

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

W. THOMAS KELLAHIN*
KAREN AUBREY†

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

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

August 11, 1992

RECEIVED

AUG 11 1992

OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87504

Re: First Amended Application of
Phillips Petroleum Company
for Two Unorthodox Gas Well
Locations and Simultaneous
Dedication, Four Lakes Devonian
Gas Pool, Lea County, New Mexico

10545

Dear Mr. LeMay:

On behalf of Phillips Petroleum Company, I have received Mr. Stogner's letter of August 3, 1992 concerning the original application filed on July 28, 1992. In response to his letter, I have the following information:

(1) The South Four Lakes Unit Well No. 14, NW/4 of Section 1, T12S, R34E:

Mr. Stogner's research shows that the South Four Lakes Unit Well No. 3 within this same 160 acres appears to be dedicated to the pool. Phillips' records shows that the Unit Well No. 3 has been depleted and plugged out of this pool. We will undertake a review of OCD files to make sure that your records correctly reflect the proper status of this well. Because of the foregoing, the original application for Unit Well No. 14 does not conflict with Memorandums dated July 27, 1986 and August 3, 1990.

(2) The South Four Lakes Unit Well No. 13, NE/4 of Section 2, T12S, R34E:

Mr. William J. LeMay
August 11, 1992
Page 2

Mr. Stogner is correct concerning the fact that this 160 acre spacing unit still has the Unit Well No. 8 in a producing status in this pool. The well is capable of very marginal production of gas in the pool. Phillips had anticipated that it would plug this well and replace it with the Unit Well No. 13. However, until depleted and abandoned, it will create the need for simultaneous dedication of two gas wells in the same spacing unit in a non-prorated gas pool. The enclosed first amended application addresses this issue and describes our request for simultaneous dedication as to this spacing unit.

We appreciate Mr. Stogner bringing these matters to our attention. While both Phillips and I make every effort to properly describe our requests in these applications, we occasionally need to clarify or correct our applications.

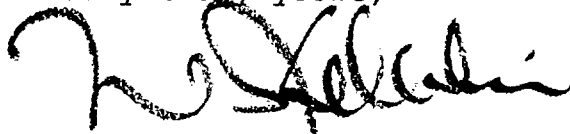
If there are any questions about the amended application, please call me before the August 11th deadline for the September 3rd docket so we can attempt to get this properly docketed for that hearing date.

Please find enclosed our First Amended Application for Two Unorthodox Gas Well Locations, including the option for Simultaneous Dedication of the Unit Wells No. 8 and No. 13 which we request be set for hearing on the next available Examiner's docket now scheduled for August 20, 1992.

By separate notice letter, including the First Amended Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examiner witnesses either in support of or in opposition to the Application.

Mr. William J. LeMay
August 11, 1992
Page 3

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Elizabeth A. Harris, Esq.

Phillips Petroleum Company

BY CERTIFIED MAIL - RETURN RECEIPT:

All parties shown on Exhibit A of Application

appt807.038

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

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY FOR
APPROVAL OF TWO UNORTHODOX GAS WELL
LOCATIONS, SIMULTANEOUS DEDICATION,
FOUR LAKES DEVONIAN GAS POOL,
LEA COUNTY, NEW MEXICO

RECEIVED
AUG 11 1992
OIL CONSERVATION DIVISION

CASE: 10545

FIRST AMENDED APPLICATION

Comes now PHILLIPS PETROLEUM COMPANY, by its attorneys, KELLAHIN, KELLAHIN & AUBREY, and applies to the New Mexico Oil Conservation Division for approval of two unorthodox gas well locations, and simultaneous dedication, in the Four Lakes-Devonian Gas Pool, Lea County New Mexico, with each well to be drilled within a fifty foot radius of the following described sites all within Township 12 South, Range 34 East, NMPM, Lea County, New Mexico:

(1) South Four Lakes Well No. 13: 960 feet FEL and 2450 feet FNL (Unit H) Section 2, the 160 acres comprising the NE/4 to be simultaneously dedicated to South Four Lakes Well Nos 8 and 13; and

(2) South Four Lakes Well No. 14: 330 feet FWL

and 2300 feet FNL (Unit E) Section 1, the 160 acres comprising the NW/4 is to be dedicated to said well.

In support thereof, Applicant states:

1. Applicant, Phillips Petroleum Company, is the operator of the South Four Lakes Unit which consists of NW/4 of Section 1, all of Section 2 T12S, R34E, and the W/2 of Section 36 and all of Section 35, T11S, R34E, NMPM, Lea County New Mexico.

2. Applicant proposes to test for production by locating the subject wells as described above.

3. The proposed wells will be located within the current boundaries of the Four Lakes-Devonian Gas Pool.

4. The subject pool was created by Order R-928 dated December 13, 1956 and was reclassified as a gas pool by Order R-1371 issued April 17, 1959.

5. The Division General Rule 104-C II(a) require 160-acre spacing and proration units and require standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 3120 feet to any existing pool well.

6. The proposed wells would be at unorthodox

locations and will require exceptions to General Rule 104.

7. Wells at the proposed unorthodox locations should penetrate productive intervals of the Devonian formation at more favorable geologic points than wells drilled at standard locations in the proposed spacing units thereby increasing the likelihood of obtaining commercial production.

8. The South Four Lakes Unit Well No. 14 will be dedicated to a 160-acre gas spacing unit which formerly but does not now have located within that unit another well capable of producing gas from this pool.

9. Previously, the South Four Lakes Unit Well No. 3 was dedicated to this unit, but it has been plugged and abandoned in this pool.

10. The South Four Lakes Unit Well No. 13 will be dedicated to a 160-acre gas spacing unit which currently is dedicated to the South Four Lakes Unit Well No. 8.

11. Applicant seeks approval to simultaneously dedicate the South Four Lakes Unit Wells Nos. 8 and 13

to the same spacing unit and have the option to produce both wells continuously and concurrently, or in the alternative, to produce said wells alternately.

12. The South Four Lakes Unit Well No. 8 is only capable of very marginal production, is draining only a limited area of this 160 acre spacing unit, and needs to be supplemented by the drilling of South Four Lakes Unit Well No 13 which will provide an efficient means to recover gas from the reservoir which might not otherwise be recovered.

13. The 160 spacing unit for South Four Lakes Unit Wells Nos. 8 and 13 and each of the 160 acre spacing units offsetting that spacing unit are all within the South Four Lakes Unit which has common working interest and royalty owners.

14. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, 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

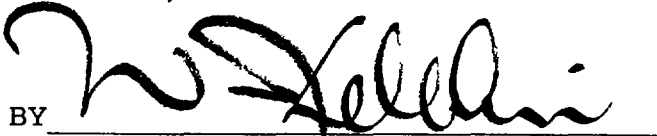
correlative rights.

15. In accordance with Division Rule 1207,
Applicant has notified those affected parties towards
who the proposed location encroaches, with the names
and addresses of those parties set forth on Exhibit A.

WHEREFORE, Applicant requests that, after notice
and hearing, this Application be approved as requested.

Respectfully submitted:

KELLAHIN, KELLAHIN & AUBREY

BY 

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

AND

Elizabeth A. Harris, Esq
Phillips Petroleum Company
4001 Penbrook, Suite 401
Odessa, Texas 79762

ATTORNEYS FOR APPLICANT

EXHIBIT A

OWNERSHIP IN THE SW/4 OF SECTION 1

Commissioner of Public Lands
State of New Mexico
State Land Office Building
P.O. Box 1148
Santa Fe, NM 87504



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

August 3, 1992

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Phillips Petroleum Company
c/o W. Thomas Kellahin
P.O. Box 2265
Santa Fe, NM 87504-2265

RE: Application of Phillips Petroleum Company for two unorthodox gas well locations, Four Lakes Devonian Gas Pool, Section 1 and 2, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Mr. Kellahin:

My initial review of your filing dated July 28, 1992 indicates that the application may be insufficient and that an additional exception may be necessary. Oil Conservation Division records show that the two 160-acre gas spacing and proration units for the two proposed wells (the NW/4 equivalent of Section 1 and the NE/4 equivalent of Section 2) are currently in existence and presently have dedicated thereon the following two wells:

- the South Four Lakes Unit Well No. 3; 660' FN & WL (Unit D) of said Section 1 appears to be dedicated to the NW/4 equivalent of said Section 1; and,
- the South Four Lakes Unit Well No. 8; 660' FNL - 990' FEL (Unit A) of said Section 2 appears to be dedicated to the NE/4 equivalent of said Section 2.

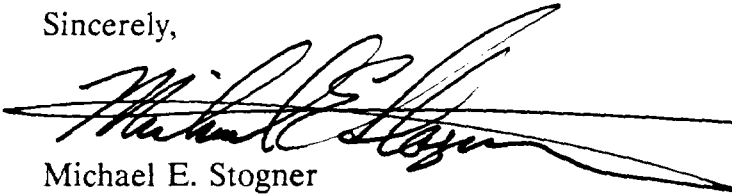
The Four Lakes-Devonian Gas Pool is not governed under the provisions of either the General Rules for Prorated Gas Pools in New Mexico, as promulgated by Division Order No. R-8170, as amended, or the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, as promulgated by Division Order No. R-5353, as amended, and is therefore classified as unprorated. Therefore, the spacing rules under General Rule 104.C.(2) apply in this instance and as such, additional stipulations exist when an infill gas well is requested. Division Memorandums dated July 27, 1986 and August 3, 1990 address this matter in more detail (see copies attached).

Phillips Petroleum Company
c/o W. Thomas Kellahin
August 3, 1992
Page 2

Should you wish to produce both wells on each proration unit concurrently, please resubmit this application requesting simultaneous dedication. If not, your application needs to address Phillips intentions in developing these units.

Should you have any questions concerning this matter, please contact me.

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/amg

cc: Oil Conservation Division - Hobbs

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JUL 28 1992
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KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W THOMAS KELLAHIN*
KAREN AUBREY*

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

*ALSO ADMITTED IN ARIZONA

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

July 28, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87504

HAND DELIVERED

Re: Application of Phillips Petroleum
Company for Two Unorthodox Gas
Well Locations, Four Lakes Devonian
Gas Pool, Lea County, New Mexico

10545

Dear Mr. LeMay:

On behalf of Phillips Petroleum Company, please find enclosed our Application for Two Unorthodox Gas Well Locations for the Four Lakes #13 and #14 wells which we request be set for hearing on the next available Examiner's docket now scheduled for August 20, 1992.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examiner witnesses either in support of or in opposition to the Application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl
Enclosure

cc: Elizabeth A. Harris, Esq.

Phillips Petroleum Company

BY CERTIFIED MAIL - RETURN RECEIPT:

All parties shown on Exhibit A of Application

appt728.038

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

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY FOR
APPROVAL OF TWO UNORTHODOX GAS WELL
LOCATIONS, FOUR LAKES DEVONIAN GAS POOL,
LEA COUNTY, NEW MEXICO

CASE: 10545

A P P L I C A T I O N

Comes now PHILLIPS PETROLEUM COMPANY, by and through its attorneys, KELLAHIN, KELLAHIN & AUBREY, and applies to the New Mexico Oil Conservation Division for approval of two unorthodox gas well locations in the Four Lakes-Devonian Gas Pool, Lea County New Mexico each to be drilled within a fifty foot radius of the following described sites all within Township 12 South, Range 34 East, NMPM, Lea County, New Mexico:

(1) South Four Lakes Well No. 13: 960 feet FEL and 2450 feet FNL (Unit H) Section 2, the 160 acres comprising the NE/4 to be dedicated to said well;

(2) South Four Lakes Well No. 14: 330 feet FWL and 2300 feet FNL (Unit E) Section 1, the 160 acres comprising the NW/4 is to be dedicated to said well.

In support thereof, Applicant states:

1. Applicant, Phillips Petroleum Company, has the right to drill and test for Devonian production in Sections 1 and 2, T12S, R34E, NMPM, Lea County New Mexico.

2. Applicant proposes to test for production by locating the subject wells as described above.

3. The proposed wells will be located within the current boundaries of the Four Lakes-Devonian Gas Pool.

4. The subject pool was created by Order R-928 dated December 13, 1956 and was reclassified as a gas pool by Order R-1371 issued April 17, 1959.

5. The Division General Rule 104-C II(a) require 160-acre spacing and proration units and require standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 3120 feet to any existing pool well.

6. The proposed wells would be at unorthodox locations and would require exceptions to General Rule 104.

7. Wells at the proposed unorthodox locations should penetrate productive intervals of the Devonian formation at more favorable geologic points than wells drilled at standard locations in the proposed spacing units thereby increasing the likelihood of obtaining commercial production.

8. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, 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.

9. In accordance with Division Rule 1207, Applicant has notified those affected parties towards who the proposed location encroaches, with the names and addresses of those parties set forth on Exhibit A.


WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

Application of Phillips Petroleum Company
Page 4

Respectfully submitted:

KELLAHIN, KELLAHIN & AUBREY

BY


W. Thomas Kellahin

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

Elizabeth A. Harris, Esq
Phillips Petroleum Company
4001 Penbrook, Suite 401
Odessa, Texas 79762

ATTORNEYS FOR APPLICANT

EXHIBIT A

OWNERSHIP IN THE SW/4 OF SECTION 1

Commissioner of Public Lands
State of New Mexico
State Land Office Building
P.O. Box 1148
Santa Fe, NM 87504

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 1621
Order No. R-1371

APPLICATION OF HUMBLE OIL & REFINING
COMPANY FOR AN ORDER RECLASSIFYING THE
FOUR LAKES-DEVONIAN (OIL) POOL IN LEA
COUNTY, NEW MEXICO, AS A GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 25, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 17th. day of April, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That Humble Oil & Refining Company, the operator of certain wells in the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, seeks the reclassification of said pool from an oil pool to a gas pool.

(3) That while in certain respects the Four Lakes-Devonian (oil) Pool does not possess the characteristics generally attributable to a gas pool, the preponderance of the evidence presented indicates that said pool is a gas pool.

(4) That the said Four Lakes-Devonian (oil) Pool should be reclassified as a gas pool and should be produced in such a manner as to prevent reaching the dew point prematurely.

IT IS THEREFORE ORDERED:

(1) That the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, be and the same is hereby reclassified as a gas pool.

(2) That gas production from the Four Lakes-Devonian Gas Pool in any calendar month shall not exceed five million standard cubic feet of gas times the number of days in the month.

(3) That as of the effective date of this order all gas produced from the said Four Lakes-Devonian Gas Pool shall be put to beneficial use as required by Rule 404 of the Commission Rules and Regulations.

(4) That bottomhole pressure shall be measured after a 48-hour shut-in period during the months of April and October of each year until further order of the Commission and the results of such tests furnished to the Commission.

(5) That jurisdiction of this cause is hereby retained by the Commission for such further order or orders as may seem necessary or convenient for the prevention of waste and/or the protection of correlative rights.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

COUNTY Lea POOL Four Lakes - Devonian Gas

TOWNSHIP 11 South RANGE 34 East NMFM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext: $\frac{5}{8}$ Sec. 35 (R-1129, 2-20-58) Reclassified Oil to Gas (R-1371, 4-17-59)

COUNTY Lea POOL Four Lakes - Devonian Gas

TOWNSHIP 12 South RANGE 34 East NMFM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: $\frac{NN}{4}$ Sec. 1; $\frac{NW}{4}$ Sec. 2; (R-928, 12-13-56).

Designation changed from oil to gas (R-1371, 4-17-59).

Ext: $\frac{SE}{4}$ Sec. 2; (R-1488, 11-1-59).

(SHIPROCK-GALLUP POOL - Cont'd.)

Applicants shall furnish all operators owning acreage within 330 feet of the proposed location a copy of the application to the Commission and shall stipulate to the Commission that proper notice has been furnished to all such operators. The Secretary-Director may approve the application if, after a period of twenty (20) days, no such operator has objected. The Secretary-Director may grant immediate approval upon receipt of waivers of objection from all such operators.

RULE 3. The slim-hole method of completion may be utilized in the Shiprock-Gallup Oil Pool, provided, however, that the tubing used as a substitute for casing shall be no smaller than 2-3/8 inch OD and no larger than 2-7/8 inch OD and shall be set at least to the top of the productive interval in the well; provided, further, that cement shall be circulated to the surface.

RULE 4. No 40-acre proration unit shall produce in excess of the 40-acre top unit allowable for wells in the 0-5000 foot depth range in Northwest New Mexico.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

FOUR LAKES-DEVONIAN GAS POOL
(Field Reclassified)
Lea County, New Mexico

Order No. R-1371, Reclassifying from Oil to Gas the Four Lakes-Devonian Pool, Lea County, New Mexico, April 17, 1959.

Application of Humble Oil & Refining Company for an order reclassifying the Four Lakes-Devonian (Oil) Pool in Lea County, New Mexico, as a Gas Pool.

CASE NO. 1621
Order No. R-1371

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. March 25, 1959, at Santa Fe, New Mexico, before

Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 17th day of April, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That Humble Oil & Refining Company, the operator of certain wells in the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, seeks the reclassification of said pool from an oil pool to a gas pool.

(3) That while in certain respects the Four Lakes-Devonian (oil) Pool does not possess the characteristics generally attributable to a gas pool, the preponderance of the evidence presented indicates that said pool is a gas pool.

(4) That the said Four Lakes-Devonian (oil) Pool should be reclassified as a gas pool and should be produced in such a manner as to prevent reaching the dew point prematurely.

IT IS THEREFORE ORDERED:

(1) That the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, be and the same is hereby reclassified as a gas pool.

(2) That gas production from the Four Lakes-Devonian Gas Pool in any calendar month shall not exceed five million standard cubic feet of gas times the number of days in the month.

(3) That as of the effective date of this order all gas produced from the said Four Lakes-Devonian Gas Pool shall be put to beneficial use as required by Rule 404 of the Commission Rules and Regulations.

(4) That bottomhole pressure shall be measured after a 48-hour shut-in period during the months of April and October of each year until further order of the Commission and the results of such tests furnished to the Commission.

(5) That jurisdiction of this cause is hereby retained by the Commission for such further order or orders as may seem necessary or convenient for the prevention of waste and/or the protection of correlative rights.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

Phillips Petroleum Co.
 Survey near Horse Unit
 well No. 8
 660' x 44' - 990' x 52'
 Spud: 11/14/86
 Four Lake Drilling Co.
 One Aul Canyon

40.05	40.11	40.09	40.05
			*
			Proposed Infill well

SECTION 2

TOWNSHIP 12 South

RANGE 34 East

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 277
STATE LAND OFFICE Bldg.
SANTA FE, NEW MEXICO
15051827-5803

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unregulated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing ~~proration units~~ will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

dr/

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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2068
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87504
505-827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND
REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

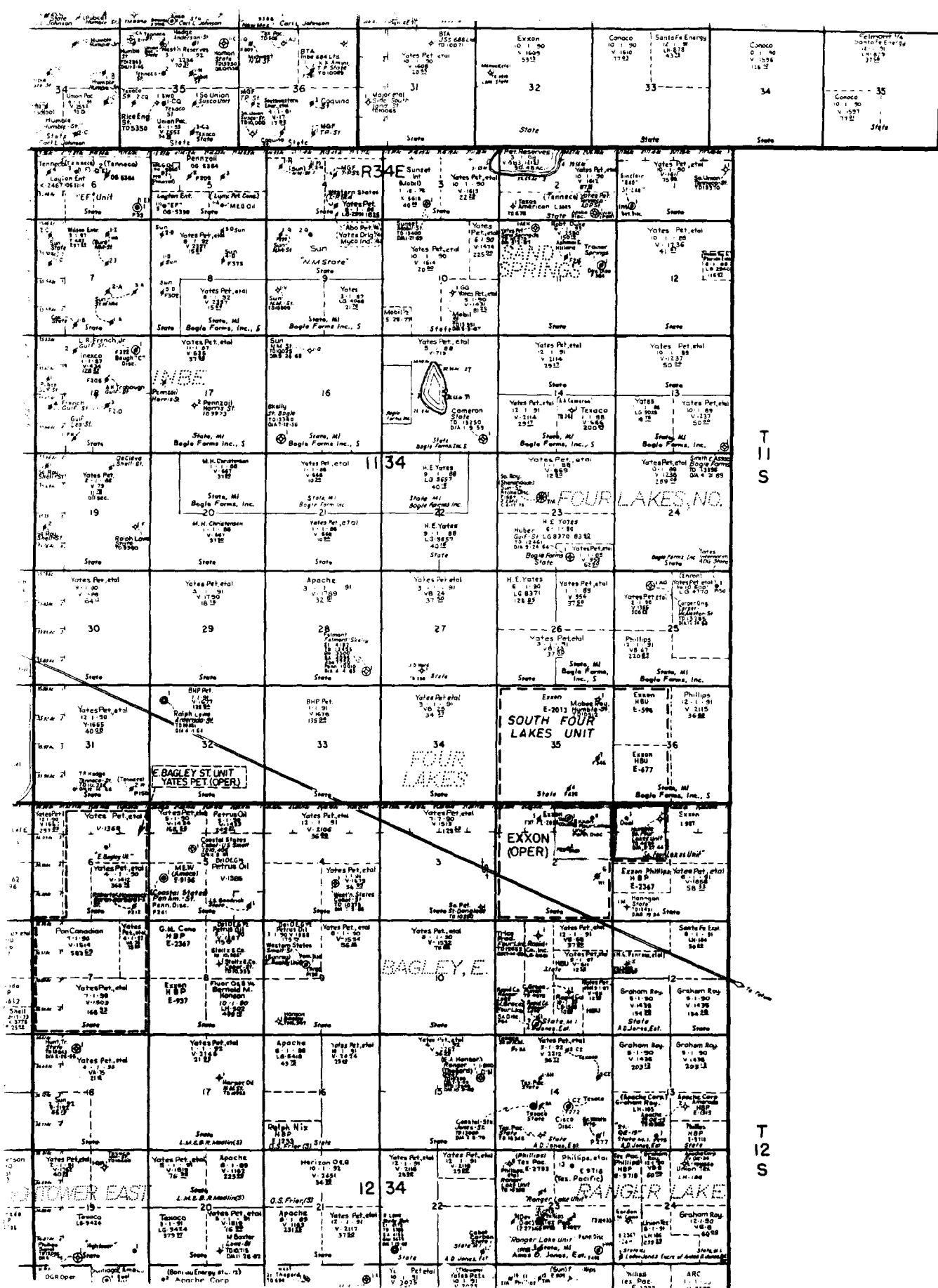
The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.



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T 12 S

OIL CONSERVATION DIVISION
RECEIVED

'92 SEP 13 PM 8 37

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

September 1, 1992

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

VIA FACSIMILE
(505) 827-5741

RE: Application of Phillips
Petroleum Company for an
Unorthodox Gas Well Location
Lea County, New Mexico
NMOCD Case No. 10545

Dear Mr. LeMay:

On behalf of Phillips Petroleum Company, we
respectfully request that the above-referenced case be
dismissed.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

xc: Elizabeth Harris, Esq.
Phillips Petroleum Company

1trt901.038