

**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. 13274
ORDER NO. R-12366**

**APPLICATION OF ARCH PETROLEUM, INC.
AND WESTBROOK OIL CORPORATION FOR
TWO NON-STANDARD GAS SPACING UNITS
IN THE JALMAT GAS POOL, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 27, 2004 and on April 7, 2005, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of June, 2005, 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) At the hearing, this case was consolidated with Division Case No. 13275 for the purpose of testimony.
- (3) The applicants, Arch Petroleum, Inc. ("Arch") and Westbrook Oil Corporation ("Westbrook"), are seeking to divide the existing 320-acre non-standard gas spacing unit in the Jalmat Gas Pool (79240) comprising the S/2 of Section 20, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico (approved by Division Administrative Order NSP-420, dated March 31, 1958), into two non-standard 160-acre units comprising the: (i) SW/4 of Section 20 to be dedicated to Westbrook Oil Corporation's existing Steeler "A" Well No. 1 (30-025-10805), located at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 20; and (ii) SE/4 of Section 20 to be dedicated Arch Petroleum, Inc.'s Resler "B" Well No. 1 (API No. 30-025-36573), recently drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of Section 20.

(4) Fulfer Oil and Cattle Company, LLC ("**Fulfer**"), an offset operator, appeared at the hearing but offered no opposing testimony to this application.

(5) All of Section 20, Township 23 South, Range 37 East, **NMPM**, Lea County, New Mexico, is within the Jalmat Gas Pool and is therefore subject to the "*Special Pool Rules for the Jalmat Gas Pool*" as promulgated by Division Order No. **R-8170-P**, issued in Case No. 12563 on December 14, 2001. Further, gas production from the Jalmat Gas Pool is **unprorated** and is not subject to Part H of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). The rules that govern gas wells within the Jalmat Gas Pool are summarized as follows:

- (a) a gas well in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil;
- (b) a standard gas spacing unit in the Jalmat Gas Pool shall be 640 acres and shall comprise a single governmental section;
- (c) a gas well in the Jalmat Gas Pool shall be located no closer than: (i) 660 feet to any outer boundary of its assigned gas spacing unit; (ii) 660 feet to any governmental quarter section line; and (iii) 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; and
- (d) for any gas spacing unit, either standard or otherwise, the number of wells allowed shall be limited to no more than one well per **160-acre** quarter section.

(6) This case was heard prior to the **adoption** of the latest changes to Division Rule **104**, revised by Division Order No. **R-12303-A**, issued by the New Mexico Oil Conservation Commission in Case No. 13453 on May 12, 2005 and made effective May 31, 2005, which allows for multiple operators in spacing units within the Jalmat Gas Pool.

- (7) The evidence presented in this case demonstrates that:
- (a) even though Westbrook is operator of the existing 320-acre Jalmat gas spacing unit comprising the S/2 of Section 20, Westbrook owns no working interest in this unit, and is only the contract operator;
 - (b) royalty interest is common throughout the S/2 of Section 20;
 - (c) Arch owns 100 percent of the working interest underlying the 200 acres comprising the NE/4 SW/4 and the SE/4 of Section 20; and
 - (d) the remaining 120 acres is split between several working interest owners.

(8) The applicant testified this application was sought because the Division would not allow multiple operators at that time. A means now exists so that the existing 320-acre gas spacing unit **can be** kept intact without adversely affecting the mineral interest between ~~the~~ two proposed **160-acre** units that would sever the undivided working interest between the **200-acre** Arch tract and the **120-acre** variously-owned tract (see Division Rule 104.E, as revised by Division Order No. R-12303-A).

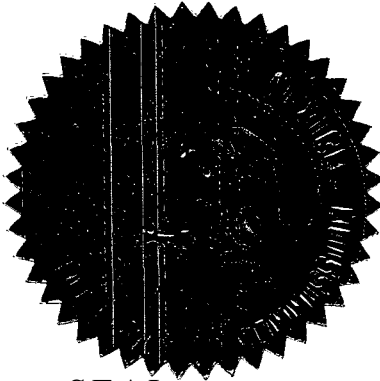
(9) In the best interest of conservation and to assure adequate protection of correlative rights, this application should be **denied**.

IT IS THEREFORE ORDERED THAT ;

(1) The application of Arch Petroleum, Inc. ("Arch") and Westbrook Oil Corporation ("Westbrook"), to divide the existing 320-acre non-standard gas spacing unit in the Jalmat Gas Pool (79240) comprising the S/2 of Section 20, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico (approved by Division Administrative Order NSP-420, dated March 31, 1958), into two non-standard **160-acre** units comprising the: (i) SW/4 of Section 20 to be dedicated to Westbrook Oil Corporation's existing Steeler "A" Well No. 1 (30-025-10805), located at a standard gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 20; and (ii) SE/4 of Section 20 to be dedicated Arch Petroleum, Inc.'s Resler "B" Well No. 1 (**API No.** 30-025-36573), recently drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of Section 20, is hereby **denied**.

(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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

MARK FESMIRE, P. E.
Director