

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

APPLICATION OF SOUTHWESTERN ENERGY
PRODUCTION COMPANY FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 12407

BTA OIL PRODUCERS' MOTION TO DISMISS POOLING APPLICATION

BTA Oil Producers ("BTA") hereby moves the Examiner for an order dismissing the application of the Southwestern Energy Production Company ("Southwestern") which seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 18, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico for a well to be drilled in the NE/4 NE/4 of this section. In support of this motion BTA states:

I.

**THE SE/4 OF SECTION 18 MAY NOT BE DEDICATED TO SOUTHWESTERN'S
PROPOSED WELL.**

1. BTA is the leaseholder of record of all working interest in the S/2 of Section 18 and therefore is an owner of interest in the mineral estate sought to be pooled by Southwestern.
2. BTA, as the owner of all working interest in the S/2 of Section 18, intends to develop this acreage by drilling a Morrow gas well at a standard location in the SE/4 of this section.
3. On January 3, 2000, the Bureau of Land Management approved BTA's Application For Permit To Drill the Bell Lake 7909 JV-P Well No. 2 to an approximate depth of 13,600 feet at a standard gas well location 660 feet from the South line and 1980 feet from the East line (Unit O)

of Section 18. The BLM Permit To Drill remains in effect until January 3, 2001. *See* Attachment

1. BTA intends to commence drilling this well prior to the expiration of the BLM Permit to Drill.

4. A 315.62-acre spacing and proration unit in the Morrow formation comprised of the S/2 Equivalent of Section 18 is dedicated to the well. *See* Attachment 1.

5. Because the BLM has issued a Permit to Drill a well on the S/2 of Section 18, the BLM has advised Southwestern that it will not approve an application for a permit to drill a well on the E/2 spacing unit proposed by Southwestern. The BLM has also advised Southwestern that the location and extent of the Morrow channels in this area remain unknown and that the BLM believes it is best to independently develop the federal leases in the S/2 of this section. The BLM has recently addressed this issue in correspondence with the Oil Conservation Division concerning Southwestern's plans to develop a W/2 unit in offsetting Section 17 where Santa Fe is proposing to develop the N/2 of the Section. *See* Attachment 2.

6. BTA's development of the S/2 of Section 18 will not prevent Southwestern from drilling its well at its proposed location 660 feet from the North and East lines of Section 18 since this location is also standard for a spacing unit comprised of the N/2 of Section 18.

7. The N/2 of Section 18 is a single fee tract of which Southwestern controls 9.45%, Santa Fe Snyder Controls 58.45% and the balance of 32.10% is unleased and controlled by Sugarberry Oil & Gas Corporation. In contrast, the S/2 of Section 18 is comprised of two federal leases with BTA the leaseholder of record of all working interests.

8. BTA has advised Southwestern that it does not oppose a proration unit for the N/2 of this section.

9. Approval of Southwestern's application to pool the E/2 of Section 18 would impair correlative rights for it would deny BTA, leaseholder for the entire S/2 of Section 18, the opportunity to produce the reserves as a 100% working interest owner under its S/2 spacing and proration unit.

10. Denying Southwestern's application will protect BTA's correlative rights without impairing the correlative rights of Southwestern, who can still drill a well on the NE/4 of Section 18 and, if it desires, pool the N/2 of Section 18.

II.

SOUTHWESTERN HAS FAILED TO PROVIDE PROPER NOTICE OF ITS COMPULSORY POOLING APPLICATION

11. In addition to the above stated grounds, Southwestern's application should be dismissed for failure to afford proper notice of its application to BTA.

12. Oil Conservation Division Rules 1207(A)(1) and 1207(B) require Southwestern to provide BTA notice of the application to pool by certified mail at least 20 days prior to the date of the hearing.

13. Although Southwestern's notice letter is dated May 25, 2000, the return receipt and the post mark demonstrate that the notice was not mailed until June 3, 2000. BTA did not receive notice of Southwestern's application until June 5th, only ten days before the hearing. *See Attachment 3.*

14. Southwestern's failure to afford BTA proper notice provides additional grounds for dismissing Southwestern's application.

WHEREFORE, BTA respectfully requests that the Examiner dismiss Southwestern's application on the grounds that the area sought to be pooled is already subject to a Permit to Drill issued by the BLM to BTA and may not now be dedicated to the proposed Southwestern well, and because BTA was not afforded proper notice of the application as required by the rules of the Division.

Respectfully submitted,

CAMPBELL, CARR, BERGE
AND SHERIDAN, P.A.

By: 

William F. Carr

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 87501

(505) 988-4421

Attorneys for BTA Oil Producers

CERTIFICATE OF SERVICE

THIS WILL CERTIFY that a true and correct copy of the foregoing Motion to Dismiss was hand-delivered this 12th day of June, 2000 to the following:

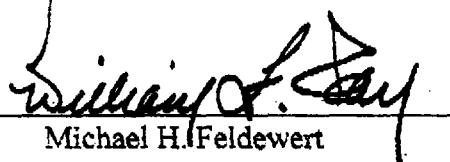
Marilyn Hebert
Legal Counsel
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
Attorney for Southwestern Energy Production
Company

Respectfully Submitted,

CAMPBELL, CARR, BERGE
AND SHERIDAN, P.A.

By:



Michael H. Feldewert
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88202

IN REPLY REFER TO
3160 (3105.2-2)
NMNM97157

MAY 31 2000

New Mexico Oil Conservation Division
Attn: Mr. Michael E. Stogner
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 12393 (N/2 Sec. 17, T23S, R34E)
Application of Santa Fe Snyder Corporation
for Compulsory Pooling, Lea County, New Mexico

Re: NMOCD Case 12413 (W/2 Sec. 17, T23S, R34E)
Application of Southwestern Energy Production Company
for Compulsory Pooling, Lea County, New Mexico

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Dear Mr. Stogner:

This letter is to advise you that on May 17, 2000, the Bureau of Land Management (BLM), after review of geologic data submitted by Southwestern Energy Production Company (Southwestern) on May 15, 2000, and geologic data submitted by Santa Fe Snyder Corporation (Santa Fe) on May 16, 2000, approved Santa Fe's Paloma Blanco "17" Federal Well No. 1, located 1980' FNL & 660' FWL Sec. 17, T23 & R34E, NMPM with a N/2 dedication.

Based on our review of the geologic data submitted by both Southwestern and Santa Fe, BLM has concluded that there is not enough well control in the area to determine where the productive limits of any potential reservoir for the Morrow or Atoka formations exist.

Therefore, BLM has determined that pursuant to 43 CFR 3105.2-2, it was in the public interest for the BLM to approve a N/2 spacing unit for the Paloma Blanco "17" Federal Well No. 1 as submitted by Santa Fe, thereby avoiding the communitization of multiple leases.

2

As a result of the BLM's action, Southwestern's compulsory pooling application is moot and we consider it appropriate for you to dismiss their application in Division Case 12423.

If you have any questions regarding this matter please call Armando Lopez at (505)627-0248.

Sincerely,



LD
Larry D. Bray
Assistant Field Manager,
Land and Minerals Division

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 25, 2000

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

BTA Oil Producers
104 South Pecos
Midland, Texas 79701

Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Southwestern Energy Production Company, regarding the E_{1/4} of Section 18, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico. This application will be heard at 8:15 a.m. on Thursday, June 15, 2000, at the Division's offices at 2040 South Pacheco Street, Santa Fe, New Mexico 87505. As an interest owner in the well unit (representing yourselves and your partners), you have the right to appear at the hearing and participate in the case. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

Very truly yours,



James Bruce

Attorney for Southwestern
Energy Production Company

JAMES BRUCE
ATTORNEY AT LAW
POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

For return to sender, please return to the address on the back of the envelope.

CERTIFIED

Z 461 509 260

MAIL

MIDLAND/DDESSA TX 79706

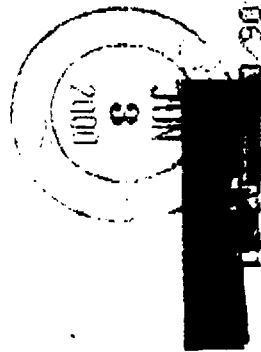
BTA Oil Producers
104 South Pecos
Midland, Texas 79701

RECEIVED
JUN 5 2000

BTA
Oil Producers

79701-5021 07

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SOUTHWESTERN ENERGY
PRODUCTION COMPANY FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

No. 12407APPLICATION

Southwestern Energy Production Company applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E½ of Section 18, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 18, and has the right to drill a well thereon.

2. Applicant proposes to drill its Paloma Blanco "18" Fed. Com. Well No. 1, at an orthodox location 1980 feet from the north and line and 660 feet from the east line of the section, to a depth sufficient to test the Morrow formation (approximately 13,700 feet), and seeks to dedicate the following acreage to the well:

(a) The SE¼NE¼ of Section 18 to form a 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool;

(b) The NE¼ of Section 18 to form a 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within that vertical extent; and

(c) The E½ of Section 18 to form a 320 acre gas spacing and proration unit for any and all formations and/or pools

developed on 320 acre spacing within that vertical extent, including the Undesignated West Antelope Ridge-Atoka Gas Pool and Undesignated North Bell Lake-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 18 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral 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 interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 18, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 18, as set forth above, 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:

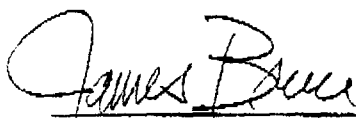
- A. Pooling all mineral interests in the E½ of Section 18, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates

pursuant to the COPAS accounting procedure;

E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and

F. Granting such further relief as the Division deems proper.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Southwestern Energy
Production Company