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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

FACSIMILE COVER SHEET

DATE: October 14, 1994

NUMBER OF PAGES: -5-
(including cover sheet)

TIME: 9:16 AM

TO: Michael E. Stogner

FROM: W. THOMAS KELLAHIN, Esq.

OF: NMOCD

FAX NO: (915) 827-5741

SPECIAL INSTRUCTIONS:REF: NMOCD Case 10830
Order No. R-10026
Temporary 6000 to 1 GOR
Paddock Pool**MESSAGE:**

Mike:

*Will be scheduled for
Dec. hearing without
interruption. M. Stogner*

I would appreciate your advice on the attached order. It appears to me that the way the order is written the one year GOR increase will automatically expire on Dec 1, 1994. However, the order calls for a Dec hearing. If that is correct, it can be argued that the GOR will expire before the case can be heard.

If we go ahead and put this on the Nov 10th docket that may be too short a notice to get prepared and it is not consistent with the order.

Please call me so we can decide if this should go on the Nov 10th docket.

Thanks

Regards,

Tom

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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. 10830
ORDER NO. R-10026

APPLICATION OF CONOCO, INC. FOR SPECIAL POOL RULES OR, IN THE ALTERNATIVE, FOR A TEMPORARY SPECIAL TESTING ALLOWABLE, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23 and October 21, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of November, 1993 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) On May 14, 1945 the New Mexico Oil Conservation Commission, by Supplement No. 2 to Order 588, established the Paddock Pool for the production of oil from the Upper Yeso formation. The horizontal limits for said pool, as currently defined, include the following described lands in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM

Section 24: SE/4
Section 25: E/2

Case No. 10830
 Order No. R-10026
 Page 2

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 19: S/2 NW/4 and S/2
 Section 20: S/2
 Section 21: SW/4, W/2 SE/4, and SE/4 SE/4
 Section 22: W/2
 Sections 27 through 29: All
 Section 30: N/2 and SE/4
 Sections 32 through 35: All
 Section 36: S/2

TOWNSHIP 21 SOUTH, RANGE 38 EAST, NMPM

Section 31: SW/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Sections 1 through 5: All
 Sections 8 through 15: All
 Section 16: N/2
 Section 17: E/2
 Section 23: NW/4
 Section 24: E/2
 Section 25: N/2 NE/4

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM

Section 6: W/2
 Section 7: W/2
 Section 18: W/2 and SE/4
 Section 19: N/2 and SW/4
 Section 20: NW/4

(3) The Paddock Pool is currently governed by the Division's General Statewide Rules and Regulations with development on 40-acre spacing units each having a top unit depth bracket allowable of 107 barrels of oil per day and a gas-oil ratio of 2,000 cubic feet of gas per barrel of oil which results in a casinghead gas allowable of 214 MCF per day.

(4) Conoco, Inc. owns and operates, within said pool boundary, the Lockhart "A-27" Lease comprising the N/2 of Section 27, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Case No. 10830
Order No. R-10026
Page 3

(5) The applicant in this matter, Conoco, Inc. ("Conoco"), now seeks the promulgation of special rules and regulations for the Paddock Pool, establishing a gas-oil ratio limitation of 6,000 cubic feet of gas per barrel of oil. In the alternative, Conoco seeks an order establishing a special one-year testing allowable for its aforementioned Lockhart "A-27" Lease, whereby each Paddock well within the N/2 of said Section 27 may be produced at its capacity up to a limiting gas-oil ratio of 6,000 cubic feet of gas per barrel of oil and any production in excess of the limits set forth in Division General Rules 505 and 506 would not constitute overproduction for the one-year testing period.

(6) Any such consideration of this application that allows an exception to the pool's established gas-oil ratio and/or allowable to a specific area within the pool is not in the best interest of conservation and invites encroachment by allowing unequal production techniques and procedures to co-exist in an established pool; such activity may lead to a direct violation of correlative rights, and should therefore be denied.

(7) Sufficient evidence was presented however to support the adoption of the requested 6,000 to one gas-oil ratio limitation poolwide for a test period of one year after which all operators in the pool should obtain data from which to determine the most efficient rate of production for the proper development and depletion of the Paddock Pool thereby preventing waste.

(8) There was no opposition by any operator in the pool to increase the limiting gas-oil ratio in the pool to 6,000 to one.

(9) This case should be reopened at an examiner hearing in December, 1994, to permit the operators in the subject pool to appear and show cause why the limiting gas-oil ratio for the Paddock Pool should not revert to the statewide standard 2,000 to one.

IT IS THEREFORE ORDERED THAT:

(1) Effective December 1, 1993, for a period of one year, the limiting gas-oil ratio for the Paddock Pool, Lea County, New Mexico shall be 6,000 cubic feet of gas per barrel of liquid hydrocarbons produced.

IT IS FURTHER ORDERED THAT, commencing December 1, 1993, each proration unit in the Paddock Pool shall produce only that volume of gas equivalent to 6,000 multiplied by the top unit allowable for the pool, or 642 MCF per day.

Case No. 10830
Order No. R-10026
Page 4

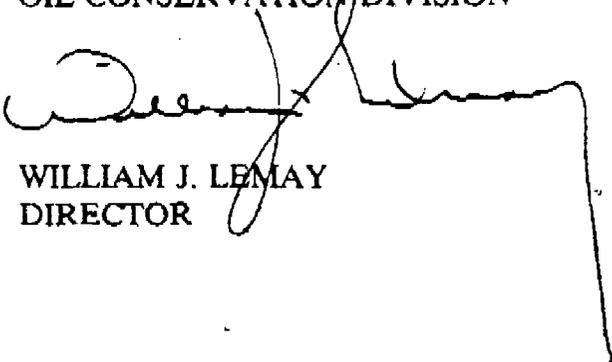
(2) This case shall be reopened at an examiner hearing in December, 1994, to permit the operators in the subject pool to appear and show cause why the limiting gas-oil ratio for the Paddock Pool should not revert back to the statewide standard 2,000 to one.

(3) That portion of the application by Conoco, Inc. for an order establishing a special one-year testing allowable for its Lockhart "A-27" Lease, whereby each Paddock well within the N/2 of Section 27, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, may be produced at its capacity up to a limiting gas-oil ratio of 6,000 cubic feet of gas per barrel of oil and any production in excess of the limits set forth in Division General Rules 505 and 506 would not constitute overproduction for the one-year testing period, is hereby denied.

(4) 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

SEAL

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JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
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October 24, 1994

OCD
Rec.
10/24/94
FD

HAND DELIVERED

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

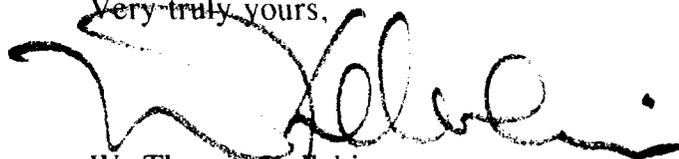
Re: NMOCD Case 10830 (Reopened)
Order R-10026
Application of Conoco, Inc.
for Special Pool Rules for Paddock Pool,
Lea County, New Mexico

Dear Mr. Stogner:

Last week, we discussed the referenced order which requires a December 1994 hearing to re-consider the 6,000 to 1 GOR adopted for the referenced pool. You informed me that the Division would permit the continuation of the temporary GOR rate pending Division action on this reopened case.

On behalf of Conoco Inc., the original applicant in this matter, I would appreciate you setting this matter for hearing on the Examiner's docket for December 15, 1994.

Very truly yours,



W. Thomas Kellahin

cc: Conoco, Inc.
Attn: Jerry Hoover



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

March 6, 1995

KELLAHIN AND KELLAHIN
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 11830
ORDER NO. R-10026-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
James Bruce