

**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:**

**CASE NO. 14150
ORDER NO. R-**

**APPLICATION OF EI PASO E&P COMPANY, L.P. TO EXPAND THE
STUBBLEFIELD CANYON RATON-VERMEJO GAS POOL, AND TO ESTABLISH
SPECIAL RULES AND REGULATIONS FOR THE POOL, COLFAX COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE COMMISSION:

This case came on for hearing at 9:00 a.m. on August 13, 2009, at Santa Fe, New Mexico, before the Oil Conservation Commission.

NOW, on this ____ day of September, 2009, the Commission, having considered the testimony and the record,

FINDS THAT:

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

(2) In this case, El Paso E&P Company, L.P. ("applicant" or "El Paso") seeks to expand the horizontal limits of the Stubblefield Canyon Raton-Vermejo Gas Pool (the "Pool"), and establish special rules for the Pool, including infill drilling and special well location requirements.

(3) Division Case Nos. 14150 and 14149 were consolidated at the time of the hearing for the purpose of testimony.

(4) Division Order No. R-11561, issued in Case No. 12639 on April 9, 2001, initially created and defined the Pool. No "special" rules were established the Pool. Despite ongoing development, the horizontal limits of the Pool have never been expanded by the Division since its creation.

(5) Gas wells drilled in Colfax County, New Mexico are governed by Division Rule 104C.(3), which specifies 160-acre spacing units with one well allowed per unit, and wells to be located no closer than 660 feet to unit boundaries or closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(6) This application was unopposed and no other person entered an appearance.

(7) El Paso presented testimony and evidence at the hearing from a landman, geologist, and engineer indicating that:

(a) The Pool is within of the Vermejo Park Ranch, which covers, among other lands, portions of Townships 29-31 North, Ranges 17-21 East, N.M.P.M., in Colfax County, New Mexico and extending into Las Animas County, Colorado.

(b) Since April 2001 over 370 wells have been drilled in the above described lands.

(c) El Paso owns approximately 637,000 acres of 100% mineral fee lands within the Vermejo Park Ranch, identified on Exhibit 1 submitted at the hearing. All lands covered by Case Nos. 14150 and 14149 are within this tract.

(d) El Paso is the sole operator in the Pool, and controls all lands there with one lease and its 100% mineral fee. Colfax County owns approximately 141 net mineral acres (0.02%) under the Highway 555, which is leased to El Paso.

(e) The Division has never expanded the Pool with its nomenclature orders even though they grown considerably in the last seven (7) years.

(f) El Paso requests special rules for the Pool, as follows:

(i) 160 acre well units, comprised of a single governmental quarter section;

(ii) Two wells per 160 acres, whether they are vertical or horizontal wells, which may be located on any quarter-quarter section in the well unit;

(iii) An administrative procedure for an exception to the well density provisions of the special pool rules;

(iv) Wells to be located no closer than 10 feet to a quarter section line or an interior quarter-quarter section line or subdivision inner boundary, subject to the directional drilling provisions of Division Rule 111; and

(v) A buffer zone on the exterior of its mineral fee lands, where wells must be located in accordance with statewide rules.

(g) The preliminary engineering and geologic data show that only 10% of the wells in the Pool are draining the 160-acre well units. Therefore, many well units are not being adequately drained and reserves being are left in the ground.

(h) Applicant's request to relax the well setback requirements is due to convenience and area topography. The tract owned by El Paso is dissected by canyons that are up to 750 feet deep.

(i) There are no correlative rights issues in relaxing well setback requirements because the entire area is El Paso owned and operated.

(8) There is need for the expansion of the Stubblefield Canyon Raton-Vermejo Gas Pool (**Pool Code 96970**) in Colfax County, New Mexico.

(9) Approval of this application will not adversely affect correlative rights, will minimize surface use and surface disturbance, and will prevent waste.

(10) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of El Paso E&P Company, L.P. to expand the Stubblefield Canyon Raton-Vermejo Gas Pool (**96970**) is hereby approved. The Pool, as expanded, shall include the following lands:

Township 30 North, Range 19 East, N.M.P.M.
Section 3: NE/4

Township 30 North, Range 20 East, N.M.P.M.

Section 3: N/2 and SW/4
Section 4: All
Section 10: NW/4

Township 31 North, Range 19 East, N.M.P.M.

Sections 1-6: All
Section 7: N/2 and SE/4
Sections 8-17: All
Section 18: E/2
Section 20: N/2
Sections 21-28: All
Section 33: N/2
Section 34: E/2
Section 35: All
Section 36: NW/4

Township 31 North, Range 20 East, N.M.P.M.

Sections 1-30: All
Sections 33-35: All
Section 36: NW/4

Township 31 North, Range 21 East, N.M.P.M.

Section 2: NW/4
Section 3: All
Section 4: N/2 and SW/4
Sections 5-8: All
Section 17: W/2
Section 18: All
Section 19: All
Section 20: W/2
Section 27: W/2
Sections 28-30: All
Section 31: N/2
Section 32: N/2
Section 33: N/2
Section 34: NW/4

Township 32 North, Range 18 East, N.M.P.M.

Section 36: SE/4

Township 32 North, Range 19 East, N.M.P.M.

Section 19: S/2 (All)
Section 20: S/2 (All)
Section 21: S.2 (All)
Section 22: S/2 (All)
Section 23: S/2 (All)
Section 24: S/2 (All)
Sections 25-29: All
Section 30: E/2
Sections 31-36: All

Township 32 North, Range 20 East, N.M.P.M.

Section 19: S/2 (All)
Section 20: S/2 (All)
Section 21: S/2 (All)
Section 22: S/2 (All)
Section 23: S/2 (All)
Section 24: S/2 (All)
Sections 25-36: All

Township 32 North, Range 21 East, N.M.P.M.

Section 19: S/2 (All)
Section 20: S/2 (All)
Section 21: SW/4 (W/2)
Section 28: W/2
Sections 29-32: All
Section 33: W/2

(2) The following "*Special Pool Rules for the Stubblefield Canyon Raton-Vermejo Gas Pool*" are hereby established and shall read in their entirety as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
STUBBLEFIELD CANYON RATON-VERMEJO GAS POOL**

Rule 1. **Application of Rules.** Each well completed in or recompleted in the Stubblefield Canyon Raton-Vermejo Gas Pool, or in the Coal Gas formation within one mile thereof and not nearer to or within the limits of another designated Coal Gas pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

Rule 2. Unit Size. A standard spacing unit in this pool shall contain 160 acres, more or less, comprised of a governmental quarter-section being a legal subdivision of the United States Public Lands Survey, unless otherwise authorized in accordance with Division rules.

Rule 3. (a) Well Density. No more than two wells (to consist of vertical wells, directional wells drilled pursuant to Division Rule 111, or any combination thereof) shall be simultaneously produced from this pool within any spacing unit. Wells may be completed anywhere in the unit, subject to Rule 3(b) and Division Rule 111.

(b) Location. No well located in the pool shall be located closer than 10 feet to any unit outer boundary. Except for directional wells located as provided in Division Rule 111, no well in the pool shall be located closer than 10 feet to any quarter-quarter section or subdivision inner boundary line.

(c) Buffer Zone. The "*Special Rules and Regulations for the Stubblefield Canyon Raton-Vermejo Gas Pool*" shall not apply to a buffer zone comprised of quarter sections on the exterior of the El Paso mineral fee lands, identified on Exhibit 1 submitted at the hearing, where wells must be drilled, spaced, and located in accordance with the Division's statewide rules.

Rule 4. Exceptions. The Division may grant an exception to any provision of these rules in the manner and on the basis provided by the Division's statewide rules.

(3) Jurisdiction of this case is 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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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