

**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. 13342
ORDER NO. R-12238**

**APPLICATION OF BTA OIL PRODUCERS FOR AN EXCEPTION TO
DIVISION RULE 104.C (2)(c), LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a. m. on September 16, 2004, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 29th day of November, 2004, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, the Division has jurisdiction of this case and the subject matter.

(2) The applicant, BTA Oil Producers ("BTA") seeks an exception to Division Rule 104.C.(2)(c) to allow two operators in the Atoka formation, Undesignated Antelope Ridge-Atoka Gas Pool in an existing spacing and proration unit comprising the West half (W/2) of Section 26, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico. This unit will be simultaneously dedicated to the existing Ojo Chiso Federal Well No. 1 (API No. 30-025-30604) located 990 feet from the North line and 2310 feet from the West line (Unit C) of Section 26, which is currently operated by Samson Resources Company ("Samson"), and BTA's 8817-JV-P Ojo Chiso Federal Well No. 3 (API No. 30-025-30733) located 990 feet from the South and West lines (Unit M) of Section 26.

(3) Division Rule 104.C.(2)(c) provides that in Southeast New Mexico, an initial and infill well may be drilled on a standard gas spacing and proration unit comprising 320 acres provided that: (i) the initial and infill well shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; (ii) the infill well shall be located within the quarter section not containing the initial well; and (iii) The Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(4) The Samson Ojo Chiso Federal Well No. 1 is currently producing from the Atoka formation, Undesignated Antelope Ridge-Atoka Gas Pool, and a standard 320-acre unit comprised of the W/2 of this section is dedicated to the well.

(5) The 8817-JV-P Ojo Chiso Federal Well No. 3 was originally drilled by BTA and has been operated by BTA as a commercial producing well from the Morrow formation. BTA now seeks to re-complete this well up-hole in the Atoka formation.

(6) BTA presented Evidence that demonstrates that:

- (a) The W/2 of Section 26 is one federal lease (NM-43564).
- (b) The W/2 of Section 26 is governed by a Joint Operating Agreement (JOA) dated December 1, 1989, as amended.
- (c) Both the Samson Ojo Chiso Federal Well No. 1 and the BTA 8817-JV-P Ojo Chiso Federal Well No. 3 were drilled pursuant to this 1989 JOA.
- (d) Under the provisions of the JOA, BTA has the right to propose and has proposed the re-completion of the 8817-JV-P Ojo Chiso Federal Well No. 3 as the Atoka infill well within this spacing unit.
- (e) The current working interest owners in the subject W/2 spacing unit are BTA Oil Producers (75%), Samson Resources Company (12.50%) and Joe J. Reynolds (12.50%).
- (f) In the 8817-JV-P Ojo Chiso Federal Well No. 3, Joe J. Reynolds farmed out 4.2% of his interest to BTA Oil Producers.

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- (f) In the 8817-JV-P Ojo Chiso Federal Well No. 3, Joe J. Reynolds farmed out 4.2% of his interest to BTA Oil Producers.

(f) Samson and Joe J. Reynolds support the application of BTA to re-complete this well as the infill well on this spacing unit and both have executed BTA's Authority For Expenditure (AFE) for the re-completion of this well.

(7) BTA drilled the 8817-JV-P Ojo Chiso Federal Well No.3 in 1992, has operated the well in the Morrow formation since it was drilled, owns 79.20% of the working interest in the well and seeks to continue to be named operator of the well once it is re-completed in the Atoka formation.

(8) BTA testified that production from the Atoka wells on this spacing unit will be separately metered and reported to the Division.

(9) The Antelope Ridge-Atoka Gas Pool is a non-prorated gas pool and is therefore not subject to production restrictions. Pursuant to Division rules, the Ojo Chiso Federal Well No. 1 and the 8817-JV-P Ojo Chiso Federal Well No. 3 are allowed to produce at capacity.

(10) Approval of the application will enable BTA to produce additional gas reserves from the Undesignated Antelope Ridge-Atoka Gas Pool underlying the W/2 of Section 26 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights..

IT IS THEREFORE ORDERED THAT:

(1) The applicant, BTA Oil Producers, is hereby granted an exception to Division Rule 104.C.(2)(c) to allow two operators in the Atoka formation in an existing gas spacing and proration unit comprising the W/2 of Section 26, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico. This unit will be simultaneously dedicated to the existing Ojo Chiso Federal Well No. 1 (API No. 30-025-30604) located 990 feet from the North line and 2310 feet from the West line (Unit C) of Section 26, which will be operated by Samson Resources Company, and the 8817-JV-P Ojo Chiso Federal Well No. 3 (API No. 30-025-30733) located 990 feet from the South and West lines (Unit M) of Section 26, which will be re-completed and operated by BTA Oil Producers.

(2) Production from the Atoka wells on this spacing unit will be separately metered and reported to the Division, and there will be no commingling of this production.

(3) Prior to commencing production from the 8817-JV-P Ojo Chiso Federal Well No. 3, BTA Oil Producers shall consult with the Bureau of Land Management (BLM) to ensure that its proposed method of production within the subject spacing and proration unit is in compliance with all applicable rules and procedures of BLM.

(4) 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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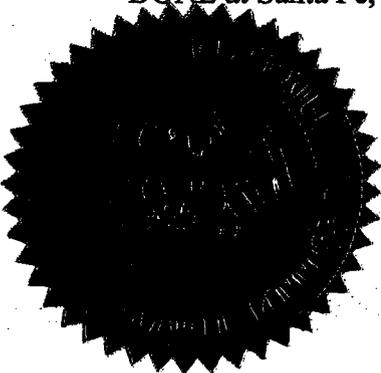
MARK E. FESMIRE, P.E.
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