

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
DOYLE HARTMAN, OIL OPERATOR FOR
RESCISSION AND RECONSIDERATION OF
PORTIONS OF DIVISION ORDER NO. R-9073,
AS AMENDED, AFFECTING LANDS IN
TOWNSHIPS 22 AND 23 SOUTH, RANGE 36
EAST, LEA COUNTY, NEW MEXICO.

CASE NO. 12360

OIL CONSERVATION DIV.
DOHAR-1 AM 11 07

AMENDED APPLICATION

Doyle Hartman Oil Operator ("Hartman"), by its undersigned counsel, hereby makes application to the Division for its Order rescinding the special metering provisions adopted by the Division in Order No. R-9073, Finding ¶ (13), and dispositive order provision ¶ (3) of that Order. Hartman requests that the Division order that Raptor Resources, Inc. ("Raptor"), the current operator of the wells reflected in Exhibit A to Order No. R-9073, which is also attached hereto as Exhibit A, be required, in accordance with NMOCD Rule 403.A., to install separate meters on each Jalmat gas well, and monitor production from the wells individually. Hartman further requests that Raptor be required to separately meter any additional gas wells which Raptor completes in the Jalmat Gas Pool, within the Jalmat Gas Proration Units reflected on Exhibit A. Finally, Hartman requests that the Division require Raptor to appear and provide evidence that the testing procedures set forth in ¶ 13 of Order No. R-9073 are being followed and to produce those tests results.

As grounds for this Application, Hartman states as follows:

1. Hartman is an independent oil and gas operator with interests in the Jalmat Gas Pool and the operator of leases in that pool offsetting production from Raptor operated leases. Several Hartman leases offset acreage reflected on Exhibit A.¹

2. Rule 403 of the Oil Conservation Division, 19 NMAC 15.F.403, requires generally that all natural gas produced shall be accounted for by metering so that gas from each well can be reported.

3. On December 14, 1989, the Division entered its Order No. R-9073 in Case No. 9775 which under existing circumstances should be reconsidered. In that proceeding, the then-operator of the proration units reflected in Exhibit A, Hal J. Rasmussen Operating, Inc. ("Rasmussen"), filed an application seeking, inter alia, approval from the Division for special metering provisions for Jalmat gas wells on the Jalmat gas proration units reflected on Exhibit A as an exception to the general rule. The wells in the Jalmat gas proration units reflected on Exhibit A are produced into an operator-owned consolidated gathering facility which connects to an area-wide gathering system at a central delivery point ("CPD"). Due to this facility configuration, there is no meaningful measurement of production from the individual wells in order to (a) determine whether the allowables assigned are observed or violated, (b) accurately evaluate the results and/or necessity of Raptor's extensive infill development program, or (c) determine whether a given well is or is not producing gas that meets the Sid Richardson gathering system specifications.

4. The Division approved the special metering provisions requested by Rasmussen in Order R-9073, based, in part, upon the contention that it would be

¹ Exhibit A also includes portions of Division Orders R-9073-A, R-9073-B, R-9073-C and R-9073-C-1 which modified the acreage covered by Order R-9073.

“uneconomical” for Rasmussen to meter the wells individually, due to the low production levels of the wells.

5. Beginning in 1999, Raptor initiated a dense, infill drilling program for Jalmat gas wells in the Jalmat Gas Pool. Raptor has sought approval to drill or recomplete additional infill wells on several of the Jalmat gas proration units reflected on Exhibit A. This activity demonstrates that the present operator and the owners of the leases have abundant financial wherewithal to afford the installation of meters on their wells. Inherent in Raptor’s dense, Jalmat infill drilling program is the presumption that there are substantial reserves in the Jalmat gas reservoir capable of economically supporting the proposed additional infill wells.

6. Hartman has objected to numerous Raptor applications for administrative approval for infill Jalmat gas wells. Two of those cases, Division Cases 12301 and 12302, are scheduled for hearing on March 29-30, 2000. Additional Raptor applications for administrative approval for Jalmat infill gas wells have also been scheduled for hearing on March 29-30, 2000, as provided by the Division letter rulings of January 5, 2000 and December 22, 1999, copies of which are attached as Exhibits B and C.

7. All parties to the dispute regarding Raptor’s proposed Jalmat infill drilling program need individual well production figures. Such production figures are critical in accurately determining whether there is a need for infill development in the Jalmat Pool, particularly whether there is a need for additional wells on the Raptor operated leases and to evaluate the results of infill development already undertaken by Raptor. The absence of individual gas metering on the Raptor wells masks actual well performances making it impossible for Raptor, Hartman, the Division and any other party to accurately

evaluate the need for the proposed dense infill development, where infill wells should be located, and whether the units at issue even require any additional infill wells at this time. Production and pressure trends for each individual well are essential to evaluate the proposed infill drilling program.

8. Hartman believes the Division will deny the Raptor applications based upon the technical evidence to be presented at the March 29-30, 2000 hearing. However, if the Division were to approve those applications, the presence of additional Jalmat gas wells on the units would magnify the problem posed by the absence of metering the production of the Raptor wells individually, or the well or wells on a particular Jalmat gas proration unit.

9. It is inconsistent for Raptor to escape the requirements observed by other operators, including Hartman, by relying on Order No. R-9073, which was based on a finding that it would be uneconomical to require the then-operator of the units to individually meter the wells due to financial hardship, while at the same time arguing that there are sufficient reserves in the Jalmat gas reservoir to justify the expenditures for a large, infill drilling program proposed by Raptor. If the economics favor the drilling of additional infill wells on these units, then the economics should be sufficient to allow for individual metering of the wells.

10. Division Order No. R-9073, Finding ¶ (13), included a provision for testing procedures to insure that the wells are producing within their allowables. On information and belief, Hartman believes that (a) the testing procedures under Order No. R-9073 are not being observed and, if used, are ineffective to accurately allocate gas volumes to specific wells, (b) the Division and offset operators have no objective

quantitative means of ascertaining whether allowables for the Jalmat gas proration units reflected in Exhibit A are being observed or violated, and (c) certain Raptor operated wells are or at times have exceeded the allowables assigned to the particular Jalmat gas proration units.

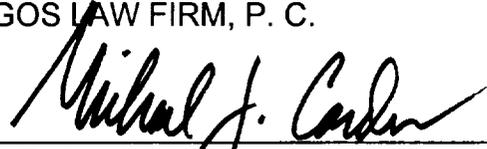
11. Rescission of those portions of Order No. R-9073 which approve the special metering provisions for the Jalmat gas proration units reflected in Exhibit A is necessary to insure the prevention of waste and the protection of correlative rights of Hartman, Raptor, and all offset operators in the area of the units reflected in Exhibit A.

WHEREFORE, Hartman requests that this Application be consolidated with or heard jointly with Case Nos. 12303 and 12304; that it be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 29-30, 2000 or at such time as the companion Raptor Resources cases are heard; after notice and hearing as required by law, the Division enter its order rescinding Finding ¶ 13 of Order R-9073, and Order provision (3) of Order No. R-9073 authorizing the special metering provisions for the Jalmat gas proration units, and require Raptor, as the operator of those wells, to meter each well in the proration units reflected on Exhibit A, and any other infill gas wells which may be approved in accordance with standard Division Rules and Regulations. Hartman further requests that the Division require Raptor to present evidence at the hearing confirming that the testing procedures provided under Order R-9073 have been observed, and accurately reflect the individual well production from Raptor wells, and to provide Hartman and the Division with all such test results.

Respectfully submitted,

GALLEGOS LAW FIRM, P. C.

By



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EXHIBIT "A"
CASE NO. 9775
ORDER NO. R-9073
HAL J. RASMUSSEN OPERATING, INC.

PROPOSED NON-STANDARD JALMAT GAS PRORATION UNITS AND
JALMAT GAS WELL LOCATIONS

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM

- 1) Section 5: Lots 3 and 4, S/2 NW/4, and S/2 comprising 480.50 acres, more or less, in State "A" A/C-2.
- | | | | |
|-------------|---------------|--------|-----|
| Well No. 44 | 1980' FN & WL | Unit F | NSL |
| Well No. 41 | 660' FS & WL | Unit M | NSL |
| Well No. 27 | 660' FS & EL | Unit P | NSL |
- 2) Section 7: Lots 3 and 4, N/2 NE/4, SE/4 NE/4, E/2 SW/4, N/2 SE/4, and SE/4 SE/4 comprising 393.06 acres, more or less, in State "A" A/C-2.
- | | | | |
|-------------|----------------------|--------|-----|
| Well No. 5 | 660' FN & EL | Unit A | NSL |
| Well No. 12 | 1980' FSL & 660' FEL | Unit I | NSL |
| Well No. 8 | 660' FS & EL | Unit P | NSL |
- 3) Section 8: All (*Standard 640-acre unit*) in State "A" A/C-2.
- | | | | |
|-------------|----------------------|--------|-------------------|
| Well No. 49 | 660' FNL & 1980' FWL | Unit C | NSL |
| Well No. 43 | 1650' FNL & 990' FEL | Unit H | NSL |
| Well No. 56 | 1980' FS & EL | Unit J | Standard Location |
- 4) Section 9: N/2 and SW/4 comprising 480 acres in State "A" A/C-2.
- | | | | |
|-------------|----------------------|--------|-------------------|
| Well No. 40 | 990' FN & EL | Unit A | Standard Location |
| Well No. 63 | 990' FNL & 2310' FWL | Unit C | Standard Location |
| Well No. 38 | 1980' FS & WL | Unit K | NSL |

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM

- 5) Section 3: S/2 comprising 320 acres in State "A" A/C-1.
- | | | | |
|-------------|----------------------|--------|-----|
| Well No. 30 | 1650' FSL & 990' FEL | Unit I | NSL |
| Well No. 35 | 1650' FSL & 990' FWL | Unit L | NSL |

Case No. 9775
 Order No. R-9073
 Page No. 7

- 11) Section 13: N/2 and SW/4 and Section 14: NE/4 comprising 640 acres in State "A" A/C-1.

(Section 13)

Well No. 20	660' FNL & 1980' FWL	Unit C	NSL
Well No. 21	1980' FNL & 660' FEL	Unit H	NSL
Well No. 22	660' FSL & 1980' FWL	Unit N	NSL

(Section 14)

Well No. 77	660' FNL & 1980' FEL	Unit B	NSL
Well No. 13	1980' FNL & 660' FEL	Unit H	NSL

- 12) Section 14: NW/4 and Section 15: N/2 comprising 480 acres in State "A" A/C-1.

(Section 14)

Well No. 28	1650' FN & WL	Unit F	Standard Location
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(Section 15)

Well No. 33	1650' FN & WL	Unit F	Standard Location
Well No. 31	1650' FN & 990' FEL	Unit H	Standard Location

- 13) Section 17: SE/4, Section 20: NE/4, and Section 21: N/2 NW/4 and SW/4 NW/4 comprising 440 acres in State "A" A/C-1.

(Section 17)

Well No. 39	1980' FS & EL	Unit J	NSL
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(Section 20)

Well No. 5 (Currently P & A'd)	1320' FNL & 660' FEL	Units A/H	NSL
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(Section 21)

Well No. 4	330' FNL & 1660' FWL	Unit C	NSL
Well No. 3	1650' FNL & 330' FWL	Unit E	NSL

Case No. 9874
 Order No. R-9073-A
 Page No. 3

(9) Approval of the proposed recompletions, unorthodox gas well locations and simultaneous dedication will afford the applicant to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(10) To reduce the number of orders applicable in this proration unit, existing approvals should be consolidated with this application in order to lessen confusion; therefore, Division Administrative Order NSL-2728 should be superceded by this order and Paragraph No. (11) in Exhibit "A" attached to Order No. R-9073 should be amended to include the State "A" A/C-1 Well Nos. 66, 71 and 75.

IT IS THEREFORE ORDERED THAT:

(1) Division Administrative Order NSL-2728, dated December 7, 1989 is hereby superceded until further notice.

(2) Paragraph No. (11) of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same, is hereby amended to read in its entirety as follows:

"(11) Section 13: N/2 and SW/4 of Section 14: NE/4 comprising 640 acres in State "A" A/C-1.

(Section 13)

Well No. 20	660' FNL & 1980' FWL	Unit C	NSL
Well No. 21	1980' FNL & 660' FEL	Unit H	NSL
Well No. 22	660' FSL & 1980' FWL	Unit N	NSL
Well No. 66	660' FN & WL	Unit D	NSL
Well No. 71	660' FS & WL	Unit M	NSL
Well No. 75	1980' FN & WL	Unit F	NSL

(Section 14)

Well No. 77	660' FNL & 1980' FEL	Unit B	NSL
Well No. 13	1980' FNL & 660' FEL	Unit H	NSL"

(3) All other provisions of said Order No. R-9073 shall remain in full force and effect until further notice.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

CASE NO. 9775
ORDER NO. R-9073-B

APPLICATION OF HAL J. RASMUSSEN OPERATING,
INC. FOR NON-STANDARD GAS PRORATION UNITS,
UNORTHODOX GAS WELL LOCATIONS, SIMULTANEOUS
DEDICATION AND SPECIAL GAS METERING PROVISIONS,
LEA COUNTY, NEW MEXICO

*See Also Order
Nos.
R-9073
R-9073-A
R-9073-C
R-9073-C-1*

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-9073 dated December 14, 1989, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Paragraph No. (8) of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same is hereby amended to read in its entirety as follows:

"(8) Section 9: S/2 NE/4, N/2 SE/4, and SE/4 SE/4 and
Section 10: W/2 comprising 520 acres in State "A"
A/C-1.

(Section 10)

Well No. 37	1650' FN & WL	Unit F	Standard Location
Well No. 38	990' FS & WL	Unit M	Standard Location"

(2) All other provisions of said Order No. R-9073 and Division Order No. R-9073-A, dated February 28, 1990, which amended Paragraph No. (11) of said Exhibit "A", shall remain in full force and effect until further notice.

(3) The corrections set forth in this order be entered nunc pro tunc as of December 14, 1989.

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:

CASE NO. 10151
ORDER NO. R-9073-C

APPLICATION OF HAL J. RASMUSSEN
OPERATING, INC. TO AMEND, IN PART,
DIVISION ORDER NO. R-9073, LEA
COUNTY, NEW MEXICO

See Also R-9073
R-9073-A
R-9073-B
R-9073-C-1

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 14, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of November, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Order No. R-9073, dated December 14, 1989 (Paragraph No. 7 of Exhibit "A"), a 440-acre non-standard gas spacing and proration unit in the Jalmat Gas Pool was established comprising the SW/4 of Section 4 and the N/2 NW/4, SW/4 NW/4, and SW/4 of Section 9, both in Township 23 South, Range 36 East, NMPM, Lea County, New Mexico. Said unit was to be simultaneously dedicated to the State "A" A/C-1 Well Nos. 18 and 111 located in Units M and N, respectively, of said Section 4 and Well Nos. 14, 104, 10, and 9 located in Units E, K, L and M, respectively, of said Section 9.

(3) At this time the applicant, Hal J. Rasmussen Operating, Inc., seeks approval to delete 40 acres, comprising the SE/4 SW/4 (Unit N) of said Section 9 from the above-described 440-acre non-standard gas spacing and proration unit.

(Section 9)

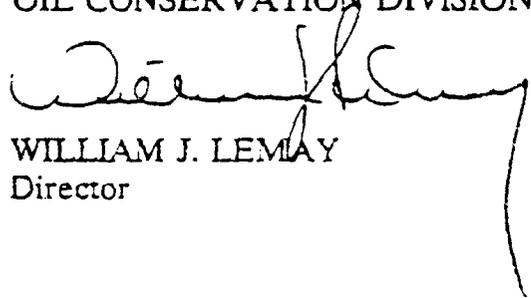
Well No. 14	1980' FNL & 660' FWL	Unit E	NSL
Well No. 104	1650' FSL & 1980' FWL	Unit K	NSL
Well No. 10	1980' FSL & 660' FWL	Unit L	NSL
Well No. 9	660' FS & WL	Unit M	NSL'

(2) All other provisions of said Order No. R-9073 shall remain in full force and effect until further notice.

(3) Jurisdiction of this cause 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


WILLIAM J. LEMAY
Director

S E A L

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

CASE NO. 10151
ORDER NO. R-9073-C-1

APPLICATION OF HAL J. RASMUSSEN
OPERATING, INC. TO AMEND, IN PART,
DIVISION ORDER NO. R-9073, LEA COUNTY,
NEW MEXICO

See Also R-9073
R-9073-A
R-9073-B
R-9073-C

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-9073-C dated November 27, 1990, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Decretory Paragraph No. (1) of Division Order No. R-9073-C, dated November 27, 1990, be and the same is hereby amended to read in its entirety as follows:

"(1) Paragraph No. 7 of Exhibit "A" of Division Order No. R-9073, dated December 14, 1989, be and the same is hereby amended to read in its entirety as follows:

- 7) Section 4: SW/4 and Section 9: N/2 NW/4, SW/4
NW/4 and N/2 SW/4 and SW/4 SW/4 comprising 400
acres in State "A" A/C-1.

(Section 4)

Well No. 18	660' FS & WL	Unit M	NSL
Well No. 111	467' FSL & 2173' FWL	Unit N	NSL

(Section 9)

Well No. 14	1980' FNL & 660' FWL	Unit E	NSL
Well No. 104	1650' FSL & 1980' FWL	Unit K	NSL
Well No. 10	1980' FSL & 660' FWL	Unit L	NSL
Well No. 9	660' FS & WL	Unit M	NSL"



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
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JAN 7 '00 PM 1:21

January 5, 2000

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Attorneys for Raptor Resources, Inc.

RE: Clarification of December 22, 1999 letter from Rand Carroll

Gentlemen:

Paragraph (i) of the above-referenced letter refers to Division actions regarding SDX and Raptor wells. This letter clarifies which wells and/or applications are affected by that letter and what actions will be taken by the Division.

Cases No. 12301, 12302, 12303 and 12304 will be continued to the March 16, 2000 docket, the docket after the docket at which the Division's application to review the Jalmat Special Pool Rules will be heard.

Hartman's objections/protests to Orders No. SD 99-14 and SD 99-15 will be set for hearing as an application of Hartman for rescission of those orders. This application will also be set for hearing on March 16, 2000.

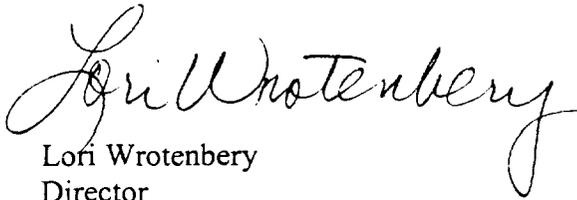
The NSL orders issued to Raptor in which notice should have been given to Hartman as an offset operator but was not are reopened pursuant to Rule 1207.D. and will also be set for hearing on March 16, 2000. Such NSL orders include Orders No. NSL 2872-C(SD), NSL 2723-D(SD), NSL 2723-E and NSL 2816-C(SD). Hartman must notify the Division of any additional NSL applications in this category.

No wells other than the wells that are the subject of the above-referenced cases and orders are affected by the December 22, 1999 letter.

Approvals for all Jalmat infill wells on a density of less than 160 acres per well have been held since December 23, 1999 and will continue to be held pending the March 2, 2000 hearing.

The Division trusts that the parties will actively participate at the Jalmat Pool operators meeting on January 25, 2000 at the OCD District Office in Hobbs and that an agreeable solution can be worked out regarding further development of the Jalmat Pool.

Sincerely,



Lori Wrotenbery
Director

c: Don Kane, Esq., Gorsuch & Kirgis LLP
Rand Carroll, OCD Legal Counsel
Michael E. Stogner, OCD Hearing Examiner
David Catanach, OCD Hearing Examiner
Mark Ashley, OCD Hearing Examiner
Chris Williams, OCD Hobbs District Supervisor



NEW MEXICO ENERGY, MINERALS
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December 22, 1999

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Attorneys for Raptor Resources, Inc.

RE: Cases No. 12301 and 12302 ---Applications of SDX Resources, Inc. for
unorthodox infill gas well locations in the Jalmat Gas Pool
Cases No. 12303 and 12304---Applications of Raptor Resources, Inc. for
unorthodox infill gas well locations in the Jalmat Gas Pool

Gentlemen:

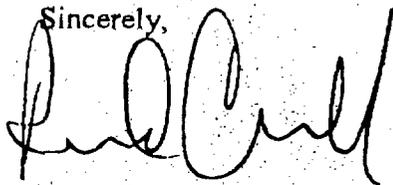
At the prehearing conference held on Tuesday, December 21, the Division took the following actions:

- (i) the APDs and other approvals for the SDX and Raptor wells complained of by Hartman were rescinded with the applications to be stayed pending the March 2, 2000, hearing on the Jalmat Special Pool Rules;
- (ii) a new case will be docketed by the Division for March 2, 2000, to review the Jalmat Special Pool Rules;

- (iii) a Jalmat Pool operators meeting will be held on Tuesday, January 25 at the OCD Hobbs District Office to review the Jalmat Special Pool Rules with SDX, Raptor and Hartman to attend, with the possibility of a second operators meeting to be held prior to the March 2, 2000, hearing;
- (iv) a notice will be issued to all Jalmat Pool operators placing a moratorium on all new Jalmat infill wells on a greater density than 160 acres pending the March 2 hearing; and
- (v) the above-referenced applications as well as the Motions to Quash will be stayed pending the March 2 hearing.

If you have any questions, please feel free to call me at 827-8156. I will be out of the office until January 4, 2000.

Sincerely,



Rand Carroll

- c: Lori Wrotenbery, OCD Director
Michael E. Stogner, OCD Hearing Examiner
David Catanach, OCD Hearing Examiner
Mark Ashley, OCD Hearing Examiner
Chris Williams, OCD Hobbs District Supervisor