

State of New Mexico
Commissioner of Public Lands

W. R. Humphries
COMMISSIONER

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May 4, 1990

Hal J. Rasmussen Operating, Inc.
Six Desta Drive, Suite 5850
Midland, Texas 79705

RE: Request for Approval to Surface Commingle
State Leases A-983 and B-1484
Lea County, New Mexico

Case No.
9776
M.S.

Gentlemen:

We received your letters dated January 3, 1990 wherein you request approval to surface commingle the production from the wells located in Sections 3, 4, 9, 10, 11, 13, 14, 15, 17, 20, 21, 22, 23, 24, T23S, R36E and Sections 5, 7, 8, 9, 11, T22S, R36E as described in the attachments.

The Commissioner of Public Lands hereby grants approval to commingle the production from the wells as described in the attachments. Please be advised that any deviation from the approved operations will be grounds to rescind our approval. Our approval is subject to like approval by the Oil Conservation Division.

We received your filing fee in the amount of six hundred thirty dollars (\$630.00); thirty (\$30.00) for each of the 21 requests for commingle approval.

If you have any questions, please contact this office at (505) 827-5746.

Very truly yours,

W.R. HUMPHRIES,
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5746

enclosure

State "A" A/C 1

A-983

T-23-S, R-36-E

Section 3: S/2
Section 4: N/2, SW/4
Section 9: All
Section 10: W/2
Section 11: N/2, SW/4
Section 13: N/2, SW/4
Section 14: N/2
Section 15: N/2
Section 17: E/2 (Gas Rights); NE/4, N/2 SE/4, SE/4 SE/4 (Oil Rights)
Section 20: E/2 (Gas Rights); NE/4 NE/4, S/2 NE/4, SE/4 (Oil Rights)
Section 21: W/2, SE/4
Section 22: W/2
Section 23: N/2
Section 24: W/2, SE/4

State "A" A/C 2

A-983

T-22-S, R-36-E

Section 5: NW/4, S/2
Section 7: E/2, SW/4
Section 8: All
Section 9: N/2, SW/4
Section 11: All

State A A/C 3

B-1484

T-23-S, R-36-E

Section 10: E/2

Beneficiaries

State A A/C 1, 2, 3 have all common schools as beneficiaries.

GALLEGOS LAW FIRM

A Professional Corporation

141 East Palace Avenue
Santa Fe, New Mexico 87501
505 • 983 • 6686
Telefax No. 505 • 986 • 0741

RECEIVED

FEB 6 1990

OIL CONSERVATION DIV.
SANTA FE

case file
J. E. Gallegos
George F. Bingham*
Michael L. Oja**
Joanne Reuter
Mary E. Walta†
Harry T. Nutter
Mary Ann R. Burmester***

February 6, 1990

VIA HAND DELIVERY

William J. LeMay, Director
Oil Conservation Division
Energy, Minerals & Natural Resources Department
P.O. Box 2208
Santa Fe, New Mexico 87504

RE: Oil Conservation Division Order Nos. R-8575-A, R-6483-A, R-9073
and R-9074

Dear Mr. LeMay:

We have received copies of the referenced Orders issued on December 14, 1989, in Case Nos. 9774, 9775 and 9776, in which the Division, inter alia, approved the formation of non-standard gas proration units and unorthodox gas well locations, simultaneously dedicated such wells to those units, provided a special method for metering gas production, and authorized the commingling of liquids for surface storage and special metering.

Since Doyle Hartman did not seek a rehearing of those cases nor appeal the resulting orders as otherwise permitted by OCD Procedural Rules 1222 and 1220, respectively, please be advised that Doyle Hartman therefore considers the captioned as final, and hence precedential authority concerning the aforementioned issues.

Sincerely,

GALLEGOS LAW FIRM

Harry T. Nutter

By

HARRY T. NUTTER

HTN:ap

cc: Doyle Hartman, Oil Operator

*Also admitted in the District of Columbia

**Also admitted in California

***Also admitted in Texas

† Admitted only in Colorado



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

GARREY CARRUTHERS
GOVERNOR

December 20, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9776
ORDER NO. R-9074

Applicant:

Hal J. Rasmussen Operating, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Joanne Reuter



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

December 2, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

William F. Carr, Esq.
Campbell and Black
P. O. Box 2208
Santa Fe, New Mexico 87501

and

J. E. Gallegos, Esq.
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Re: NMOCD Cases Nos. 9774, 9775 and 9776

Gentlemen:

I am enclosing herewith draft orders granting the relief requested by Hal J. Rasmussen in his applications in the above cases.

I request that Mr. Carr prepare final orders based upon findings and orders which I have presented and submit them for signature no later than Friday, December 8th.

Sincerely,

WILLIAM J. LEMAY, Director

A handwritten signature in cursive script, appearing to read "Michael E. Stogner".

by MICHAEL E. STOGNER,
Hearing Examiner

WJL/RGS/dr

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. 9774
ORDER NO. R-8575-A
R-6483-A

APPLICATION OF HAL J. RASMUSSEN
OPERATING, INC. TO AMEND DIVISION
ORDERS R-6483 AND R-8575 AND FOR
SPECIAL GAS METERING PROVISIONS,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 1989, 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) At the time of the hearing this case was consolidated with Division Case Nos. 9775 and 9776 for the purpose of testimony.

(3) By Division Order No. R-6483 dated October 20, 1980, the Division, in part, authorized the operator to simultaneously dedicate the State "A" A/C-2 Well Nos. 14, 36, 42 and 62 located respectively in Units B, M, E and K of Section 11, Township 22 South,

Case No. 9774

Order No. R-8575-A

R-6483-A

Page No. 2

Range 36 East, NMPM, Lea County, New Mexico, to a standard 640-acre Jalmat Gas Pool proration unit comprising all of said Section 11.

(4) On January 4, 1988, by Division Order No. R-8575, said Order No. R-6483 was amended to include the State "A" A/C-2 Well No. 73, located at an unorthodox gas well location 990 feet from the South line and 660 feet from the East line (Unit P) of said Section 11, in the simultaneous dedication of said 640-acre Jalmat Gas proration unit.

(5) The applicant, Hal J. Rasmussen Operating, Inc., now seeks to amend both Division Order Nos. R-6483 and R-8575 by authorizing special metering provisions for Jalmat Gas production whereby the operator would meter the total gas production from said unit and allocate this production back to each of the aforementioned wells by means of periodic testing.

(6) Because the production is from a single gas proration unit in the Jalmat Gas Pool, the working interest and royalty ownership will not be adversely affected by granting this application.

(7) Doyle Hartman, an operator and mineral interest owner in the Jalmat Gas Pool, appeared at the hearing and objected to this application.

(8) No offsetting owners, operators or gas purchasers objected to this application.

(9) The applicant's proposed testing procedure provides that one of the five wells will be flowing through the test meter on a daily basis. The well will be changed every 48

hours subsequently so that in the case, after the 10th day, the first well will go back on test for two days. The remainder of the wells will be flowing through the production meter. The daily amount of gas credited to the wells on this system would be the total of the production through the field meter. The production will be allocated back to each one of the wells based upon the data derived from the periodic testing through the test meter.

(10) It is the intention of the applicant in his request to reduce production costs and to more efficiently operate the subject proration unit by consolidating production facilities and to eliminate unnecessary equipment.

(11) The applicant should file with the Division OCD Form C-111 and comply with General Rule 1111 in addition to any other report or form required to be filed as operator of the proration unit and as transporter for the wells involved herein.

(12) The Division should be empowered to administratively rescind any portion of this order or require that a particular well or wells be metered individually if it should appear necessary to prevent waste and protect correlative rights.

(13) Approval of the subject application will afford the applicant the opportunity 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 should otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

Case No. 9774
Order No. R-8575-A
R-6483-A
Page No. 4

(1) Division Order No. R-6483 and R-8575 are hereby amended to include a provision for special metering provisions for Jalmat Gas Pool production from the operator's standard 640-acre gas spacing and proration unit comprising all of Section 11, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, being simultaneously dedicated to the State "A" A/C-2 Well Nos. 14, 36, 42, 62 and 73 all located in Units B-M-E,K and P, respectively, of said Section 11.

(2) Said special metering provisions shall be carried out as described in Finding Paragraph No. (____) above.

(3) The applicant in this matter, Hal J. Rasmussen Operating, Inc., shall file with the Division, OCD Form C-111 and comply with General Rule 1111 in addition to any other reports or forms required to be filed as operator of the subject proration unit and as transporter for the wells involved herein.

(4) The Division may administratively rescind any portion of this order or require a particular well or wells be metered individually if it should appear necessary to prevent waste and protect correlative rights.

(5) 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

Case No. 9774

Order No. R-8575-A
R-6483-A

Page No. 5

WILLIAM J. LEMAY
Director

S E A L

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. 9775
ORDER NO. R-_____

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 1989, 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) At the time of the hearing this case was consolidated with Division Case Nos. 9774 and 9776 for the purpose of testimony.

(3) The applicant in this matter, Hal J. Rasmussen Operating Inc. is the operator of it State "A" Lease Accounts 1 and 2 (State of New Mexico Oil and Gas Lease Nos. A-983 and B-1484) and State "A" Lease Account 3 (State of New Mexico Oil and Gas Lease

No. B-1484) covering mineral rights under certain lands in Townships 22 and 23 South, Range 36 East, NMPM, Lea County, New Mexico.

(4) The Jalmat Gas Pool is within the acreage of the subject application and is governed by Special Rules and Regulations, as promulgated by Division Order No. R-8170, as amended, which provides for 640-acre spacing and designated well locations.

(5) Applicant now seeks to redesignate the existing gas spacing and proration units in the Jalmat Gas Pool on their acreage by the formation of 16 non-standard gas proration units and one standard 640-acre gas proration unit in the Jalmat Gas Pool as further described in Exhibit "A" attached hereto and made a part hereof.

(6) The applicant also seeks approval of all unorthodox gas well locations for the existing wells resulting in said acreage redesignation and the simultaneous dedication of the Jalmat gas wells on each of the aforementioned units, also described in said Exhibit "A."

(7) The applicant further seeks special metering provisions for Jalmat gas production whereby the operator would meter the total gas production from each of the 17 aforementioned units and allocate this production back to each well on its respective unit by means of a periodic testing meter to be assigned each of the 17 units.

(8) Each of the aforementioned units may reasonably be presumed productive of gas from the Jalmat Gas Pool and that each of the non-standard gas proration units can be efficiently and economically drained and developed by the aforementioned wells.

(9) It is the intent of the applicant in his request to reduce production costs in the area and to more efficiently operate their properties by consolidating production facilities and eliminating unnecessary equipment.

(10) The applicant further testified that approval of the subject application will enable the production of remaining gas reserves within the Jalmat Gas Pool underlying this area which would otherwise not be recovered thereby preventing waste.

(11) Doyle Hartman, an operator in the Jalmat Gas Pool, appeared and objected to this application; however, there were no offsetting operators objecting to this application.

(12) The operator of each of the aforementioned Jalmat gas spacing and proration units should allocate the production to each well on its respective proration unit on the basis of well tests. The applicant propose that this testing procedure will provide that one of the wells on the proration unit will be flowing through the testing meter every day. Each test on a well will be for a 48-hour period. The remaining wells on the proration unit will be flowing through the field production meter. The daily amount of gas credited to the wells on the system would be the total production through the test meter and through the field meter. The production from a proration unit will be allocated back to each of the wells on that unit based upon the data devised from the periodic testing through the test meter.

(13) The applicant should file with the Division OCD Form C-111 and comply with General Rule 1111 in addition to any other report or form required to be filed as operator of the proration unit and as transporter for the wells involved herein.

(14) The Division should be empowered to administratively rescind any portion of this order or require that a particular well or wells be metered individually if it should appear necessary to prevent waste and protect correlative rights.

(15) The area of the Hal J. Rasmussen Operating, Inc. State "A" Account 1, 2 and 3 Leases has been the subject of numerous orders establishing and re-aligning non-standard and standard Jalmat Gas Pool gas proration and spacing units as well as simultaneously dedicating a variety of wells at orthodox and unorthodox locations thereto. On Exhibit "B", attached hereto and made a part hereof, is a listing of all Division Orders known to have been issued relative to the property which is the subject of this hearing. These orders should be superceded to the extent that they are inconsistent with any such order issued in this case.

(16) Should it be found that any additional orders exist that are contradictory to any such order issued in this case, then those order should be superceded in a like manner as described above.

(17) Approval of the subject application will afford the applicant the opportunity 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 should otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Hal J. Rasmussen Operating, Inc. to redesignate acreage in certain existing gas spacing and proration units in the Jalmat Gas Pool in Townships 22 and 23 South, Range 36 East, NMPM, Lea County, New Mexico, resulting in the formation of a standard 640-acre gas spacing and proration unit and 16 non-standard gas units, as further described in Exhibit "A", attached hereto and made a part hereof, is hereby approved.

IT IS FURTHER ORDERED THAT:

(2) The unorthodox gas well locations for all of the existing wells resulting in said acreage redesignation and the simultaneous dedication of the Jalmat gas wells on each of the aforementioned units, also described in said Exhibit "A", is also approved.

FURTHERMORE, IT IS ORDERED THAT:

(3) Special metering provisions for Jalmat gas production within each of the aforementioned units, as described in Finding Paragraph No. () above, is hereby approved.

(4) The applicant shall file with the Division, OCD Form C-111 and comply with General Rule 1111 in addition to any other reports or forms required to be filed as operator of each proration unit and as transporter for the wells involved herein.

(5) The Division may administratively rescind any portion of this order or require a particular well or wells be metered individually if it should appear necessary to prevent waste and protect correlative rights.

(6) All known and subsequent Division Orders issued relative to any property which is the subject of this hearing (see Exhibit "B" attached hereto and made a part hereof) shall be superceded to the extent that they are inconsistent with any such order issued in this case.

(7) 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

S E A L

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

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

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM

- 1) Section 5: Lots 3 and 4, S/2 NW/4, and S/2 comprising 480.20 acres, more or less, in State "A" A/C-2.

Well No. 44	1980' FN & WL	Unit F	NSL
Well No. 41	660' FS & WL	Unit M	NSL
Well No. 27	660' FS & EL	Unit P	NSL

- 2) Section 7: Lots 3 and 4, N/2 NE/4, SE/ NE/4, E/2 SW/4, NW/4 SE/4, and E/2 SE/4 comprising 393.06 acres, more or less, in State "A" A/C-2.

Well No. 5	660' FN & EL	Unit A	NSL
Well No. 12	1980' FSL & 660' FEL	Unit I	NSL
Well No. 8	660' FS & EL	Unit P	NSL

- 3) Section 8: All (*Standard 640-acre unit*) in State "A" A/C-2.

Well No. 49	660' FNL & 1980' FWL	Unit C	NSL
Well No. 43	1650' FNL & 990' FEL	Unit H	NSL
Well No. 56	1980' FS & EL	Unit J	Standard Location

- 4) Section 9: NE/4 and W/2 comprising 480 acres in State "A" A/C-2.

Well No. 40	990' FN & EL	Unit A	Standard Location
Well No. 63	990' FNL & 2310' FWL	Unit C	Standard Location
Well No. 38	1980' FS & WL	Unit K	NSL

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM

- 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

- 6) Section 4: Lots 1, 2, 3 and 4, and S/2 N/2 comprising _____ 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

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

(Section 13)

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
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(Section 15)

Well No. 33	1650' FN & WL	Unit F	Standard Location
Well No. 31	1650' FN & EL	Unit H	Standard Location

- 13) 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
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(Section 20)

Well No. 5	1320' FNL & 660' FEL	Units A/H	NSL
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(Section 21)

Well No. 4	660' FNL & 2310' FWL	Unit C	NSL
Well No. 3	1650' FNL & 330' FWL	Unit E	NSL

- 14) Section 20: SE/4 and Section 20: 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
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- 15) Section 22: NE/4 NW/4, S/2 NW/4, and SW/4 comprising 280 acres in State "A" A/C-1.

Well No. 94	660' FNL & 1980' FWL	Unit C	NSL
Well No. 19	1650' FNL & 330' FWL	Unit E	NSL
Well No. 97	1980' FN & WL	Unit F	Standard Location
Well No. 1	330' FSL & 2310' FWL	Unit N	NSL

- 16) Section 23: N/2 comprising 320 acres in State "A" A/C-1.

Well No. 27	1650' FN & WL	Unit F	Standard Location
Well No. 26	1650' FN & EL	Unit G	Standard Location
Well No. 105	2080' FNL & 660' FEL	Unit H	NSL

- 17) Section 24: NW/4 and S/2 comprising 480 acres in State "A" A/C-1.

Well No. 53	1980' FNL & 660' FWL	Unit E	NSL
Well No. 25	1650' FN & WL	Unit F	Standard Location
Well No. 32	1650' FS & EL	Unit J	Standard Location
Well No. 24	990' FSL & 1650' FWL	Unit N	Standard Location

Case No. 9775
Order No. R-
Page No. 11

EXHIBIT "B"
CASE NO. 9775
ORDER NO. R-
HAL J. RASMUSSEN OPERATING, INC.

DIVISION ORDERS ISSUED RELATIVE TO THE PROPERTY
WHICH IS THE SUBJECT OF THIS HEARING.

Division Orders issued
subsequent to hearing

R-6344
R-1364
R-2504
R-3188
R-3009
R-3264
R-3892
R-4116
R-4361, as amended
R-4484

Division Administrative
Orders

NSP-518
NSP-614
NSP-615
NSP-1108

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. 9776
ORDER NO. R-_____

APPLICATION OF HAL J. RASMUSSEN
OPERATING, INC. FOR SURFACE
COMMINGLING, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 1989, 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) At the time of the hearing this case was consolidated with Division Case Nos. 9774 and 9775 for the purpose of testimony.

(3) The applicant in this matter, Hal J. Rasmussen Operating, Inc., is the operator of the State "A" Lease Accounts 1 and 2 (State of New Mexico Oil and Gas Lease Nos. A-983 and B-1484) and State "A" Lease Account 3 (State of New Mexico Oil and Gas Lease No. B-1484) covering mineral rights under certain lands in Townships 22 and 23 South, Range 36 East, NMPM, Lea County, New Mexico, from which it is producing liquid

hydrocarbons from the Arrowhead-Grayburg, Jalmat Gas, Jalmat Oil, Langlie-Mattix and South Eunice Pools.

(4) The applicant now seeks authority to commingle said production from all wells on said leases utilizing 22 tank battery facilities, and to determine the production from each pool by periodic well tests.

(5) All production to be commingled is of marginal nature.

(6) The ownership of said state leases is common throughout.

(7) The previous use of similar production facilities to that proposed by the applicant, has shown that such equipment is a reliable and economical means of transferring the custody oil and that the use of such equipment should be permitted.

(8) Approval of the application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant be and the same is hereby authorized to produce the Arrowhead-Grayburg, Jalmat Gas, Jalmat Oil, Langlie-Mattix and South Eunice Pools liquid production from its State "A" Lease Accounts 1 and 2 (State of New Mexico Oil and Gas Lease Nos. A-983 and B-1484) and State "A" Lease Account 3 (State of New Mexico Oil and Gas Lease No. B-1484) covering certain lands in Township 22 and 23 South, Range 36

East, NMPM, Lea County, New Mexico, into 22 common tank batteries located therein.

(2) The applicant is hereby authorized to install an automatic custody transfer system to handle the above-mentioned commingled production.

PROVIDED HOWEVER THAT the applicant shall install adequate facilities to permit the testing of all wells located on the above-described leases at least once each month to determine the individual production from each zone of each well.

PROVIDED FURTHER THAT the applicant shall install storage facilities capable of handling the total production from said leases during the maximum unattended hours of operation.

IT IS FURTHER ORDERED THAT all meters used in the above-described production facilities shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

(3) All meters shall be checked for accuracy at least once each month until further direction by the Division.

(4) In the event any well producing into the commingled batteries becomes capable of top allowable production, the Division will take such action as may be appropriate.

Case No. 9776
Order No. R-
Page No. 4

(5) The aforementioned installations shall be installed and operated in accordance with the applicable provisions of General Rule 303 of the Division and the Division "Manual for the Installation and Operation of Commingling Facilities."

(6) It will be the responsibility of the producer to notify the transporter of this commingling authority.

(7) 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

S E A L

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:

*Change as
submitted by
R.L. St. Martin*

CASE NO. 9776
ORDER NO. R-_____

APPLICATION OF HAL J. RASMUSSEN
OPERATING, INC. FOR SURFACE
COMMINGLING, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 1989, 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) At the time of the hearing this case was consolidated with Division Case Nos. 9774 and 9775 for the purpose of testimony.

(3) The applicant in this matter, Hal J. Rasmussen Operating, Inc., is the operator of the State "A" Lease Accounts 1 and 2 (State of New Mexico Oil and Gas Lease Nos. A-983 and ~~B-1484~~) and State "A" Lease Account 3 (State of New Mexico Oil and Gas Lease No. B-1484) covering mineral rights under certain lands in Townships 22 and 23 South, Range 36 East, NMPM, Lea County, New Mexico, from which it is producing liquid

hydrocarbons from the Arrowhead-Grayburg, Jalmat Gas, Jalmat Oil, Langlie-Mattix and South Eunice Pools.

(4) The applicant now seeks authority to commingle said ^{liquid} production from all wells on said leases utilizing 22 tank battery facilities, and to determine the production from each pool by periodic well tests.

(5) All production to be commingled is of marginal nature.

(6) The ownership ^{under each of} said state leases is common throughout.

(7) The previous use of similar production facilities ^{and operations} to that proposed by the applicant, has shown that such equipment ^{and procedures are} is a reliable and economical means of ~~transferring~~ ^{determining production to each well and pool.} the custody oil and that the use of such equipment should be permitted.

(8) Approval of the application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant be and the same is hereby authorized to produce the Arrowhead-Grayburg, Jalmat Gas, Jalmat Oil, Langlie-Mattix and South Eunice Pools liquid production from its State "A" Lease Accounts 1 and 2 (State of New Mexico Oil and Gas Lease No. A-983 and ~~B-1484~~) and State "A" Lease Account 3 (State of New Mexico Oil and Gas Lease No. B-1484) covering certain lands in Township 22 and 23 South, Range 36

*At least
annually (semi
annually)
and after
a workover*

East, NMPM, Lea Cou

batteries located therein.

(2) The appl
system to handle the al

~~automatic custody transfer~~

PROVIDED HOWEVER THAT the applicant shall ^{provide} ~~install~~ adequate facilities ^{and procedures} to permit the testing of all wells located on the above-described leases at least once each month to determine the individual production from each zone of each well.

PROVIDED FURTHER THAT the applicant shall install storage facilities capable of handling the total production from said leases during the maximum unattended hours of operation.

IT IS FURTHER ORDERED THAT all meters used in the above-described production facilities shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

(3) All meters shall be checked for accuracy at least once each month until further direction by the Division.

(4) In the event any well producing into the commingled batteries becomes capable of top allowable production, the Division will take such action as may be appropriate.

Case No. 9776
Order No. R-
Page No. 4

(5) The aforementioned installations shall be installed and operated in accordance with the applicable provisions of General Rule 303 of the Division and the Division "Manual for the Installation and Operation of Commingling Facilities."

(6) It will be the responsibility of the producer to notify the transporter of this commingling authority.

(7) 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

S E A L

R. L. STAMETS (Consultant)

201 West San Mateo, Santa Fe, NM 87501

(505) 982-1680

November 4, 1989

Mike Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM

Dear Mike:

I wanted to talk to you in person but you were out most of last week and Beverly's mother passed away Saturday morning and I will be gone all next week.

Referring to Cases No. 9774, 9775, and 9776, Rasmussen is to the point where they have to start ordering equipment and, of course, they would like to know whether their applications are approved or not. I don't think you have the transcript back yet and I know that I would not send out an order in a contested case without the transcript. Nevertheless, anything you can do to hurry an order or orders along on this I will take as a personal favor.

Thanks,

A handwritten signature in cursive script, appearing to read "Dick", written in dark ink.

R. L. Stamets

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

September 29, 1989

Hal J. Rasmussen Operating, Inc.
6 Desta Drive, Suite 5850
Midland, Texas 79705

Re: Application Submitted to
the State of New Mexico
Oil Conservation Division
For Hearing October 4, 1989
OCD Case Nos. 9774, 9775,
and 9776 *M.S.*
Simultaneous Dedication,
Special Gas Metering and
Surface Commingling
T-22-S and T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

We have just learned of your petition to the State of New Mexico Oil Conservation Division seeking an exception to several OCD regulations concerning gas well metering provisions, non-standard Jalmat gas pool proration units, unorthodox gas well locations, simultaneous dedication, and surface commingling of liquid hydrocarbon production with all applications corresponding to the State "A" Account properties operated by you and located within the Arrowhead Grayburg, Jalmat Gas, Jalmat Oil, Langlie Mattix and South Eunice Pools of Townships 22 and 23 South, Range 36 East, Lea County, New Mexico. The various applications have been assigned Case Nos. 9774, 9775, and 9776 by the OCD and are scheduled for hearing by an examiner on October 4, 1989.

Doyle Hartman, as a working interest owner in offset leases referenced within your applications, and as an active operator within the pools specified therein, hereby advises you of his opposition and considerable concern pertaining to the magnitude of your unprecedented applications as submitted to the OCD.

Because of the very large amount of acreage and numerous wells involved, it is clearly evident that the applications as submitted could possibly result in Rasmussen, Inc. receiving an unequitable and decisive advantage as compared to other Southeast New Mexico operators who also must appropriately comply with the current OCD regulations concerning gas proration, allocation, and allowables. Moreover, corresponding to the historic New Mexico regulations concerning the metering of individual gas wells, we also believe individual gas well metering is a low-cost sound engineering practice that helps provide

production and engineering data that ultimately leads to the optimal recovery of future gas reserves located within a given pool. An exception as you propose to existing metering rules could propagate a very unwise trend that could lead to the waste of a very valuable New Mexico natural resource and in some situations could impede compliance with casinghead and gas well gas allowables as defined by the current OCD regulations.

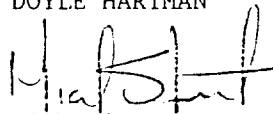
In light of the above, and in consideration of the numerous additional complexities and ramifications associated with your unprecedented applications, we are advising our attorneys in Santa Fe to vigorously seek an extension concerning the currently scheduled hearing date for the above referenced cases. Moreover, we also believe each proration unit change that you are seeking should be considered on an individual proration unit basis (historical NMOCD practice) and we believe a hearing extension will allow both the New Mexico Oil Conservation Division and several Southeast New Mexico operators to systematically and appropriately examine and review the implications of your critical and momentous request.

The underlying issues of open market access brought forth by your applications are of great concern to not only Doyle Hartman, but also to other Southeast New Mexico owners and operators. However, we feel that an equitable solution to the current problem of reasonable and fair market access in Southeast New Mexico will not be appropriately obtained by the NMOCD granting individual exceptions to the existing OCD proration regulations. The problem of market access can be equitably addressed only after a review and appropriate revision of the existing regulations that impedes all operators (including Hal Rasmussen, Inc.) from efficiently producing and marketing their gas in the open market environment that has promulgated by the United State Congress, the FERC, the interstate pipelines, and the ultimate end user.

Should you have any questions or comments concerning our opposition to the referenced applications, please feel free to contact me.

Very truly yours,

DOYLE HARTMAN


Michael Stewart

MS/lr

cc State of New Mexico
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504
Attn: Michael Stogner
Hearing Examiner

State of New Mexico
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504
Attn: Victor T. Lyon
Chief Engineer

Mr. J. E. Gallegos
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Joanne Reuter
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Mr. Daniel Nutter
105 E. Alicante
Santa Fe, New Mexico 87501

Mr. William F. Carr
Campbell and Black
Post Office Box 2208
Santa Fe, New Mexico 87501

Governor Garrey Carruthers
State of New Mexico
New Mexico State Capitol Building
Santa Fe, New Mexico 87501

William Humphries
State Land Commission
New Mexico State Land Office
Post Office Box 1148
Santa Fe, New Mexico 87504

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

TELECOPY TRANSMITTAL INFORMATION

DATE: 9-29-89
TO: Bill Carr
FROM: Doyle Hartman
RE: Cases 9774, 9775 + 9776

NOTES:

*Letter to Hal Rasmussen
regarding above stated
cases dated 9-29-89*

Number of Pages _____ (Including transmittal page)

_____ Call extention _____ Notify _____ upon receipt of
telecopy or if there are any problems with transmission

Our Fax Machine Number is 915/682-7616



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

September 29, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5600

Gallegos Law Firm, P.A.
141 E. Palace Ave.
Santa Fe, New Mexico 87501

Attention: Joanne Reuter

Campbell & Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Re: Division Cases Nos. 9774,
9775, and (9776) Applications
of Hal J. Rasmussen Operating,
Inc.

M. S.

Dear Ms. Reuter and Mr. Carr:

Per your letters dated September 27, 1989 and September 28, 1989, respectively, even though it does appear that the issues in these cases are somewhat complex, many questions and concerns could be answered at the October 4, 1989 hearing. If necessary any further motions for continuance could be addressed at that time.

Please be aware that at this time the October 4, 1989 docket appears "heavy" and all uncontested cases will be considered and heard before any contested cases.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner".

MICHAEL E. STOGNER
Chief Hearing Officer/Engineer

MES/fd

enc: Victor T. Lyon, Chief Engineer
William J. LeMay, Director
OCD, Hobbs
Robert G. Stovall, General Counsel

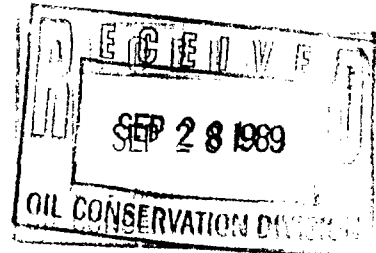
CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
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MARTE D. LIGHTSTONE
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September 28, 1989

HAND-DELIVERED



Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
301 Old Santa Fe Trail
State Land Office Building
Santa Fe, New Mexico 87503

M. S.

Re: Oil Conservation Division Cases 9774, 9775 and 9776.
Applications of Hal J. Rasmussen Operating, Inc.

Dear Mr. Stogner:

This letter is to advise you that Hal J. Rasmussen Operating, Inc. opposes Doyle Hartman's request to continue the above referenced cases now scheduled for hearing before a Division Examiner on October 4, 1989.

On this date, we have reviewed the land work we did in preparation for these hearings and have confirmed that notice was provided as required by Oil Conservation Division Rule 1207. Since all notice has been timely provided by Hal J. Rasmussen Operating, Inc., and since we are prepared to go forward with our hearing on October 4, we request that we be given an opportunity to do so.

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
September 28, 1989
Page Two

It should be noted that the changes in existing Jalmat proration units being sought by Rasmussen are similar to the changes which other Jalmat Gas operators, including Mr. Hartman, have made on numerous occasions.

After presentation of our case on October 4, we believe that Mr. Hartman's questions and concerns will have been answered. If the case is continued however, it will only result in unnecessary delays in Rasmussen's efforts to more efficiently produce Jalmat.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh
Enclosures

cc: Joanne Reuter, Esq. "Hand-Delivered"
Gallegos Law Firm
141 E. Palace Avenue
Santa Fe, New Mexico 87501
Attorney for Doyle Hartman

Victor T. Lyon
Chief Engineer
Oil Conservation Division

Mr. Scott Ramsey
Hal J. Rasmussen Operating, Inc.

GALLEGOS LAW FIRM

A Professional Corporation

141 East Palace Avenue
Santa Fe, New Mexico 87501
505 • 983 • 6686
Telefax No. 505 • 986 • 0741

J. E. Gallegos
George F. Bingham*
Michael L. Oja†
Joanne Reuter
Felice G. Gonzales
Candace Hamann-Callahan
Harry T. Nutter

September 27, 1989

HAND DELIVERY

RECEIVED

SEP 27 1989

OIL CONSERVATION DIVISION

Michael Stogner
Hearing Examiner
New Mexico Oil Conservation Division
Energy and Minerals Department
301 Old Santa Fe Trail
Santa Fe, New Mexico 87504

RE: Applications of Hal J. Rasmussen Operating, Inc. in Commission
Docket Nos. 9774, 9775 and 9776

Dear Mr. Stogner:

This firm represents Doyle Hartman in the above matters, for which you have been docketed hearing examiner. The purpose of this letter is to advise you that Mr. Hartman objects to and opposes the above applications and respectfully requests that the hearings on these applications be postponed from their present October 4, 1989 setting.

Mr. Hartman owns interests in several tracts offsetting the areas that would be affected by Mr. Rasmussen's applications. As discussed more fully below, these applications also can have far-reaching and precedential effect with respect to Jalmat pool production in Southeast New Mexico. As a producer in the Jalmat pool with plans for a considerable amount of development there, Mr. Hartman is extremely concerned about the implications of these applications. He had not received any notice of the hearing of these applications until the Commission published its docket for October 4, 1989, and therefore has not had time to fully analyze them. Certain serious issues, however, leap out from the docket descriptions of the applications, and justify continuance of the hearings so that the NMOCD, Mr. Hartman and any other interested parties may examine them.

* Also admitted in the District of Columbia

† Also admitted in California

Briefly stated, Mr. Rasmussen: (1) seeks permission in Case Nos. 9774 and 9775 to specially meter gas production by unit rather than by well in 19 sections of land for Jalmat gas production; (2) seeks approval in Case No. 9775 of redesignation of acreage into nonstandard proration units, unorthodox well locations and simultaneous dedication in 18 sections of land in the Jalmat pool; and (3) further seeks permission in Case No. 9776 to surface-commingle liquid hydrocarbon production from various gas and oil pools, including the Jalmat.

The rearrangement of proration units, variance from required well-metering provisions and surface commingling would quite apparently effect, as a practical matter, an increase or allocation of greater allowables to Mr. Rasmussen's better-producing wells. While Mr. Hartman sympathizes with Mr. Rasmussen's desire to produce more gas under an appropriate allowable, he must remain opposed to any efforts to bend the rules on such an ad hoc basis. Mr. Rasmussen's application amounts to a serious modification of the Jalmat Pool Rules which must be thoroughly and carefully considered because of its precedential value in future applications for variance from those rules. It would be unjust and endanger correlative rights to permit one producer to play by different pool rules than the rest.

In addition, the application is also objectionable in substance. Rearrangement of proration units in 18 sections clearly can have drastic effects on the correlative rights of offsetting interest owners as well as all other Jalmat pool producers. Permission to meter by unit rather than by well makes it impossible to determine where gas is coming from, and has the potential for abuse of the proration system and improper application of allowables. Because individual well-metering provides vital information concerning recovery of reserves, Mr. Rasmussen's proposal will result in waste of valuable reserves to New Mexico.

Michael Stogner
September 27, 1989
Page Three

Moreover, the concept of applying for unit metering, nonstandard proration units and unorthodox locations in 18 to 19 sections of land in one single application to be handled in one single hearing is contrary to the interests of good engineering, operating and administrative practice. Each nonstandard unit and well location should be the subject of an individual application. To respond to the omnibus application filed on the short notice Mr. Hartman has had is nothing short of a Herculean task for him and any other interested party, and would deprive the NMOCD of the benefit of vital information and scrutiny of the application by affected parties.

In conclusion, Mr. Hartman requests that the hearing on October 4, 1989 be postponed until Mr. Hartman can prepare relevant and material evidence concerning these applications so that the Commission can make a reasonable and informed decision on these unusual proposals.

Sincerely,

GALLEGOS LAW FIRM

By 
JOANNE REUTER

JR:ap

cc: Hand delivery
William F. Carr, Esq.,
Counsel for Hal J. Ramussen Operating, Inc.

Victor T. Lyon,
Chief Engineer,
New Mexico Oil Conservation Division