

**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:**

Oil Conservation Commission

Case No. _____

Exhibit No. 3

**CASE NO. 14150
ORDER NO. R-13011**

**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 DIVISION:

This case came on for hearing at 8:15 a.m. on July 10, 2008, at Santa Fe, New Mexico, before Examiners Terry G. Warnell, David K. Brooks and Richard Ezeanyim.

NOW, on this 22nd day of October, 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

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

(2) Division Cases No. 14150 and 14149 were consolidated at the time of the hearing for the purpose of testimony.

(3) The Commission Order Number R-11561, issued in Case No. 12639 on April 9, 2001, initially created and defined the Stubblefield Canyon Raton-Vermejo Gas Pool. No "special" pool rules were established. The horizontal limits of this pool as shown below have never been expanded since the pool creation.

Township 31 North, Range 19 East, N.M.P.M.
Sections 1-6: All

Township 31 North, Range 20 East, N.M.P.M.
Section 6: All

Township 32 North, Range 19 East, N.M.P.M.
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 26-32: All

(4) 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 660 feet setback of well locations from unit boundaries.

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

(6) This application was unopposed. No party other than applicant entered an appearance.

(7) The Stubblefield Unit operated by El Paso E&P Company, L.P. (El Paso) is part of the Vermejo Park Ranch Unit which covers 637,000 acres in portions of Townships 30-33 North, Ranges 18-21 East, N.M.P.M. in Colfax County, New Mexico.

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

(a) Since April of 2001 over 370 wells have been drilled in the Stubblefield Canyon formation.

(b) The entire area is 100% El Paso owned mineral fee. There are approximately 637,000 acres in New Mexico.

(c) El Paso controls everything there with one lease and mineral fee. Colfax County owns approximately 141 acres (0.02%).

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

(e) The preliminary engineering and geologic data show that only 10% of the Stubblefield Canyon wells are draining their 160-acre spacing unit.

Thus 90% of the spacing units are not being adequately drained, leaving a lot of reserves behind.

(f) El Paso is accordingly requesting each 160-acre well unit comprised of a single governmental quarter section be allowed to have two (2) wells, whether they be vertical or horizontal, subject to the directional drilling provisions of Division Rule 111.

(g) El Paso requests that the well units on the exterior area or perimeter remain under statewide rules with a 660 foot setback from the outer boundary of the participating area and the quarter section lines have a 10 foot setback granted under Special Pool Rules.

(h) The Applicant testified that its request to relax the setback requirements is largely due to convenience and area topography. The entire area is dissected by canyons that are up to 750 feet deep.

(i) There are no correlative rights issues because the entire area is El Paso owned.

(9) The Division in approving the expansion of the Stubblefield Canyon Raton-Vermejo Gas Pool has recognized the need to prevent waste and protect correlative rights.

(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 expanded pool includes 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 "Special Pool Rules for the Stubblefield Canyon Raton-Vermejo Gas Pool" are hereby established and shall read in their entirety as follows:

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

RULE 1. 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 pool rules hereinafter set forth.

RULE 2. Each well shall be located on a standard gas spacing and proration unit containing 160 acres, more or less, comprising a governmental quarter-section which is a legal subdivision of the United States Public Lands Survey. An original well and one additional well may be drilled in each unit.

RULE 3. (a) 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 104.C(3) and Division Rule 111.

(b) 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-section or subdivision inner boundary line.

(c) The "Special Pool Rules and Regulations for the Castle Rock Park-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.

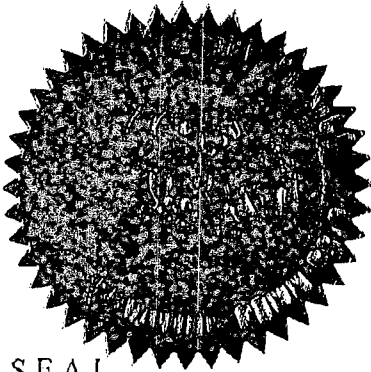
RULE 4. Wells shall be located no closer than (i) 660 feet to the outer boundary of section, (ii) 10 feet to an interior quarter section line, or (iii) 10 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 5. The Division Director may grant exceptions to the requirements of Rules 2, 3, and 4 without hearing only when an application has been filed with the Division.

IT IS FURTHER ORDERED THAT:

(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 DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a prominent initial "M".

MARK E. FESMIRE, P.E.
Director