

**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. 13570
ORDER NO. R-12499**

**APPLICATION OF GRUY PETROLEUM MANAGEMENT COMPANY FOR
SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 20, 2005, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of February, 2006, the Division Director, having considered the testimony, the record, and the recommendation 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) The applicant, Gruy Petroleum Management Company ("Gruy" or "applicant"), seeks approval to simultaneously dedicate an existing standard 160-acre gas spacing unit consisting of the SW/4 of Section 5, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, to the following two wells for production from the Rhodes-Yates Seven Rivers Gas Pool (83810):
 - (a) Rhodes Federal Unit Well No 54 (API 30-025-31463) located in Unit K at a standard gas well location 1,930 feet from the South line and 1,980 feet from the West line; and
 - (b) the proposed Rhodes Federal Unit Well No 56 (API 30-025-37553) to be located in Unit M at a standard gas well location 660 feet from the South line and 660 feet from the West line.
- (3) No other party entered an appearance or opposed this application.

(4) The Rhodes-Yates Seven Rivers Gas Pool has no special pool rules and is therefore governed solely by statewide rules. Since these wells are located in Lea County and produce gas from a formation younger than the Wolfcamp, the applicable statewide well spacing and location rule is 19.15.3.104 NMAC Section C. (3) shown here:

19.15.3.104 WELL SPACING AND LOCATION:

C. Gas Wells Acreage And Well Location Requirements.

(3) *160-acre spacing applies to any other gas well not covered above [Sections C (1) and (2)]. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. public land surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter section or subdivision inner boundary.*

(5) As shown in (4) above, 160-acre gas spacing units are not allowed more than one well. The applicant in this case seeks an exception to Rule 104 C. (3) under the procedure set out in Rule 104 D. (3).

(6) The applicant presented land, geology, and engineering testimony as follows:

(a) Offsetting operators were noticed of applicant's intention to drill and produce an additional well on this spacing unit.

(b) Portions of the Rhodes Federal Unit were once included in the Rhodes gas storage area. Gas storage ceased years ago and all non-native gas has been removed.

(c) The main pay interval is in the Yates formation. The porosity stringers are relatively continuous, but variable in thickness. The well control is extensive and there is very little risk of not encountering the Yates pay intervals.

(d) In 2002, Gruy conducted production tests in this area with two gas wells on one 160-acre spacing unit. The tests showed that significant incremental reserves are recovered after drilling the second well and interference is on the average, less than 0.1 bcf of gas.

(e) The Jalmat is a similar reservoir and has been successfully down spaced to 40-acre well spacing or 4 wells per 160 acres.

(f) Reservoir pressures were initially low in this reservoir and are now extremely low. Correspondingly, gas recovery factors are also low.

(g) The expected incremental reserves due to drilling and producing the Rhodes Federal Unit Well No. 56 in the same spacing unit with the Rhodes Federal Unit Well No. 54 is 0.806 bcf of gas.

(7) The applicant's evidence presented in this case demonstrate that the simultaneous production of these two wells in this existing 160-acre spacing unit is necessary in order to recover reserves that would otherwise not be recovered.

(8) Approval of this application will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

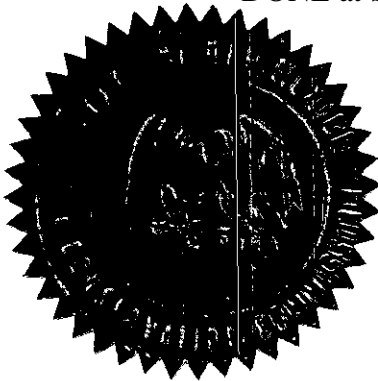
(1) The application of Gruy Petroleum Management Company to simultaneously dedicate an existing standard 160-acre gas spacing unit consisting of the SW/4 of Section 5, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, to the following two wells for production of gas from the Rhodes-Yates Seven Rivers Gas (83810) Pool is hereby approved:

(a) Rhodes Federal Unit Well No 54 (API 30-025-31463) located in Unit K at a standard gas well location 1,930 feet from the South line and 1,980 feet from the West line; and

(b) the proposed Rhodes Federal Unit Well No 56 (API 30-025-37553) to be located in Unit M at a standard gas well location 660 feet from the South line and 660 feet from the West line.

(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", written over a horizontal line.

MARK E. FESMIRE, P.E.
Director