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

HECEIVED

IN THE MATTER OF THE APPLICATION OF PRO NEW MEXICO, INC. FOR NON-STANDARD PRORATION UNIT, OR IN THE ALTERNATIVE, COMPULSORY POOLING, BASIN-FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

OCT 2 2 1992

OIL CONSERVATION JUV. SANTA FE

CASE NO._____

APPLICATION

PRO NEW MEXICO, INC. ("Applicant") hereby applies to the Oil Conservation Division ("Division") for an order approving the creation of a nonstandard proration unit for the Basin-Fruitland Coal Gas Pool consisting of 160.0 acres, more or less, and comprised of the SW/4 of Section 5, Township 25 North, Range 11 West, San Juan County, New Mexico or, in the alternative, an order which compulsorily pools all mineral interests from the surface to the base of the Basin-Fruitland Coal Gas Pool in and under a standard proration unit comprised of the W/2 of Section 5, Township 25 North, Range 11 West, San Juan County New Mexico. In support thereof, Applicant would show the Division:

- Applicant owns 100% of the working interest in and under the SW/4 of Section 5, and applicant has the right to drill thereon.
- 2. The Bureau of Indian Affairs, as superintendent for certain unknown Navajo allottees, owns 100% of the working interest in and under the NW/4 of Section 5.

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- Applicant proposes to drill the above-referenced non-standard, or in the alternative, pooled unit to a well to be drilled at a standard location of said Section 5.
- 4. Applicant has sought the voluntary cooperation of the working interest owners in drilling the standard proration unit comprised of the W/2 of Section 5 (shown on Exhibit "A" attached hereto), but the Bureau of Indian Affairs has not agreed to cooperate in such drilling.
- 5. The creation of the proposed 160 acre non-standard Basin-Fruitland proration unit, or in the alternative, pooling of the mineral interests in the standard 320 acre proration unit, is necessary to prevent waste, protect correlative rights permit the applicant to obtain its just and fair share of the gas underlying the subject lands.
- 6. The Basin-Fruitland Gas Pool in this area, including acreage covered by the proposed proration units, is being rapidly developed in accordance with the drilling pattern established by Order No. R-8768 (Rule 7), the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as shown on Exhibit "A" attached hereto.

7. Pursuant to the applicable notice requirements, applicant has notified by certified mail, return receipt requested, all parties listed on Exhibits "B" and "C" attached hereto of the filing of this application and the date of the hearing requested below.

WHEREFORE, applicant prays this matter be set for hearing before a duly appointed Examiner of the Division on November 19, 1992, and, after the notice and hearing requiring by law, the Division enter its order approving the creation of the proposed 160.0 acre non-standard proration unit or, in the alternative, the compulsory pooling of all working interests in the standard 320.0 acre proration unit, including provisions for applicant to recover out of production therefrom its costs of drilling, completing and equipping the well, plus a 200% risk factor for drilling, completing and equipping such well, and all costs of supervision and operation of such unit. In addition, applicant prays it be granted any and all other relief which the Division deems necessary and equitable.

Respectfully submitted,

PRO NEW MEXICO, INC., Applicant

Jolene M. Dicks, Secretary 141 E. Palace Avenue Santa Fe, NM 87501 (505) 988-4171

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Pro New Mexico Ownership

Proposed Non-standard P.U.

Proposed Compulsory Pooling

Producing Fruitland Well

Fruitland Location or Waiting on Connection

Proposed Well (approximate location)

EXHIBIT "B"

CURRENT BASIN-FRUITLAND COAL WELLS OFFSETTING THE SW/4 SEC. 5, T-25-N, R-11W SAN JUAN COUNTY, NEW MEXICO

Operator/Address	Well Name	Location
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NW/4 SECTION 5-25N-11W (160 acres)	100%	Bureau of Indian A f f a i r s , a s superintendent for certain unknown Navajo allottees 301 W. Hill Gallup, NM 87305
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OIL CUNSERVATION UIV SANTA FE

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OIL CONCERNATION DIV.

CASE NO. 10615

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BIA Ownership

🧼 Pro New Mexico Ownership

Proposed Non-standard P.U.

Proposed Compulsory Pooling

Producing Fruitland Well

Fruitland Location or Waiting on Connection

Proposed Well (approximate location)

EXHIBIT "B"

CURRENT BASIN-FRUITLAND COAL WELLS OFFSETTING THE SW/4 SEC. 5, T-25-N, R-11W SAN JUAN COUNTY, NEW MEXICO

Operator/Address	Well Name	-	Location
Giant Exploration & Production Company P.O. Box 2810 Farmington, NM 87499	Buena Suerte 32-L	#1	SE/4 NW/4 SW/4 Sec. 32, 26N,11W
	Buena Suerte 33-L	#1	SE/4 NW/4 SW/4 Sec. 33, 26N,11W
	Buena Suerte 5-B	#1	SE/4 NW/4 NE/4 Sec. 5, 25N, 11W
	East Bisti Coal 6 #	1	SW/4 NE/4 NE/4 Sec. 6, 25N, 11W
	East Bisti Coal 7 #	1	SE/4 SW/4 NE/4 Sec. 7, 25N, 11W
	East Bisti Coal 8 #	1	SW/4 NE/4 NE/4 Sec. 8, 25N, 11W

EXHIBIT "C"

WORKING INTEREST OWNERS TO BE COMPULSORY POOLED

NW/4 SECTION 5-25N-11W (160 acres)	100%	Bureau of Indian A f f a i r s , a s superintendent for certain unknown Navajo allottees 301 W. Hill Gallup, NM 87305
SW/4 SECTION 5-25N-11W (160 acres)	100%	Pro New Mexico, Inc. 141 E. Palace Avenue Santa Fe, NM 87501

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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. 10615

THE APPLICATION OF PRO NEW MEXICO, INC. FOR NON-STANDARD PRORATION UNIT, OR IN THE ALTERNATIVE, COMPULSORY POOLING, BASIN-FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This prehearing statement is submitted by Pro New Mexico, Inc. ("PRO")

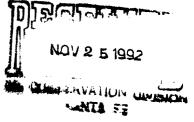
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEYS

Pro New Mexico, Inc. 141 E. Palace Avenue Santa Fe, New Mexico 87501 Contact: Jolene Dicks (505) 988-4171 J. E. Gallegos Gallegos Law Firm 141 E. Palace Ave. Santa Fe, NM 87501 (505) 983-6686



OPPOSITION OR OTHER PARTY

No other party has entered an appearance or filed opposition in this

matter. Interested parties may be:

Giant Exploration & Production Co. (operator of offset wells) P.O. Box 2810 Farmington, NM 87499

and

Bureau of Indian Affairs, as superintendent for certain unknown Navajo allottees (working interest owner to 301 W. Hill be compulsorily pooled) Gallup, NM 87305.

PROPOSED EVIDENCE

APPLICANT	EST. TIME	EXHIBITS
Jolene Dicks, contract representative for PRO	15 minutes	Sept. 21, 1992 letter from PRO to BIA
		Oct. 2, 1992 letter from PRO to BIA
		Oct. 9, 1992 letter from PRO to BIA
		Proposed Joint Operating Agreement
		Affidavit of Compliance with Rule 1207
		Ownership - Proration Unit if Compulsorily Pooled
		Ownership - Nonstandard Proration Unit
Bob Fielder, engineer	45 mintues	Vicinity Map showing Fruitland Formation wells & locations in area of interest
Bob Fielder, engineer	45 mintues	Formation wells & locations in
Bob Fielder, engineer	45 mintues	Formation wells & locations in area of interest
Bob Fielder, engineer	45 mintues	Formation wells & locations in area of interest Isopach Map illustrating Fruitland Formation in area of interest Cross-Section of logs of offsetting, analogous Fruitland
Bob Fielder, engineer	45 mintues	Formation wells & locations in area of interest Isopach Map illustrating Fruitland Formation in area of interest Cross-Section of logs of offsetting, analogous Fruitland wells
Bob Fielder, engineer	45 mintues	Formation wells & locations in area of interest Isopach Map illustrating Fruitland Formation in area of interest Cross-Section of logs of offsetting, analogous Fruitland wells Economic Evaluation Well Cost Estimate

STATEMENT OF THE CASE

Applicant seeks an exception to Rule 4 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool, as promulgated by Division Order No. R-8768, as amended, approving the creation of a non-standard 160-acre gas spacing and proration unit that incorporates the SW/4 of Section 5, Township 25 North, Range 11 West, San Juan County, New Mexico, or in the alternative, an order for compulsory pooling of all mineral interests in the Basin-Fruitland (Gas) Pool underlying the W/2 of said Section 5, in order to prevent waste, protect correlative rights and to permit the applicant to obtain its just and fair share of gas underlying the subject lands.

OPPOSITION

As stated above, no party has filed opposition to this application.

PROCEDURAL MATTERS

None.

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J. F. Gallegos Gallegos Law Firm 141 E. Palace Ave. Santa Fe, NM 87501 (505) 983-6686

Attorneys for Pro New Mexico, Inc.

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 3, 1992 8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be beard before David R. Catanach, Examiner or Michael E. Stogner, Alternate Examiner:

CASE 10569: (Continued from November 19, 1992, Examiner Hearing.) (This Case Will Be Dismissed.)

Application of Hallwood Petroleum Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the abovestyled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool, underlying the E/2 of Section 35, Township 32 South, Range 13 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard location in the NE/4 of said Section 35. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1.5 miles northeast of La Plata, New Mexico.

- <u>CASE 10613</u>: Application of WJC Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above styled cause, seeks authority to dispose of produced salt water into the San Andres and Bone Spring formations through an open hole interval at a depth of 5000 feet to 8360 feet, using its J.G. Cox Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 13, Township 17 South, Range 38 East. This location is approximately 1 mile east of Knowles, NM.
- <u>CASE 10614</u>: Application of WJC Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above styled cause, seeks authority to dispose of produced salt water into the lower Devonian and Ellenberger formations through an open hole interval at a depth of 12,337 feet to 14,209 feet, using its D.F. Willhoit Well No. 2, located 660 feet from the South and West lines, (Unit M), Section 18, Township 17 South, Range 39 East. This location is approximately 2 miles east-southeast of Knowles, NM.

CASE 10600: (Continued from November 19, 1992, Examiner Hearing.)

Application of BK Petroleum, Inc. for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Gallegos Gallup Associated Pool through the perforated interval from approximately 4850 feet to 5028 feet in its Nelson Well No. 1 located 990 feet from the North line and 1090 feet from the East line (Unit A) of Section 3, Township 26 North, Range 12 West, which is approximately 16 miles south by east of Farmington, New Mexico.

CASE 19615: Application of Pro New Mexico, Inc. for a non-standard gas proration unit or, in the alternative, for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to RULE 4 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool, as promulgated by Division Order No. R-8768, as amended, approving the creation of a non-standard 160-acre gas spacing and proration unit that incorporates the SW/4 of Section 5, Township 25 North, Range 11 West; <u>OR. IN THE ALTERNATIVE</u>, the applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying Lots 3 and 4, the S/2 NW/4, and SW/4 (W/2 equivalent) of said Section 5 forming a standard 320.48-acre gas spacing and proration unit for said pool. In either instance a well to be drilled at a standard coal gas well location 1845 feet from the South line and 1835 feet from the West line (Unit K) of said Section 5 is to be dedicated to the resulting gas spacing and proration unit. Also to be considered, if a compulsory pooling order is sought, will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. The area involved in this matter is located approximately 2 miles south-southwest of the Bureau of Indian Affairs Huerfano Community School.

CASE 10108: (Reopened) (Continued from November 5, 1992, Examiner Hearing.)

In the matter of Case 10108 being reopened pursuant to the provisions of Division Order No. R-5353-L, as amended, which order amended the special rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County. Operators in said pool may appear and show cause why the amended temporary special rules and regulations for said South Dagger Draw-Upper Pennsylvanian Associated Pool should not be rescinded.

<u>CASE 10616</u>: Application of SG Interests I, Ltd. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the S/2 of Section 20, Township 28 North, Range 8 West, forming a standard 320.00-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 20. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 9 miles southeast by east of Blanco. New Mexico

CASE 10607: (Continued from November 19, 1992, Examiner Hearing.) (This Case Will Be Dismissed.)

Application of SG Interests I, Ltd. for compulsory pooling and a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1, 5, 6, 7, 8 and 9, the W/2 NE/4, E/2 NW/4, NE/4 SW/4 and NW/4 SE/4 (N/2 and N/2 S/2 equivalents) of Section 19, Township 29 North, Range 9 West, forming a non-standard 409.34-acre, more or less, gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 equivalent of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile southeast of Blanco, New Mexico.

CASE 10608; (Continued from November 19, 1992, Examiner Hearing.) (This Case Will Be Dismissed.)

Application of SG Interests I, Ltd. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 28, Township 29 North, Range 10 West, forming a standard 320.00-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 28. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles east by south of Bloomfield, New Mexico.

CASE 10609: (Continued from November 19, 1992, Examiner Hearing.)

Application of SG Interests I, Ltd. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the N/2 of Section 24, Township 29 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its Archunde 29-10-24 Well No. 1 which was recently drilled at a previously approved unorthodox coal gas well location 1030 feet from the North line and 640 feet from the East line (Unit A) of said Section 24 (Division Administrative Order NSL-3173). Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately one-half mile south of Blanco, New Mexico.

CASE 10610: (Continued from November 19, 1992, Examiner Hearing.)

Application of SG Interests I, Ltd. for compulsory pooling and an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the S/2 of Section 21, Township 29 North, Range 10 West, forming a standard 320.00-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at an unorthodox coal gas well location 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles east of Bloomfield, New Mexico.

CASE 10577: (Continued from November 19, 1992, Examiner Hearing.) (This Case Will Be Dismissed.)

Application of SG Interests I, Ltd. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 29 North, Range 9 West, forming a standard 324.00-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 SW/4 (Unit G) of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile east-northeast of Turley, New Mexico.