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Brooks, David K., EMNRD

From: Thomas Kellahin [tkellahin@comcast.net]
Sent: Sunday, November 08, 2009 4:26 PM
To: Davidson, Florene, EMNRD
Cc: Aaron_Austin@xtoenergy.com; Brooks, David K., EMNRD; Altomare, Mikal, EMNRD
Subject: OCD Case 14395
Attachments: XTO-PHS-Case 14395.PDF

Dear Florene,

Please find attached for filing, my pre-hearing statement for XTO in Case 14395 that will be heard on the December 3rd Examiner's docket.

Thanks,

Tom Kellahin

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RECEIVED OGD
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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 HEARING:

APPLICATION OF XTO ENERGY, INC. TO TERMINATE
THE SOUTH BLANCO-TOCITO OIL POOL, INCLUDING ITS
SPECIAL RULES AND REGULATIONS AND TO EXPAND THE
BASIN-MANCOS GAS POOL AND FOR AN EXCEPTION TO
RULE 19.15.12.9 NMAC TO PERMIT DOWNHOLE COMMINGLING
OF PRODUCITON FROM THE TOCITO FORMATION, NOW MANCOS,
WITH DAKOTA PRODUCTION, RIO ARriba COUNTY, NEW MEXICO

CASE 14395

PRE-HEARING STATEMENT

XTO Energy Inc. submits its pre-hearing statement as required by the New Mexico
Oil Conservation Division.

APPEARENCES OF THE PARTIES

APPLICANT

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OTHER PARTIES

ATTORNEY

OCD-AZTEC

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STATEMENT OF THE CASE

APPLICANT

(1) By order R-132, dated March 26, 1952, the Division established the South Blanco-Tocito Pool, then called the Pettigrew-Tocito Pool.

(2) By Order R-1191, dated June 10, 1958, the Division adopted Special Rules and Regulations for the South Blanco-Tocito Oil Pool ("the Pool")

(3) The Rules for this Pool provide in part, that:

(a) "Rule 2. Any wells projected to or completed in the South Blanco-Tocito Oil Pool shall be located on a tract containing 80-acres, more or less....

(b) Rule 3. All wells hereafter projected to or completed in the South Blanco-Tocito Oil Pool shall be located in the center of the Northwest quarter or the Southeast quarter of a governmental quarter section, with a tolerance of 100 feet in any direction to avoid surface obstructions."

(4) There are currently three operators (XTO Energy Inc, Burlington Resources Oil and Gas Company, LP and Chevron Midcontinent, LP) that operate 33 Tocito wells within the Pool. XTO operates 27 of these 32 wells. There are currently three operators (Chevron Midcontinent LP, Energen Resources Corporation and CDX Rio LLC) that operate 7 Tocito wells that are within one (1) mile of the Pool boundary. Chevron Midcontinent operates 5 of these 7 wells.

(5) XTO plans to drill an additional 37 wells within the Pool and 26 wells within one mile of the Pool boundary. Of the planned new drill wells, approximately 26 wells will be at locations that will be unorthodox ("NSL") exceptions to the current well location rules for the Pool, and 17 wells will be NSL within one mile of the Pool boundary.

(6) Drilling of wells in this Pool pursuant to the current well location rules will require both the Division and the operator(s) to devote unnecessary time, money and effort to file and process unorthodox well location applications ("NSL").

(7) The existing oil wells in the Pool have demonstrated a limited drainage area thereby leaving possible production at locations outside of the "standard" wells location windows for this Pool.

(8) So that existing Tocito "oil" wells will not be adversely affected by inclusion in the Basin-Mancos Gas Pool or by being downhole commingled with production from the Basin-Dakota formation, XTO will propose that each existing wells and their corresponding 80-acre units currently subject to the South Blanco-Tocito Oil Pool would be grandfathered as non-standard spacing units in the Basin-Mancos Gas Pool such that the balance of what otherwise would be a standard 320-acre spacing unit becomes a "Stranded Unit" and developed in accordance with Rule 3.B of the Special Rules of the Basin-Mancos Gas Pool.

(9) Approval of this application will provide greater flexibility for Tocito wells and allow a small resource to be developed in conjunction with Basin Dakota Gas Pool wells

(10) By Order R-12984, dated September 3, 2008, the Division adopted operating rules for the Basin-Mancos Gas Pool but denied designation of pre-approved downhole commingling of production. See NMOCD Case 14133.

(11) The Basin Mancos Gas Pool is defined as:

- (a) Vertical limits are from the base of the Point Lookout formation, the lowest subdivision of the Mesaverde, to the base of the Greenhorn member of the Mancos formation, and
- (b) Horizontal boundaries are all of San Juan and Rio Arriba Counties and all of Section 21, Township 23 North Range 5 West in Sandoval County, NM

(12) All of XTO's planned wellbores will be drilled as gas wells in the Basin-Dakota Gas Pool with the Tocito added as a secondary target. The Tocito Member (or basal Niobrara Sandstone) is part of the Mancos formation.

(13) The anticipated productivity of the Tocito portion of the Mancos formation will be inadequate to justify drilling "stand-alone" wellbores into this zone. In order for Tocito production to be produced, these wells must be drilled in conjunction with a well that also produces from the Dakota formation.

(14) These future wellbores will be downhole commingled with production from the Tocito and the Dakota formations.

(15) Applicant further requests an exception to Rule 303.C(4) now Rule 19.15.12.9 NMAC based upon the demonstration by the Applicant of the following as set forth in Rule 19.15.12.11 NMAC:


PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
Aaron Austin, Landman	25-min	@ 6
John Klutsch, Geologist	15-min	@ 4
John Fitzgerald, Petroleum Engineer	25-min	@ 8

PROCEDURAL MATTERS

None anticipated at this time.


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CERTIFICATE OF SERVICE

I certify that on the 8th day of November 2009, I served a copy of the foregoing documents by:

- ☐ US Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Facsimile
- ☒ Email

to the following:

Mikal M. Altomare, Esq.
Attorney for OCD-Aztec

David K. Brooks,
NMOCD Hearing Examiner


W. Thomas Kellahin