



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 28, 1999

Elm Ridge Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

RE: Division Case No. 12232 to be heard August 19, 1999.

Dear Mr. Bruce:

I received the attached correspondence from Mr. Patrick Hegarty this morning (Wednesday, July 28, 1999). Since this matter has been docketed for hearing before a duly appointed Division Hearing Examiner, any future involvement by certain Division staff members prior to the issuance of an order in this case could be construed as ex parte communications (see Division Rule 1223.A).

Thank you for your consideration and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division – Aztec
Mr. Patrick Hegarty – Telefax No. (505) 334-4992

Fax Transmittal Cover Sheet

To: Engineer Mike Stogner, - New Mexico Oil Conservation Div

From: Patrick Hegarty, Synergy / Hegarty / DELHI

Fax Phone Number: (505) 334-4992

Date: Tue, Jul 27, 1999 • 6:39 PM

Transmitting (4) pages, including cover sheet.

If there is difficulty with this transmission, please call: (505) 325-5449

Note:

Dear Ernie & Mike:

Hopefully the enclosed is what is needed to take the Callow well mater to Hearing with an attorney. As stat we are planning on using Mr. James Bruce. Please reveiw the enclosed and let me know if we are pointed in the right direction. I am more than willing to meet with both of you in your offices to go over this Application in greater detail.

Patrick Hegarty
direct dial # - 505-334-4993

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ELM RIDGE RESOURCES,
INC. FOR TWO NON-STANDARD GAS SPACING
AND PRORATION UNITS AND APPROVAL OF
AN UNORTHODOX GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

No. _____

APPLICATION

Elm Ridge Resources, Inc. applies for an order approving one non-standard gas spacing and two non-standard proration units in the Basin-Fruitland Gas Pool underlying Sections 28 and 33, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, and for approval of an unorthodox gas well location, and in support thereof, states:

1. Applicant is the operator of Section 28 and the N 2 of Section 33, and of the wells described below.
2. The Callow Well No. 2, located in the NE 4 of Section 33, is producing from the Basin-Fruitland Coal Gas Pool and currently has the N 2 of Section 33 dedicated thereto.
3. The Callow Well No. 7, located in NW 4 of Section 33, was completed in the Basin-Fruitland Coal Gas Pool in April of 1999,
4. In April of 1999, applicant drilled its Callow Well No. 7, located in the NW 4 of Section 33 to test the Pictured Cliffs formation. The well was tested and proved not to be productive in the Pictured Cliffs formation, but is capable of producing from the Basin-Fruitland Coal Gas Pool. The well is at an unorthodox location under the special rules and regulations for the Basin-Fruitland Coal Gas Pool, and is currently shut-in.

5. Applicant proposes to do the following:

- (a) Re-orient the well unit for the Callow Well No. 2 from a standard unit in the Basin-Fruitland Coal Gas Pool comprised of the N/2 of Section 33 to a non-standard unit in said pool comprised of the SE of Section 28, and NE of Section 33. All of Section 28 and the N/2 of Section 33 is contained in one federal lease, with common ownership in the Basin Fruitland Coal Gas Pool, and thus re-orienting the unit will have no adverse effect upon any interest owner in the well;
- (b) Dedicate the SE/4 of Section 28 and the NE 4 of Section 33 to the Callow Well No. 7, to form a non-standard unit in the Basin-Fruitland Coal Gas Pool.
- (c) Establish the well unit for the Callow Well No. 7 to form a non-standard unit in the Basin-Fritland Coal Gas Pool comprised of the SW/4 of Section 28 and the NW/4 of Section 33;
- (d) Dedicate the SW/4 of Section 28 and the NW 4 of Section 33 to the Callow Well No. 7, to form a non-standard unit in the Basin-Fruitland Coal Gas Pool.

6. There are no coal gas wells in the S/2 of Section 28.

7. The foregoing actions will allow the Callow Well No. 7 to produce. Thus, approval of the two non-standard gas spacing and proration units and the unorthodox gas well location will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard gas well unit in the Basin-Fruitland Coal Gas Pool for the Callow Well No. 2, comprised of the SE $\frac{1}{4}$ of Section 28 and the NE $\frac{1}{4}$ of Section 33;
- B. Approving a non-standard gas well unit in the Basin-Fruitland Coal Gas Pool for the Callow Well No. 7, comprised of the SW of Section 28 and the NW of Section 33;
- C. Approving an unorthodox gas well location for the Callow Well No. 7 in the Basin-Fruitland Coal Gas Pool in the NW of Section 33; and
- D. Approving the re-orientation of the well unit for the Callow Well No. 2 from the N $\frac{1}{2}$ of Section 33 to the SE of Section 28 and the NE of Section 33.

Respectfully submitted,

Attorney's signature and pertinent data
here

Attorney for Elm Ridge Resources, Inc.