

# GALLEGOS LAW FIRM

A Professional Corporation

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## RECEIVED

MAY 11 2004

OIL CONSERVATION  
DIVISION

May 4, 2004  
(Our File No. 04-359.02)

J.E. GALLEGOS \*\*

### VIA HAND-DELIVERY

Carol Leach, Acting Director  
Oil Conservation Division  
1220 S. Saint Francis Drive  
Santa Fe, New Mexico 87504

Re: Administrative Order NSP – 1871; Application of Fulfer Oil & Cattle Co. to Stay Order

Dear Director Leach:

Enclosed are courtesy copies of an Application for Immediate Stay of Administrative Order NSP-1871, Objection to that Order and Request for Public Hearing on the Application of Yarbrough Oil L.P. for a Non-Standard Proration Unit, Jalmat Oil Pool and Request for Immediate Stay of Administrative order NSP-1871 issued April 12, 2004, the original and required copies are being filed contemporaneously with Ms. Florene Davidson, Administrative Assistant.

We are requesting emergency action on the Request For Stay on the basis set forth in that pleading. It is submitted that Yarbrough Oil L.P. should be required to comply with the rules of the Division concerning obtaining consents from or giving notice to adjacent operators and that Order NSP-1871 should have no effect pending further regular proceeding on the Yarbrough application.

Your early attention to this matter will be appreciated. Please contact the undersigned should any more information or discussion on the matter be of assistance.

Sincerely,

GALLEGOS LAW FIRM, P.C.

By

J.E. GALLEGOS

JEG:sg

Enclosures

cc: Michael Stogner, Chief Hearing Examiner  
Gregg Fulfer  
Yarbrough Oil LP

BEFORE THE OIL CONSERVATION DIVISION  
DEPARTMENT OF ENERGY AND MINERALS  
STATE OF NEW MEXICO

RECEIVED

MAY - 4 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

APPLICATION OF FULFER OIL & CATTLE  
CO., TO STAY ADMINISTRATIVE ORDER  
NSP-1871 AND SET FOR HEARING YARBROUGH  
OIL L.P. APPLICATION FOR A NON-STANDARD  
160 JALMAT GAS POOL SPACING UNIT  
COMPRISING THE N1/2SW1/4, SW1/4SW1/4  
AND NW1/4SE1/4 OF SECTION 17, TOWNSHIP  
23 SOUTH, RANGE 37 EAST, LEA COUNTY,  
NEW MEXICO.

No. 13277

**REQUEST FOR IMMEDIATE STAY OF ADMINISTRATIVE  
ORDER NSP- 1871 ISSUED APRIL 12, 2004**

Fulfer Oil & Cattle Co. ("Fulfer") , by its attorney and pursuant to NMSA Sec 70-2-3, requests that the Director of the Division issue an order on an emergency basis staying the effect of Administrative Order NSP – 1871 issued April 12, 2004, creating a nonstandard Jalmat Gas Pool of 160 acres to which the E. L. Steeler Well No. 4 in Unit M of Section 17, Township 23 South, Range 37 East is to be dedicated. In support of such request Fulfer states the following:

1. Fulfer has contemporaneously filed its Application for Immediate Stay of Administrative Order NSP – 1871, Objection to That Order and Request For Public Hearing on the Application of Yarbrough Oil L. P. ("Yarbrough") and the allegations therein are adopted here by reference.

2. Fulfer is the operator of two Jalmat Gas wells in the adjoining North ½ of Section 20, Township 23 South, Range 37 East and the E. L. Steeler Well No. 4 would be a direct offset to the Fulfer J. C. Johnson No. 4 Well in Unit D of Section 20.

3. Fulfer is informed and believes that the E. L. Steeler Well No. 4 has already been recompleted and perforated in the Jalmat Gas Pool and within the next few days is schedule to be fracture stimulated and placed on production.

4. Order NSP – 1871 was issued without consent of Fulfer, or it is believed of any other affected operators, and without notice and opportunity to object. The Order was issued in contravention of the applicable Division rules and regulations and due process principles.

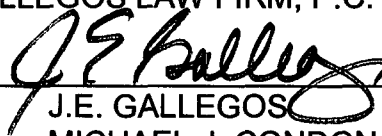
5. Under the authority of NMSA § 70-2-23 the Division upon finding that an emergency exists is empowered to issue a stay or to order withdrawal of Order NSP – 1871 without first having a hearing. In such event the application of Yarbrough should be and would be processed in the ordinary course after due notice first being given to all operators of adjacent units in accordance with Rule 4(C), Order R-8170-P.

6. Notice of the Fulfer Application and of this Request for Immediate Stay has been given to Yarbrough's agent of record by email contemporaneously herewith.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By



J.E. GALLEGOS  
MICHAEL J. CONDON

460 St. Michael's Drive, Bldg. 300  
Santa Fe, New Mexico 87505  
(505) 983-6686

#### **CERTIFICATE OF SERVICE**

I hereby certify that I have caused a true and correct copy of the foregoing Request for Immediate Stay to be served on this 4<sup>th</sup> day of May, 2004, by email to Gaye Heard, Agent, Yarbrough Oil, L.P. at [gheard@oilreportsinc.com](mailto:gheard@oilreportsinc.com) and by certified mail, return receipt requested to Yarbrough Oil, L.P. at 1008 W. Broadway, Hobbs, New Mexico 88240.



J.E. Gallegos

BEFORE THE OIL CONSERVATION DIVISION  
DEPARTMENT OF ENERGY AND MINERALS  
STATE OF NEW MEXICO

RECEIVED

MAY - 4 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

APPLICATION OF FULFER OIL & CATTLE  
CO., TO STAY ADMINISTRATIVE ORDER  
NSP-1871 AND SET FOR HEARING YARBROUGH  
OIL L.P. APPLICATION FOR A NON-STANDARD  
160 JALMAT GAS POOL SPACING UNIT  
COMPRISING THE N1/2SW1/4, SW1/4SW1/4  
AND NW1/4SE1/4 OF SECTION 17, TOWNSHIP  
23 SOUTH, RANGE 37 EAST, LEA COUNTY,  
NEW MEXICO.

No. 13277

APPLICATION FOR IMMEDIATE STAY OF ADMINISTRATIVE  
ORDER NSP-1871, OBJECTION TO THAT ORDER AND REQUEST  
FOR PUBLIC HEARING ON THE APPLICATION OF YARBROUGH  
OIL L.P. FOR A NON-STANDARD PRORATION UNIT, JALMAT OIL POOL

Fulfer Oil & Cattle Co., P. O. Box 578, Jal, New Mexico, by its attorney, on behalf  
of its Application and pursuant to NMSA § 70-2-23 and to Order R-8170-P Rule 4(B)  
and 4(E) states:

1. Fulfer Oil & Cattle Co. ("Fulfer") is the operator of two Jalmat Gas wells,  
the J. C. Johnson Nos. 3 and 4 on a 320 acres spacing unit comprising the North ½ of  
Section 20, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico. The  
No. 4 well was fracture stimulated by Fulfer in March 2004 to achieve and enhance  
commercial production from the Jalmat Gas Pool zones.

2. On March 29, 2004, Yarbrough Oil L.P. ("Yarbrough") filed an  
Administrative Application with the Division seeking, *inter alia*, to re-enter and complete  
the E. L. Steeler No. 4 well "to Jalmat Yates Gas" and to do so in a non-standard 160  
acre proration unit that is not contained entirely within a government survey 160 quarter  
section. 120 acres of the proposed unit is in the Southwest Quarter of Section 17,

Township 23 South, Range 37 East and 40 acres is in the Southeast Quarter of that Section.

3. The E. L. Steeler No. 4 is located in Unit M of the said Section 17 and is a direct offset to the Fulfer lease and more specifically to the J. C. Johnson No. 4 Jalmat Gas well operated by Fulfer.

4. **Fulfer did not consent to nor was it given notice** of the Application of Yarbrough for the administrative approval of the non-standard proration unit, was denied an opportunity to object and protect its interest in contravention of Rule 4(C)(a) and (b) of the Special Pool Rules for the Jalmat Gas Pool and contrary to NMSA § 70-2-23 and fundamental principles of due process.

5. Division Order NSP-1871 issued April 12, 2004 granted the Yarbrough administrative application. In doing so the order references Order R-479 entered 50 years ago in Case No. 703. Order R-479, issued May 27, 1954 authorized Skelly Oil Company to form a proration unit in the "Langmont Gas Pool" consisting of other than a legal quarter section; such unit covering the acreage described in the Yarbrough Application. Order R-479 recited that the gas producing well for the unit was the E. L. Steeler No. 7 (in Unit L) and that owners of adjoining acreage had not objected to formation of the non-standard proration unit.

6. The E. L. Steeler No. 7 well was completed in or about April 1954 and fractured in an open hole section at 3440'-3635', thus commingling the oil production from the Queen interval and the gas production from the Yates and Seven Rivers section. On March 6, 1956, the Oil Conservation Commission directed that henceforth the E. L. Steeler No. 7 well was classified in the Langlie-Mattix Pool and was subject to

the rules and regulations governing that pool. Copy of that directive attached as Exhibit "A".

7. In 1974, the Queen interval of the E. L. Steeler No. 7 well was converted to water injection service for a waterflood project operated by Skelly Oil Company..

8. In or before 1976, the Jalmat Gas intervals in the E. L. Steeler No. 7 well were depleted. The perforations in those gas zone were cement squeezed thereby concluding any Jalmat Gas production from that well and from the non-standard proration unit formed by Order R-749. See Forms C-103 attached as Exhibits "B-1" and "B-2". Thus, 28 years have elapsed since production ended from the Jalmat Gas Pool from the 160 acres in question.

9. The proration unit created by Order R-479 lapsed, terminated and was of no further effect. Such a non-standard 160 acre unit cannot be brought back to existence or "restored" by fiat of an administrative order nor can the due process requirements of notice and hearing be circumvented by such action. The circumstances existing today, not in 1954, including those specified in Rule 4(C)(2) must be considered in determining whether protection of correlative rights and prevention of waste will be served by action on the Yarbrough application.

10. The application of Yarbrough for administrative approval failed to comply with the Special Pool Rules for the Jalmat Gas Pool, Order R-8170-P. Administrative Order NSP-1871 was improperly and improvidently issued contrary to the terms of applicable rules and regulations of the Division and contrary to law.

**11. The E. L. Steeler No. 4 well has already been reworked by Yarbrough and is set to be fracture stimulated within the next few days. Applicant alleges that**

the well will be placed on production and begin drainage of gas from the Yates and Seven Rivers formation and will be doing so under an invalid administrative order unless Order NSP-1871 is stayed pending final adjudication.

WHEREFORE Fulfer pray the orders of the Division as follows:

A. That it forthwith on an emergency basis issue a stay of Administrative Order NSP-1871 informing Yarbrough that the order is not in effect and that production must not commence from the E. L. Steeler No.4 well from the Jalmat Gas Pool pending further order of the Division.

B. That Yarbrough be required to obtain consents from or give notice to adjacent operators in accordance with the applicable Division rules of practice concerning its request for formation of the non-standard proration unit.

C. That public hearing be held on the application of Yarbrough and upon the evidence so presented the non-standard proration unit request be denied, or other appropriate order be made that preserves the correlative rights of the affected parties and prevents waste.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By  J.E. GALLEGOS

MICHAEL J. CONDON

460 St. Michael's Drive, Bldg. 300

Santa Fe, New Mexico 87505

(505) 983-6686

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused a true and correct copy of the foregoing Application to be served on this 4<sup>th</sup> day of May, 2004 by email to Gaye Heard, Agent, Yarbrough Oil, L.P. at [gheard@oilreportsinc.com](mailto:gheard@oilreportsinc.com) and by certified mail, return receipt requested to Yarbrough Oil, L.P. at 1008 W. Broadway, Hobbs, New Mexico 88240.

  
\_\_\_\_\_  
J.E. Gallegos



OIL CONSERVATION COMMISSION

P. O. BOX 2045  
HOBBS, NEW MEXICO

March 6, 1956  
Date \_\_\_\_\_

TO:  
Shelly Oil Co.

Box 38

Hobbs, New Mexico

Gentlemen:

In accordance with the provisions of Commission Order No. R-767,  
your Stealer #7-L 17-23-37,  
Lease and Well No. \_\_\_\_\_ S-T-R

which is producing from the Queen formation, has been  
placed in the Langlie-Mattix Pool, and from this date forward  
will be subject to the Commission's rules and regulations governing  
that pool.

You are hereby instructed to file Form C-110 in quintuplicate with  
the Hobbs office showing the change in pool designation.

All future Commission reports for this well must be filed under  
the name of the pool in which it is now located.

OIL CONSERVATION COMMISSION

*A. L. Porter, Jr.*  
A. L. Porter, Jr.  
Proration Manager

cc: OCC, Santa Fe T M M  
Transporter-

EXHIBIT "A"

NO. OF COPIES RECEIVED	
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OPERATOR	

# NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103  
Supersedes Old  
C-102 and C-103  
Effective 1-1-65

5a. Indicate Type of Lease	
State <input type="checkbox"/>	Fee <input checked="" type="checkbox"/>
5. State Oil & Gas Lease No.	
7. Unit Agreement Name	
9. Farm or Lease Name	
9. Well No.	
10. Field and Pool, or Without	
12. County	

**SUNDARY NOTICES AND REPORTS ON WELLS**  
DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO RE-ENTER OR PLUG BACK TO A DIFFERENT RESERVOIR.  
SEE PARAGRAPHS 107 FOR PROPOSALS TO RE-ENTER OR PLUG BACK TO A DIFFERENT RESERVOIR.

1. ☐ OIL WELL ☒ GAS WELL ☐ OTHER **Plug and Abandon**

2. Name of Operator  
**Skelly Oil Company**

3. Address of Operator  
**P. O. Box 1351, Midland, Texas 79701**

4. Location of Well  
UNIT LETTER **L** **1980** FEET FROM THE **South** LINE AND **660** FEET FROM  
THE **West** LINE, SECTION **17** TOWNSHIP **23S** RANGE **37E** EMPIRE

15. Elevation (Show whether DF, RT, GR, etc.)  
**3316' DF**

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input checked="" type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <b>Plug and abandon Jalmat gas zone</b> <input checked="" type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

This well is dually completed with Jalmat gas perforations 2924-3068' and Langlie-Mattix perforations 3440-3635'. In November, 1974, the Langlie-Mattix zone was converted to water injection service. The Jalmat gas zone is considered depleted and Skelly Oil Company proposes to do the following work.

- 1) Move in workover rig.
- 2) Cement squeeze Jalmat perfs. 2924-3068' with 350 sacks cement.
- 3) Clean out to 3070', test squeeze job and resqueeze if necessary.
- 4) Set coated injection tubing and packer at 3390'.
- 5) Return well to injection status injecting water thru Langlie-Mattix perfs. 3440-3635'.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED <b>(SIGNED) LELAND FRANZ</b>	TITLE <b>District Production Mgr.</b>	DATE <b>10-28-75</b>
<p><b>Leland Franz</b> Orig. Signed by <b>Jerry Sexton</b> Dist. I, Supv.</p>		
APPROVED BY	TITLE	DATE
CONDITIONS OF APPROVAL		

EXHIBIT "B-1"

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FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

# NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103  
Supersedes Old  
C-102 and C-103  
Effective 1-1-65

5a. Indicate Type of Lease	
State <input type="checkbox"/>	Fee <input checked="" type="checkbox"/>

5. State Oil & Gas Lease No.
-----

## SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

1. <input checked="" type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER-	7. Unit Agreement Name
2. Name of Operator <b>Skelly Oil Company</b>	8. Farm or Lease Name <b>Steeler</b>
3. Address of Operator <b>P. O. Box 1351, Midland, Texas 79701</b>	9. Well No. <b>7</b>
4. Location of Well UNIT LETTER <b>L</b> <b>1980</b> FEET FROM THE <b>South</b> LINE AND <b>660</b> FEET FROM THE <b>West</b> LINE, SECTION <b>17</b> TOWNSHIP <b>23S</b> RANGE <b>37E</b> NMPM.	10. <del>Jalmat</del> Pool, or Wildcat <b>Langlie-Mattix</b>
15. Elevation (Show whether DF, RT, GR, etc.) <b>3316' DF</b>	12. County <b>Lea</b>

### Check Appropriate Box To Indicate Nature of Notice, Report or Other Data NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOBS <input type="checkbox"/>	
OTHER _____		OTHER <b>Plugged and abandoned Jalmat gas zone, set 4" OD liner and perforated Langlie-Mattix.</b> <input checked="" type="checkbox"/>	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

This was a dually completed well with Jalmat gas perforations 2924-3068' and Langlie-Mattix perforations 3440-3635'. In November, 1974, the Langlie-Mattix zone was converted to water injection service.

- 1) Moved in workover rig November 12, 1975.
- 2) Attempted to pull tubing; 5-1/2" OD casing collapsed at 3330'.
- 3) Milled 3330-3342'. Cleaned out to 3635'.
- 4) Set 20 joints (843') 4" OD 11.34# Hydril flush joint casing 2792-3635'.
- 5) Cemented 4" OD casing liner with 250 sacks Class C cement mixed 0.2% Halid 22 and 5# salt per sack. Squeezed last 100 sacks into formation.
- 6) Drilled cement at 2792' and 3531-3635'. Tested top of liner to 600# pressure for 30 minutes, held okay.
- 7) Perforated 4" OD liner 3516-3523' with 8 shots, 3529-3534' with 6 shots, 3538-3541' with 4 shots, 3546-3550' with 5 shots, 3556-3564' with 9 shots, 3573-3582' with 10 shots, 3586-3590' with 5 shots, 3606-3620' with 15 shots, total of 62 shots.
- 8) Treated perfs. with 3000 gallons 15% NE acid with 100 ball sealers.
- 9) Set 107 joints (3325') 2-3/8" OD Salta lined tubing in tension packer at 3335'.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED (Signed) D. R. Crow D. R. Crow TITLE Lead Clerk DATE 1-5-76

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

Steeler No. 7 - Continued

10) Returned well to injection status December 8, 1975, injecting water thru Langlie-Mattix perfs. 3516-3620' for 449 bbls. water per day at 1800# pressure.

The Jalmat Yates gas zone which was perforated 2924-3068' was plugged off by the setting of the 4" OD casing liner thru that interval and the cementing of that liner in place.

**Case No. 13277, Application of Fulfer Oil & Cattle Co. To Stay Administrative Order NSP – 1871 and Set For Hearing Yarbrough Oil, L. P. Application for A Non-Standard Jalmat Gas Pool Spacing Unit.** Yarbrough Oil, L. P. filed an application for administrative approval of a 160 non-standard Jalmat Gas Pool spacing unit comprising the N2SW4, SW4SW4 and NW4SE4 of Section 17, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico. Fulfer Oil & Cattle Co. is the operator of a Jalmat Gas unit adjacent to that proposed non-standard spacing unit and did not consent to nor was it given notice or opportunity to object to the application and on April 12, 2004 Administrative Order NSP –1871 issued granting the Yarbrough application.