

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF POGO PRODUCING
COMPANY FOR TWO NON-STANDARD
JALMAT GAS UNITS, LEA COUNTY,
NEW MEXICO.

CASE NO. 13274 (De Novo)
ORDER NO. R-12366-A

ORDER OF THE COMMISSION

THIS MATTER, having come before the New Mexico Oil Conservation Commission (Commission) on April 19, 2007 at Santa Fe, New Mexico, on application of Pogo Producing Company for Two Non-Standard Jalmat Gas Units, Lea County, New Mexico, and the Commission, having carefully considered the evidence and other materials the parties submitted, now, on this 17th day of May, 2007,

FINDS THAT:

1. Pursuant to 19.15.3.104 NMAC the Oil Conservation Commission may grant an application for a non-standard spacing unit.
2. Pogo Producing Company seeks 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, in Lea County, New Mexico that was approved by Division Administrative Order NSP-420, dated March 31, 1958, into two non-standard 160-acre units.
3. One unit would comprise the SW/4 of Section 20 and be dedicated to Westbrook Oil Corporation's existing Steeler "A" Well No. 1 (API No. 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.
4. The second unit would comprise the SE/4 of Section 20 and be dedicated to Pogo Producing Company's Resler "B" Well No. 1 (API No. 30-025-36573).

5. All of Section 20, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico is within the Jalmat Gas Pool and is subject to the "Special Pool Rules for the Jalmat Gas Pool" promulgated by Division Order No. R-8170-P, issued on December 14, 2001.

6. Westbrook Oil Corporation is the operator of the existing 320-acre Jalmat gas spacing unit comprising the S/2 of Section 20, Township 23 South, Range 37 East, NMPM.

7. Westbrook Oil Corporation does not own a working interest in the existing 320-acre Jalmat gas spacing unit.

8. Pogo Producing Company appears to own 100 percent of the working interest underlying the 200 acres comprising the NE/4 SW/4 and the SE/4 of Section 20.

9. The remaining 120 acres in the existing 320-acre Jalmat gas spacing unit are split between several working interest owners.

10. On or about March 23, 2004, Arch Petroleum (Pogo Producing Company's predecessor) drilled the Resler "B" Well No. 1 (API No. 30-025-36573) at a standard gas well location 1980 feet from the South and East lines (Unit J) of Section 20 without obtaining approval for the establishment of two non-standard 160-acre units.

11. On April 23, 2004, Arch Petroleum submitted an Application for Administrative Approval of a 160-acre non-standard gas spacing and proration unit for the Resler "B" Well No. 1 in the Jalmat Gas Pool in the SE/4 of Section 20.

12. On April 28, 2004, an application for administrative approval of a 160-acre non-standard gas spacing and proration unit consisting of the SW/4 of Section 20 was submitted on Westbrook Oil Corporation's behalf.

13. On June 13, 2005, the Oil Conservation Division entered Order No. R-12366 denying both applications.

14. On July 9, 2005, Pogo Producing Company completed the Resler "B" Well No. 1 in the Jalmat Field.

15. On July 20, 2005, Charles W. Kemp, Vice President of Westbrook Oil Corporation, advised the Oil Conservation Division by letter that Westbrook was unaware of the application to create a 160-acre non-standard proration unit.

16. Westbrook Oil Corporation and Bonnie Resler Karlsrud and Wayne Resler, d/b/a Resler and Sheldon, who own working and overriding oil interests in the lands that are subject to Pogo Producing Company's application, oppose the application.

17. Resler and Sheldon oppose the application because splitting the existing 320-acre spacing unit into two 160-acre non-standard units would adversely affect its correlative rights because it would be excluded from a working interest in the Resler "B" Well No. 1.

18. At the time Arch Petroleum drilled the Resler "B" Well No. 1 division rules did not allow multiple operators in a spacing unit.

19. Subsection E of 19.15.3.104 NMAC now allows multiple operators within a spacing unit, so that a spacing unit can be kept intact without adversely affecting the mineral interest owners between the two proposed 160-acre units that would sever the undivided working interest between the 200-acre Pogo Producing Company tract and the 120-acre tract.

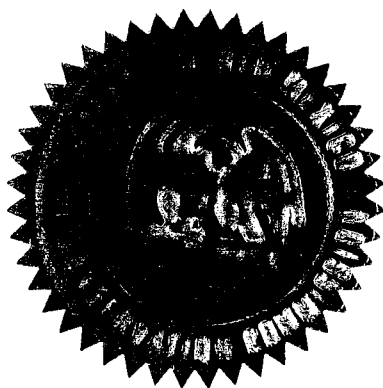
20. Pogo Producing Company testified that drainage in the Jalmat Gas Pool is less than 160 acres and that the two non-standard 160-acre Jalmat gas units are needed to protect its correlative rights.

21. However, Pogo Producing Company provided insufficient geologic and engineering evidence to support its opinion that drainage in the Jalmat Gas Pool is less than 160 acres, and that, therefore, two non-standard 160-acre Jalmat gas units are needed to protect correlative rights.

IT IS THEREFORE ORDERED THAT:

1. Pogo Producing Company's application for two non-standard Jalmat gas units is denied.

DONE at Santa Fe, New Mexico on the 17th day of May, 2007.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JAMI BAILEY, CPG, Member


WILLIAM OLSON, Member


MARK E. FESMIRE, P.E., Chair