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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 23, 2000

HAND DELIVERED

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

06 JUN 23 AM 10:22
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**RESPONSE TO BTA'S MOTION TO DISMISS
and
MOTION TO CONSOLIDATE CASES**

Re: Case 12449
*Application of Santa Fe Snyder Corporation
for compulsory pooling, Lea County, New Mexico*

Re: Case 12407
*Application of Southwestern Energy Production Company
for compulsory pooling, Lea County, New Mexico*

Dear Mr. Stogner:

I represent Santa Fe Snyder Corporation ("Santa Fe") in the referenced matters.

Southwestern Energy Production Company ("Southwestern") case was set for hearing on June 15, 2000. On June 9, 2000 Santa Fe filed a motion to continue the Southwestern case to the July 13, 2000 so it could be heard at the same hearing with Santa Fe's competing pooling case.

On June 12, 2000, Examiner Catanach held a pre-hearing conference on this issue. At that time, William F. Carr, representing BTA Oil Producers, appeared and filed a Motion to Dismiss Southwestern's case. Examiner Catanach continued the Santa Fe case to June 29, 2000 and granted Southwestern and Santa Fe an opportunity to file a Response to the BTA motion to dismiss.

Mr. Michael E. Stogner

June 23, 2000

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The purpose of this letter is to:

(a) ask that Santa Fe's case be advanced to the June 29th hearing because Mr. Steve Smith, Santa Fe's landman involved in this matter, is leaving employment with Santa Fe effective June 30, 2000 and is unavailable for the July 13th hearing.

(b) ask that BTA's motion to dismiss be denied because the factual and legal premises upon which it is based are wrong and have been refuted by the Bureau of Land Management.

Please find enclosed Santa Fe's Response to BTA's Motion to Dismiss

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, cursive script.

W. Thomas Kellahin

cc: Lyn Hebert, Esq.
Attorney for Division
James Bruce, Esq.,
Attorney for Southwestern
William F. Carr, Esq.
Attorney for BTA Oil Producers
Santa Fe Snyder Corporation
Attn: Steve Smith

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

**IN THE MATTER OF THE APPLICATION CASE NO. 12407
OF SOUTHWESTERN ENERGY PRODUCTION
COMPANY FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO**

**SANTA FE SNYDER CORPORATION'S
RESPONSE TO
BTA OIL PRODUCER'S
MOTION TO DISMISS**

Comes now Santa Fe Snyder Corporation ("Santa Fe"), by its attorneys, Kellahin and Kellahin, and requests that the Division deny BTA Oil Producers ("BTA") motion to dismiss this case because the factual and legal premises upon which the motion is based are wrong and have been refuted by the Bureau of Land Management. In support of its Response, Santa Fe states:

BACKGROUND

(1) Section 18, T23S, R34E, NMPM, Lea County, New Mexico consists of three (3) tracts:

(a) the N/2 is a single fee tract of which Santa Fe controls 58.45 % and Southwestern controls 9.45 % with the balance of 32.10 % being unleased and controlled by Sugarberry Oil & Gas Corporation, et al.

(b) the SW/4 is federal lease LC-065194 dated May 1, 1951 with 100 % of the working interest ownership formerly held by BTA Oil Producers ("BTA") which, by assignment, has distributed its interest among some 70 of its partners and investors.

(c) the SE/4 is federal lease LC-068387 dated July 1, 1951 with 100 % of the working interest ownership formerly held by BTA Oil Producers ("BTA") which, by assignment, has distributed its interest among some 70 of its partners and investors.

(2) The working interest owners in an E/2 oriented spacing unit for this section would be as follows:

(a) Santa Fe	29.23 %
(e) Ray Westall (who has joined Santa Fe)	4.05 %
(b) Southwestern	4.77 %
(c) BTA and its 70 partners and investors:	50.00 %
(d) Sugarberry et al	11.95 %

(3) On November 15, 1999, Santa Fe proposed to BTA the establishment of an E/2 spacing unit for the Paloma Blanco "18" Federal Com Well No. 1 to be drilled by Santa Fe at a location 660 feet FSL and 660 feet FEL of Section 18.

(5) On January 3, 2000, the BLM approved BTA's Application for Permit to drill its well in the SE/4 and to dedicate the S/2 of this section to the well.

(4) On January 13, 2000, the Division approved Santa Fe's Application for Permit to drill its well in the NE/4 and to dedicate the E/2 of this section to the well.

(6) On February 25, 2000, Santa Fe informed BTA that Santa Fe was changing the location of the Paloma Blanco well to a location 1980 feet FNL and 660 feet FEL of Section 18.

(7) On February 28, 2000, Santa Fe proposed its well to the other working interest owners in the E/2 of this section including W. B. Osborne Oil & Gas Corporation.

(8) On April 5, 2000, Southwestern, having acquired an interest from W. B. Osborne Oil & Gas Corporation, proposed to Santa Fe the drilling of Southwestern's Mauchos "18" Federal Com Well No. 1 at the same location chosen by Santa Fe for its proposed well.

(9) On April 5, 2000, Santa Fe advised Southwestern that Santa Fe had already proposed its well to Southwestern's predecessor and invited Southwestern to participate in the Santa Fe well.

(10) On April 6, 2000, Southwestern expressed interest in participating in Santa Fe's proposal well if Santa Fe would commence the well by June 20, 2000.

(11) On April 7, 2000, after becoming aware that BTA had assigned its interest to 70 investors and partners, Santa Fe sent its well proposal to those investors and partners.

(12) On April 24, 2000, Southwestern filed its compulsory pooling application which has been docketed as Division Case 12433 and is now pending hearing on June 15, 2000.

(13) On May 3, 2000, Southwestern modified its April 5, 2000 well proposal to now propose to the working interest owners "the same well which Santa Fe Snyder proposed in its letter to us of April 5, 2000. SWN agrees to join and Operate (sp) if Santa Fe cannot commence before August 15, 2000. The Santa Fe AFE is reasonable and SWN is willing to drill under that estimate."

(14) On May 8, 2000, BTA advised Santa Fe that BTA would be representing its 70 partners and investors concerning Santa Fe's proposed well and any compulsory pooling case involving the E/2 of this section.

(15) On June 7, 2000, Santa Fe filed its compulsory pooling application which has been set for hearing on July 13, 2000.

(16) On June 12, BTA filed its motion to dismiss case 12407.

(17) On June 14, 2000, Steve Smith, landman for Santa Fe, contacted Mr. Amando Lopez of the BLM concerning BTA's claim that the BLM's approval of BTA's APD for the S/2 of this section, precluded the Division from proceeding with either Santa Fe or Southwestern's compulsory pooling application for the E/2 of this section.

(18) Mr. Smith advised Mr. Lopez that:

(a) the BLM had approved BTA's APD while the Division had approved Santa Fe's APD;

(b) that the orientations were in conflict with each other; and

(c) that a communitization of multiple leases would have to be approved for either APD.

(19) In response, Mr. Amando Lopez, on behalf of the BLM, stated:

(a) In conversation with Mr. Carr on behalf of BTA, he was lead to believe that BTA's application in the S/2 of this section involved a single federal lease;

(b) neither BTA nor Mr. Carr on behalf of BTA had informed him that approval of the S/2 orientation for BTA would involved the communitization of multiple leases;

(c) had he been told that, then he would have advised BTA that 43 CFR 3105.2-2 and the BLM's actions in Section 17 are not applicable to Section 18;

(d) the BLM action in Section 17 involved all federal leases and the BLM based its decision on orientation so that no communitization was necessary; and

(e) unlike Section 17, Section 18 involves a section of mixed BLM and fee lands and either orientation would involve communitization of multiple leases.

DISCUSSION

BTA'S POSITION IS CONTRARY TO BLM RULES AND REGULATIONS

BTA incorrectly contends that the BLM's approval of BTA's APD for the S/2 of this section, precludes either Santa Fe or Southwestern from proceeding to obtain a compulsory pooling order from the Division for the E/2 of this section because (i) to do so would conflict with BLM rules and regulations; and (ii) to do so would conflict with the BLM's approval of BTA's APD for the S/2 of this section.

BTA incorrectly relies upon action taken by the BLM in adjoining Section 17 which was an entire section composed of two federal oil & gas leases and in which the BLM decided the orientation to avoid communitizing multiple leases.

Contrary to BTA's contentions, when a section is composed of federal and fee or federal, fee, state or federal and state leases, the BLM will not and cannot preclude the Division from deciding which orientation should be applicable so as to avoid the drilling of unnecessary wells, to protect correlative rights and to prevent waste.

This position is not only reasonable, rational and practical, it is essential. It is ludicrous for BTA to contend that the rights of owners in fee or state oil & gas leases are inferior to those of the BLM. A BLM decision which will dilute or eliminate their interest while maximizing the BLM interest is contrary to Section 70-2-17.C NMSA (1979).

In this instance, the BLM's approval of BTA's APD cannot be construed to preempt or preclude the Division from deciding the issue of orientation. Thus, the BLM's approval of a S/2 orientation does not preclude either Southwestern or Santa Fe from obtaining a permit to drill a well with an E/2 orientation nor does it resolve how the communitization of the multiple leases will be handled by the BLM.

THESE CASES SHOULD BE CONSOLIDATED:

The Santa Fe and Southwestern cases are competing pooling cases in which Santa Fe made the first well proposal and has a substantially larger interest than Southwestern, who has modified its well proposal so that it "duplicates" the one made by Santa Fe.

Southwestern chose to file its compulsory pooling case before contacting all of the working interest owners in the spacing unit while Santa Fe waited to file its pooling case until after it had exhausted reasonable efforts to have those parties contacted and invited to participate.

Because a decision approving one case will correspondingly involve a denial in the other, it is in the best interests of the Division and the parties to hearing this matter at one hearing held at the same time.

THE COMPETING POOLING CASES SHOULD BE HEARD ON JUNE 29, 2000

There is no harm to any party by having the Division hear this matter on June 29, 2000 instead of July 13, 2000. BTA contends that notice in the Southwestern's case is not satisfied unless the case is continued to July 13, 2000. In reality, BTA received notice of the Southwestern pooling case on June 5th and a hearing on June 29th provides them more time than required by Division rules. Because Santa Fe's pooling cases involves all of the same parties, and a hearing delayed to July 13, 2000 will deny to Santa Fe the opportunity to use an essential witness, there is not harm caused by advancing this case to June 29th.

CONCLUSION

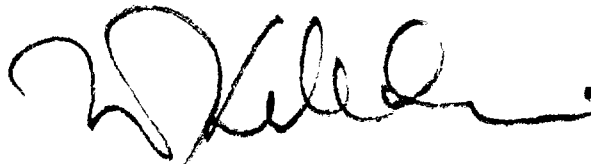
BTA has failed to submit any affidavits or documentation from the BLM to support its unsupported claims. The reason it has failed to do so is that the BLM has refused to issue such a letter to BTA. Santa FE has no objection to the Division hearing examiner

calling Mr. Amando Lopez of the BLM concerning this issue because to do so will verify that Santa Fe is correct and BTA is wrong.

This is a matter **not** within the exclusive jurisdiction of the BLM. This action by the BLM in exercising its jurisdiction over these federal oil and gas leases, has not precluded either Santa Fe or Southwestern's competing pooling applications. Accordingly, the Division has no alternative but to deny BTA's motion to continue and to proceed to hear Santa Fe and Southwestern's competing pooling applications on June 29, 2000.

Accordingly, Santa Fe requests that BTA's motion to dismiss be denied and the cases be consolidated for hearing on June 29, 2000.

Respectfully submitted,



W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was transmitted by facsimile this 23rd day of June, 2000 to James Bruce, attorney for Southwestern Energy Production Company and to William F. Carr, attorney for BTA Oil Producers.



W. Thomas Kellahin

NMOCL Case 12407
 Santa Fe Snyder Corporation Response
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VERIFICATION

STATE OF TEXAS)
) SS.
 COUNTY OF MIDLAND)

Comes now Steve Smith, being first duly sworn, upon his oath deposes and states: That he is a qualified professional petroleum landman employed by Santa Fe Snyder Corporation, Midland, Texas, and has personal knowledge about this facts of this case, that he has read the foregoing pleading and knows the contents thereof and that the same is true and correct of his own knowledge, information and belief.


 Steve Smith

SUBSCRIBED AND SWORN to before me by Steve Smith, who personally appeared before me this 23rd day of June, 2000.


 Notary Public

My Commission Expires: 3/9/04

SEAL:

