

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265

TELEPHONE (505) 982-4285
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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

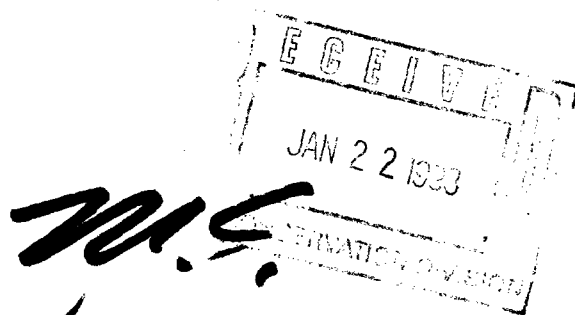
SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

January 22, 1998

HAND DELIVERED

Mr. Michael E. Stogner, Hearing Examiner
Rand L. Carroll, Esq., Division Attorney
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



Re: **REQUEST TO RECONSIDER DENIAL OF MOTION TO DISMISS**
NMOCD Case 11887
Application of Santa Fe Energy Resources, Inc.
for Compulsory Pooling, Lea County, New Mexico

Gentlemen:

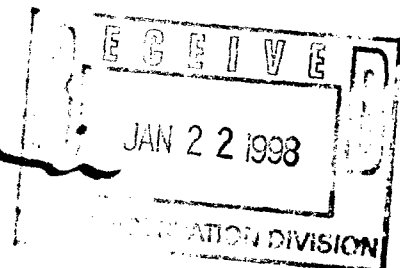
At the hearing this morning, Mr. Carroll asked me for an example of a Division compulsory case which was dismissed because part of the acreage was already subject to an approved APD for a well which had not yet been drilled.

Interestingly, in Division Case 11294 involving these same parties, on May 26, 1995, Santa Fe Energy Resources, Inc. dismissed its application filed on May 9, 1995 to pool the W/2 of Section 27 when Phillips Petroleum Company on May 11, 1995 filed an APD for a gas spacing unit consisting of the S/2 of Section 27. (See enclosed application, motion to dismiss, dismissal letter).

In view of the foregoing and on behalf of Phillips Petroleum Company, we request that you reconsider your decision this morning and now grant our motion to dismiss.

Very truly yours,

W. Thomas Kellahin



cc:

James Bruce, Esq., Attorney for applicant
William F. Carr, Esq. attorney for Nearburg
Randy Lewicki (Phillips-Odessa)

CAMPBELL, CARR & BERGE, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
TANNIS L. FOX

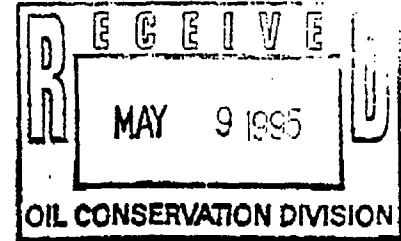
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 283-6043

May 9, 1995

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505



11294

**Re: Application of Santa Fe Energy Resources, Inc., for Compulsory Pooling,
Lea County, New Mexico**

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Santa Fe Energy Resources, Inc., in the above-referenced case as well as a copy of a legal advertisement. Santa Fe Energy Resources, Inc. respectfully requests that this matter be placed on the docket for the June 1, 1995 Examiner hearings.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Tanya Trujillo". The signature is written in dark ink and is positioned above the printed name of the signatory.

TANYA M. TRUJILLO

Enclosures

cc: Jim Bruce
Danita R. Walker

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

NO. 11887

APPLICATION

Santa Fe Energy Resources, Inc., hereby makes application for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W $\frac{1}{4}$ of Section 27, Township 21 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the W $\frac{1}{4}$ of said Section 27.

2. Applicant proposes to drill a well in the W $\frac{1}{4}$ of Section 27, at an orthodox gas well location 1980 feet from the South line and 660 feet from the West line of the Section, to a depth sufficient to test the Morrow formation, (approximately 15000 feet), and seeks to dedicate the W $\frac{1}{4}$ of Section 27 for all pools or formations spaced on 320 acres (including the undesignated Legg Atoka-Morrow Gas Pool).

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the W $\frac{1}{4}$ of Section 27 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their acreage

Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the W¼ of Section 27, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl. Pam.).


5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

6. The pooling of all interests underlying the W¼ of Section 27, as described above will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Respectfully submitted,

CAMPBELL, CARR & BERGE, P.A.



Tanya Tejillo
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

Attorneys for Santa Fe Energy
Resources, Inc.

PROPOSED ADVERTISEMENT

Case No. _____: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying W½ of Section 27, Township 21 South, Range 33 East, N.M.P.M., for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the undesignated Legg Atoka-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at an orthodox location 1,980 feet from the South line and 660 feet from the West line of the section. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit is located approximately 23.5 miles West-Northwest of Eunice, New Mexico.

KELLAHIN AND KELLAHIN

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EL PATIO BUILDING

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W. THOMAS KELLAHIN*

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

May 26, 1995

HAND DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Rand L. Carroll, Esq.
Division Attorney
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: **MOTION TO DISMISS**
NMOCD Case 11294
Application of Santa Fe Energy
Resources, Inc. for Compulsory Pooling
Lea County, New Mexico

Gentlemen:

On behalf of Phillips Petroleum Company, an adversely affected interest owner, please find enclosed our MOTION TO DISMISS the referenced case. This case is currently set for hearing on the Examiner's Docket scheduled for June 1, 1995.

Very truly yours,



W. Thomas Kellahin

cc: Via facsimile to:

Tanya M. Trujillo, Esq., Attorney for applicant
Reese B. Copeland, Esq. (Phillips-Odessa)

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

IN THE MATTER OF THE APPLICATION
OF SANTA FE ENERGY RESOURCES, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 11294

MOTION TO DISMISS

Comes now PHILLIPS PETROLEUM COMPANY ("Phillips"), by its attorneys, Kellahin and Kellahin, enters its appearance in this case as an interested party in opposition to the Applicant and moves the Division to dismiss this case because the Applicant, Santa Fe Energy Resources, Inc., has violated Section 70-2-17(C) NMSA (1978) by instituting an application for compulsory pooling for a spacing unit one-half of which is already committed to another spacing unit and by filing said application prior to proposing the well;

And in Support States:

(1) On February 3, 1995, Santa Fe Energy Resources, Inc. ("Santa Fe") requested a term assignment of Phillips Petroleum Company's ("Phillips") interest in 480 acres in parts of Sections 21 and 27, T21S, R33E, NMPM, Lea County, New Mexico.

(2) On March 28, 1995, Phillips responded it was not interested in assigning its 480-acre interest to Santa Fe.

(3) On April 28, 1995, Santa Fe proposed the voluntary formation of a five (5) section exploratory unit including Phillips' 480-acres with the initial unit well to be drilled on Phillips' acreage in the SW/4 of Section 27. See Exhibit "A".

(4) However, at no time prior to May 9, 1995, did Santa Fe propose the formation of a single 320-acre gas spacing unit consisting of the W/2 Section 27 for a well **other** than as part of the five section exploratory unit or as part of a 480-acre assignment or farmout deal.

(5) On Tuesday, May 9, 1995, counsel for Santa Fe filed a Compulsory Pooling Application with the Division seeking to pool the W/2 of Section 27 as a 320-acre Morrow formation gas spacing unit in which Santa Fe controls 25 % (the N/2NW/4) and Phillips controls the remaining 75 % See Exhibit "B" attached.

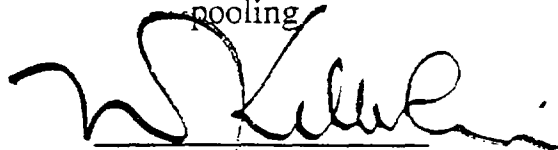
(6) On Thursday, May 11, 1995, Santa Fe sent a letter to Phillips which is referenced "Abe Exploratory Unit" and in which Santa Fe again proposed the voluntary five section exploration unit or the inclusion of Phillips' interest as part of a multiple well program.

(7) On that same day, May 11, 1995, Santa Fe also sent notice to Phillips that Santa Fe had filed with the Division a compulsory pooling application for the W/2 of Section 27, T21S, R33E, NMPM, Lea County, New Mexico.

(8) The W/2 spacing unit for Section 27, for which Santa Fe seeks to have the Division issue a compulsory pooling order, is not available for pooling because the SW/4 of Section 27 has already been consolidated on a 100 % voluntarily basis and dedicated to a S/2 spacing unit for the drilling of Phillips' Phillips State Well No. 1 in Unit (N). See Exhibit "C" attached.

WHEREFORE Phillips Petroleum Company requests that the
Division Hearing Examiner grant this motion and dismiss Oil Conservation
Division Case 11294 because:

- (a) The New Mexico "Statutory Unitization Act" (Section 70-7-1 through 70-7-21 NMSA (1978) is available only for secondary recovery and pressure maintenance projects and cannot be used for exploratory units;
- (b) Section 70-2-17 NMSA (1978) is applicable only for those instances in which a spacing unit is available and the parties in that spacing unit cannot agree to pool their interests;
- (c) In this case, the S/2 of Section 27 is already committed on a voluntarily basis for a well and therefore SW/4 cannot be made the subject of a W/2 compulsory pool case without violating the provisions of Section 70-2-17 NMSA (1978);
- (d) Santa Fe filed its Compulsory Pooling Application prior to properly proposing the subject well as part of a single spacing unit; and
- (e) Contrary to the custom and practice before the Division and in violation of Section 70-2-17 (c) NMSA (1978), Santa Fe has instituted compulsory action against Phillips seeking to form a spacing unit which cannot be approved by compulsory pooling



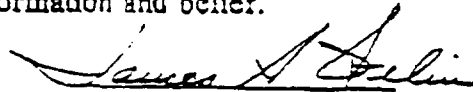
W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Reese B. Copeland, Esq.
Phillips Petroleum Company
4001 Penbrook, Suite 216
Odessa, Texas 79762-5972

VERIFICATION

State of Texas)
)ss.
County of Midland)

Comes now James S. Welin, being first duly sworn, upon his oath deposes and states: That he is the Petroleum Land Manager for Phillips Petroleum Company, Odessa, Texas, that he has read the foregoing pleadings and know the contents thereof, and that the same is true and correct of this own knowledge, information and belief.

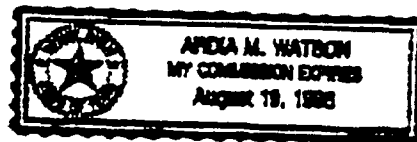

James S. Welin

SUBSCRIBED AND SWORN to before me by James S. Welin, who personally appeared before me this 26th day of May, 1995.


Notary Public

My Commission Expires: Aug. 19, 1996

Seal



CERTIFICATE OF SERVICE

I certify that a copy of this pleading was transmitted by facsimile to counsel for applicant this 26th day of May, 1995.

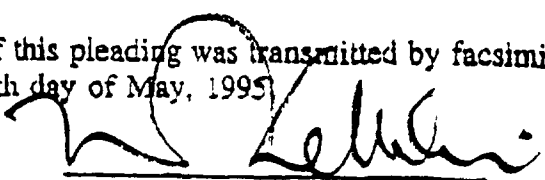
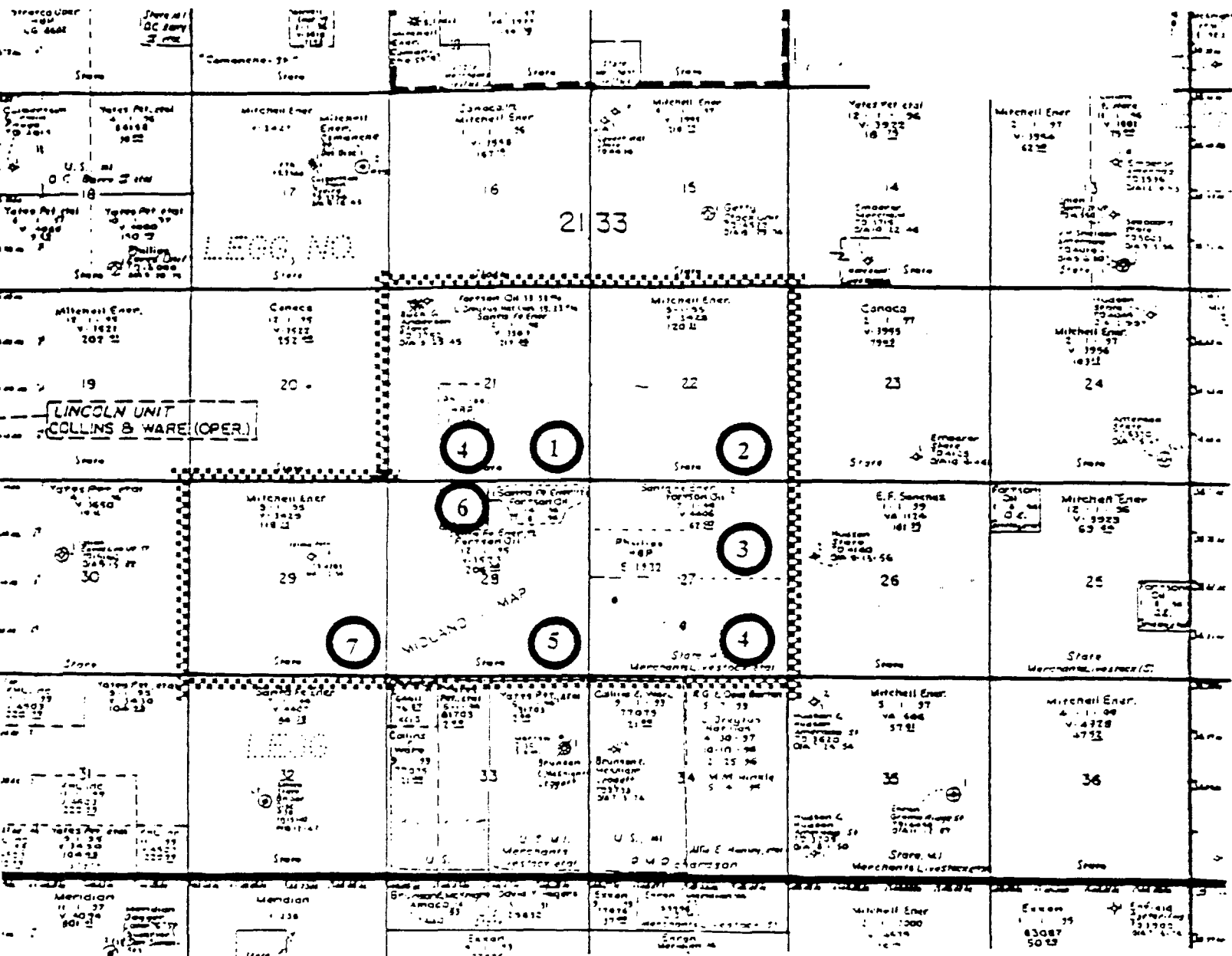

W. Thomas Kellahin

Exhibit "A"

Santa Fe Energy Resources, Inc.

ABE UNIT

LEA CO., N.M.



LAND

ACRES

State

3160

Unit Outline

Fee

40



Tract Numbers as
Listed on Exhibit "B"

Total

3200

CAMPBELL, CARR & BERGE, P.A.
LAWYERS

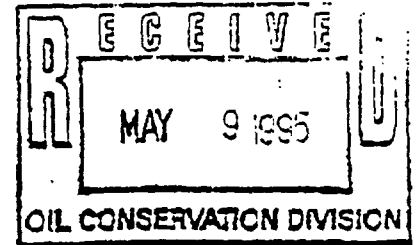
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
—
MICHAEL H. FELDGEWERT
TANYA M. TRUJILLO
TANNIS L. FOX
—
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4442
TELECOPIER: (505) 983-6043

May 9, 1995

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505



11294

Re: Application of Santa Fe Energy Resources, Inc., for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Santa Fe Energy Resources, Inc., in the above-referenced case as well as a copy of a legal advertisement. Santa Fe Energy Resources, Inc. respectfully requests that this matter be placed on the docket for the June 1, 1995 Examiner hearings.

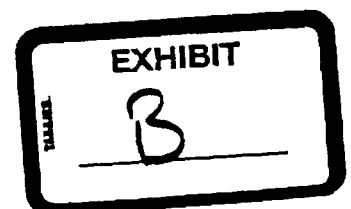
Very truly yours,

A handwritten signature in cursive script, appearing to read "Tanya Trujillo".

TANYA M. TRUJILLO

Enclosures

cc: Jim Bruce
Danita R. Walker



FD-201 (Rev. 10-1-80) NM 80241-1000
Class II
FD-201 (Rev. 10-1-80) NM 80241-1000
Class III
300 E. 1st St., Alamogordo, NM 87001
Class IV
FD-201 (Rev. 10-1-80) NM 87001-1000

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87504-2088

Revised February 10, 1980
Instructions on
Submit to Appropriate District C
State Lease - 6 C
Fee Lease - 5 C

☒ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1 Operator Name and Address Phillips Petroleum Company 4001 Penbrook Street Odessa, TX 797962		2 OGRID Number 017643
3 Property Code	4 Property Name PHILLIPS-STATE	5 Well Number 1

6 Surface Location									
7 Well or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
N	27	21S	33E		990'	SOUTH	1980'	WEST	LEA

8 Proposed Bottom Hole Location If Different From Surface									
9 Well or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County

10 Proposed Pool 1 LESS ATOKA-MORROW	11 Proposed Pool 2
--	--------------------

12 Work Type Code N	13 Well Type Code G	14 Casing/Rotary R	15 Lease Type Code S	16 Ground Level Elevation 3707'
17 Multiple NO	18 Proposed Depth 15000'	19 Formations MORROW	20 Contractor ADVISE LATER	21 Spud Date 10-1-95

22 Proposed Casing and Cement Program					
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	1600'	1720 SX	SURFACE
12-1/4"	9-5/8"	40#	3400'	550 SX	SURFACE
8-1/2"	7"	25#	12000'	850 SX	4700'
5-7/8"	4-1/2"	13.5#	11700'-15000'	360 SX	11400'

23 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

USE MUD ADDITIVES AS NEEDED FOR CONTROL.
BOX - SEE ATTACHED SCHEMATIC



24 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>L. M. Sanders</i>		OIL CONSERVATION DIVISION Approved by:	
Printed name: L. M. SANDERS		Title:	
Title: REGULATION SPECIALIST		Approval Date:	Expiration Date:
Date: 5/18/95	Phone: 915/362-1488	Conditions of Approval: Attached <input type="checkbox"/>	

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1800 Rio Hondo Rd., Artesia, NM 87410

DISTRICT IV
PO BOX 2088, SANTA FE, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	80120	LEGG ATOKA - MORROW
Property Code	Property Name	Well Number
	PHILLIPS STATE	1
OGSD No.	Operator Name	Elevation
017643	PHILLIPS PETROLEUM COMPANY	3695

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	27	21 S	33 E		990	SOUTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320 AC			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<h3>OPERATOR CERTIFICATION</h3> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>L.M. Sanders</i> Signature</p> <p>L. M. Sanders Printed Name</p> <p>REGULATION SPECIALIST Title</p> <p>MAY 18, 1995 Date</p>	
	<h3>SURVEYOR CERTIFICATION</h3> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 8, 1995 Date Surveyed</p> <p><i>Bernard T. Lusk</i> Signature & Seal of Professional Surveyor</p> <p>5-10-95 W.A.O. 95-13-0756</p> <p>Certificate No. JOHN W. WEST 875 RONALD S. SIOSON 1019 JERRY SIOSON 1264</p>	
	<div style="border: 2px solid black; padding: 5px; text-align: center;"> <h3>EXHIBIT</h3> <h2>C-2</h2> </div>	

CAMPBELL, CARR & BERGE, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE

MICHAEL H. FELDEWERT
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May 26, 1995

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

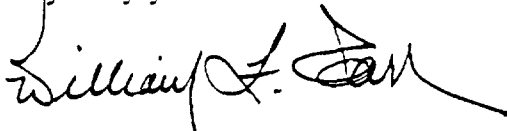
Re: Oil Conservation Division Case No. 11294:
Application of Santa Fe Energy Resources, Inc., for compulsory pooling, Lea
County, New Mexico

Dear Mr. LeMay:

Santa Fe Energy Resources, Inc., respectfully requests that the above-referenced case which
is currently set on the June 1, 1995 Division docket be dismissed.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR
WFC:mlh

cc: Danita Walker
Santa Fe Energy Resources

Jim Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley, P.A.

/ W. Thomas Kellahin, Esq.