

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



BRUCE KING
GOVERNOR



ANITA LOCKWOOD
CABINET SECRETARY

MATTHEW BACA
DEPUTY SECRETARY

April 15, 1992

LOSEE, CARSON, HAAS & CARROLL
Attorneys at Law
P. O. Drawer 239
Artesia, New Mexico 88211-0239

RE: CASE NO. 9854
ORDER NO. R-9131-C and R-5353-K-1

Dear Sir:

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

Sincerely,

A handwritten signature in cursive script that reads "Florene".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Carlsbad Office
William Carr

VILLAGRA BUILDING - 408 Galisteo
Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830

Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco
Office of the Secretary
827-5950

Administrative Services
827-5925

Energy Conservation & Management
827-5900

Mining and Minerals
827-5970

LAND OFFICE BUILDING - 310 Old Santa Fe Trail
Oil Conservation Division
P.O. Box 2088 87504-2088
827-5800

**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. 9854 (Reopened)
Order Nos. R-9131-C
R-5353-K-1**

**IN THE MATTER OF CASE 9854 BEING REOPENED
PURSUANT TO THE PROVISIONS OF DIVISION ORDER
NOS. R-9131-A/R-5353-K, WHICH ORDER RECLASSIFIED
THE DIABLO-FUSSELMAN POOL IN CHAVES COUNTY, NEW
MEXICO AS AN ASSOCIATED POOL WITH SPECIAL RULES
AND REGULATIONS INCLUDING PROVISIONS FOR 80-ACRE
OIL AND 160-ACRE GAS SPACING AND PRORATION UNITS,
DESIGNATED WELL LOCATION REQUIREMENTS, AND
ESTABLISHED A GAS/OIL RATIO (GOR) LIMITATION OF
6,500 CUBIC FEET OF GAS PER BARREL OF OIL.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of April, 1992, 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 Order No. R-9131 issued in Case No. 9854 on March 2, 1990, the Division, upon application of Stevens Operating Corporation, created, defined and promulgated 90-day Temporary Special Rules and Regulations for the Diablo-Fusselman Pool located in portions of Sections 21 and 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico, including a provision for 160-acre oil spacing, designated well location requirements, an oil allowable of 382 barrels of oil per day, and a limiting gas-oil ratio (GOR) of 6,500 cubic feet of gas per barrel of oil.

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(3) By Order No. R-9131-A/R-5353-K issued in reopened Case No. 9854 on August 3, 1990, the Division reclassified the subject pool as an associated pool, and promulgated one year Temporary Special Rules and Regulations for the Diablo-Fusselman Associated Pool, including provisions for 80-acre oil and 160-acre gas spacing and proration units, designated well location requirements, an oil allowable of 222 barrels of oil per day, and a limiting gas-oil ratio (GOR) of 6,500 cubic feet of gas per barrel of oil.

(4) Pursuant to the provisions of said Order Nos. R-9131-A/R-5353-K, this case was reopened to allow the operators in the subject pool the opportunity to appear and show cause why the Temporary Special Rules and Regulations for the Diablo-Fusselman Associated Pool should not be rescinded and the pool be developed on statewide 40-acre oil spacing units.

(5) Yates Petroleum Corporation (Yates), one of only two operators in the subject pool, appeared at the hearing and presented evidence and testimony in support of continuation of the temporary special rules and regulations.

(6) According to evidence presented, there are currently six producing oil wells and three producing gas wells in the subject pool of which Yates operates four oil wells and two gas wells. The remaining wells in the pool are operated by Hanson Operating Company, Inc.

(7) Yates testified that it is unlikely that any additional wells will be drilled in the subject pool.

(8) Hanson Operating Company, Inc. did not appear and present evidence and testimony in this case.

(9) The evidence and testimony presented in this case indicate that the remaining oil and gas reserves in the Diablo-Fusselman Associated Pool can best be produced and depleted under the current temporary special rules and regulations.

(10) The special rules and regulations promulgated by Order Nos. R-9131-A/R-5353-K have afforded and will afford the owner of each property in the pool the opportunity to produce his just and equitable share of the oil and gas in the pool.

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(11) In order to prevent the economic loss caused by the drilling of an excessive number of wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells and to otherwise prevent waste and protect correlative rights, Order Nos. R-9131-A/R-5353-K should be continued in full force and effect until further order of the Division.

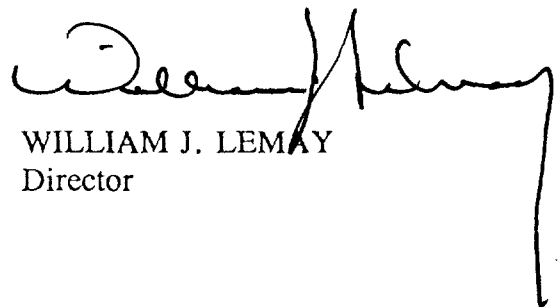
IT IS THEREFORE ORDERED THAT:

(1) The Special Rules and Regulations governing the Diablo-Fusselman Associated Pool, Chaves County, New Mexico, promulgated by Division Order No. R-9131-A/R-5353-K are hereby continued in full force and effect until further order of the Division.

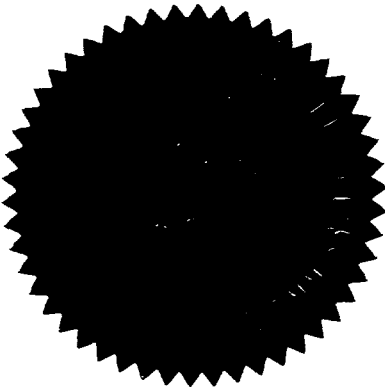
(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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