.

(15) Although the subject wells/proration unit were granted an exception to Rule No. 2(a)(3) by the issuance of Division Order No. NSP-1402(L), neither the General Rules For The Prorated Gas Pools Of New Mexico/Special Rules And Regulations For The Jalmat Gas Pool provide for an administrative procedure for obtaining such exceptions. **All future requests for an exception to Rule No. 2(a)(3) should therefore be considered only after notice and hearing.**

(16) At the request of the applicant, the record in original Case No. 10756 was incorporated by reference into Reopened Case No. 10756.

(17) The evidence and testimony presented in this case indicates that the proposed Sholes "A" Well No. 9 will be drilled approximately midway between the Sholes "A" Well Nos. 1 and 3, and the Sholes "A" Well No. 10 will be drilled approximately midway between the Sholes "A" Well Nos. 2 and 4.

(18) Applicant's geologic evidence indicates that both the Sholes "A" Well Nos. 9 and 10 will be drilled at structurally high positions within their respective proration units.

(19) Drilling the subject wells at the proposed unorthodox locations should enable the applicant to recover oil which would otherwise not be recovered by the existing Sholes "A" Well Nos. 1, 2, 3 and 4, thereby preventing waste.

(20) Applicant testified that the Sholes "A" Well Nos. 9 and 10 will be completed as oil wells in the Seven Rivers formation.

(21) There are no adversely affected offset operators.

(22) No other interest owner and/or offset operator appeared at the hearing in opposition to the application.

(23) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected 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.

IT IS THEREFORE ORDERED THAT:

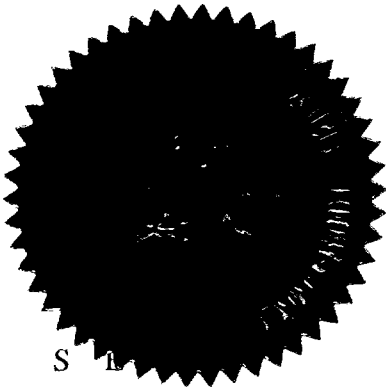
(1) The application of Hal J. Rasmussen Operating, Inc. for authorization to drill its Sholes "A" Well No. 9 at an unorthodox oil well location 1300 feet from the South line and 660 feet from the East line (Unit P) and its Sholes "A" Well No. 10 at an unorthodox oil well location 1300 feet from the North line and 660 feet from the East line (Unit A), both in Section 24, Township 25 South, Range 36 East, NMPM, Jalmat Oil and Gas Pool, Lea County, New Mexico, is hereby approved.

(2) The SE/4 SE/4 of Section 24 shall be simultaneously dedicated to the Sholes "A" Well No. 9 and to the existing Sholes "A" Well No. 1 forming a standard 40-acre oil spacing and proration unit for said pool.

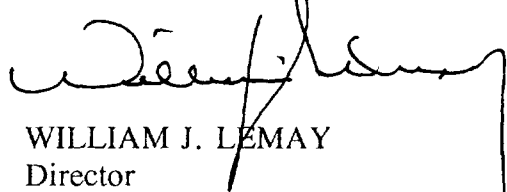
(3) The NE/4 NE/4 of Section 24 shall be simultaneously dedicated to the Sholes "A" Well No. 10 and to the existing Sholes "A" Well No. 2 forming a standard 40-acre oil spacing and proration unit for said pool.

(4) 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