



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 10, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Padilla Law Firm, P. A.
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Re: *Request for immediate stay of Division Administrative Order NSP-1871 dated April 12, 2004 (administrative reinstatement of Division Order No. R-479), issued to Yarbrough Oil, L.P. for its E. L. Steeler Well No. 4 (API No. 30-025-10786), located at a standard Jalmat gas well location 8609 feet from the South line and 660 feet from the West line (Unit M) of Section 17, Township 23 South, Range 37 East, NMPM, Jalmat Gas Pool (79240), Lea County, New Mexico, to be dedicated to the previously approved 160-acre non-standard gas spacing unit comprising the N/2 SW/4, SW/4 SW/4, and NW/4 SE/4 of Section 17.*

Dear Messrs. Padilla and Gallegos:

Reference is made to the following: (i) Fulfer Oil & Cattle Co.'s ("Fulfer") initial motion filed by Mr. Gallegos on May 4, 2004 for the Director of the New Mexico Oil Conservation Division ("Division") to issue an order on an emergency basis staying the effect of Division Administrative Order NSP-1871; (ii) Mr. Padilla's response on behalf of Yarbrough Oil, L.P., filed on May 6, 2004; (iii) Mr. Michael E. Stogner's, Engineer/Hearing Officer with the Division in Santa Fe, letter to Mr. Gallegos dated May 4, 2004 concerning Division Administrative Order NSP-1871, which contained attachments related to the development of the Jalmat Gas Pool within the S/2 of Section 17, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico; (iv) 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; and (v) the Division's records relating to the current and planned Jalmat development within the N/2 of Section 20, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, which includes Division Administrative Orders NSP-559, NSP-1556, and SD-87-01 and the well records on the J. C. Johnson Wells No. 3 (API No. 30-025-10808), 4 (API No. 30-025-10811), and 5 (API No. 30-025-10812).

There is no indication that the current Jalmat development within the N/2 of Section 20 is or has adversely affected any offsetting units or undeveloped Jalmat property; similarly, there is no indication that the current or planned development of the Jalmat Gas Pool underlying the S/2 of Section 17 is or will adversely affect any offsetting unit or unproducing Jalmat properties. There does not appear to be an emergency that requires the Division's immediate intervention in this matter.

Mr. Ernest L. Padilla - Padilla Law Firm, P. A.
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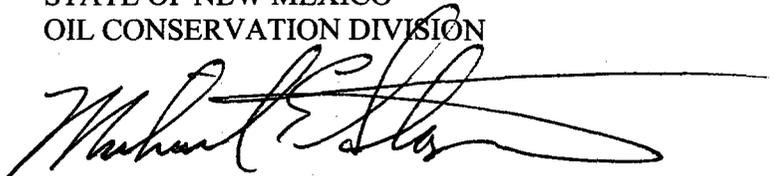
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Mr. J. E. Gallegos - Gallegos Law Firm

Fulfer's motion to dismiss Division Administrative Order NSP-1871 dated April 12, 2004 (administrative reinstatement of Division Order No. R-479) is hereby **denied**. Division Case No. 13277, application of Fulfer Oil & Cattle Co. to rescind Division Administrative Order NSP-1871, is currently docketed for the regularly scheduled Division's Examiner hearing set for this Thursday, May 27, 2004.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER
Engineer/Hearing Officer

cc: New Mexico Oil Conservation Division - Hobbs
Case File 13277
Ms. Carol Leach, EMNRD General Counsel - Santa Fe
Ms. Gail MacQuesten, Assistant General Counsel - Santa Fe
Ms. Joanna Prukop, Cabinet Secretary/Interim Director