

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. 11013
ORDER NO. R-11026

APPLICATION OF BABER WELL SERVICING COMPANY AND/OR PRONGHORN
MANAGEMENT CORPORATION FOR AN UNORTHODOX OIL WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 19, 1998 at Santa Fe, New Mexico,
before Examiner Michael E. Stogner.

NOW, on this 4th day of August, 1998, the Division Director, having considered the
testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and
its subject matter.
- (2) The North San Simon-Yates Associated Pool currently comprises the following
described area in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM

| | |
|-------------|--------------------|
| Section 19: | E/2 E/2 |
| Section 20: | NW/4 and W/2 SW/4 |
| Section 28: | W/2 SW/4 |
| Section 29: | W/2 and SE/4 |
| Section 31: | NE/4 NE/4 |
| Section 32: | NE/4 and N/2 NW/4 |
| Section 33: | NW/4 and N/2 SW/4. |

- (3) The North San Simon-Yates Associated Pool is currently governed by the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the North San Simon-Yates Associated Pool*," as adopted by Division Order No. R-5353, as amended by Division Order Nos. R-7385, R-7385-A, and R-7385-B, which rules provide for oil wells to be spaced on 40-acre tracts with oil wells to be located no

closer than 330 feet from the outer boundary of the proration unit and for gas wells to be spaced on 160-acre tracts with gas wells to be located no closer than 330 feet to the outer boundary of the quarter section.

(4) Within the NW/4 NW/4 (Unit D) of Section 29, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, development of the North San Simon-Yates Associated Pool commenced in 1959 with the drilling and completion as an oil well of the Baber Well Servicing Company/Pronghorn Management Corporation operated New Mexico "BZ" State NCT-5 Well No. 1 (API No. 30-025-03521), located at a standard oil well location 660 feet from the North and West lines of Section 29.

(5) According to Division records, Baber Well Servicing Company/Pronghorn Management Corporation commenced drilling the NM "BZ" State NCT-5 Well No. 5 (API No. 30-025-32362) as an infill oil well within the existing 40-acre tract on January 4, 1994 at a location 40 feet from the North line and 750 feet from the West line (Unit D) of Section 29. The NM "BZ" State NCT-5 Well No. 5 commenced producing oil from the North San Simon-Yates Associated Pool in July, 1994.

(6) Upon application filed with the Division on June 15, 1994 by Baber Well Servicing, the following styled application was docketed for hearing before a Division hearing officer:

"Application of Baber Well Servicing Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its NM "BZ" State NCT-5 Well No. 5 drilled at an unorthodox oil well location 40 feet from the North line and 750 feet from the West line (Unit D) of Section 29, Township 21 South, Range 35 East, as an infill well on an existing 40-acre standard oil spacing and proration unit in the North San Simon-Yates Associated Pool, which is currently dedicated to the Pronghorn Management Corporation NM "BZ" State NCT-5 Well No. 1 located at a standard oil well location 660 feet from the North and West lines of said Section 29. Said unit is located approximately 8.5 miles west-southwest of Oil Center, New Mexico. FURTHER, a single operator for the subject 40-acre unit shall be designated by the applicant at the time of the hearing."

(7) This case first appeared on the Division's July 7, 1994 docket. It was then continued twice at the request of the applicant. On August 17, 1994, a representative of Baber Well Servicing Company requested that this matter be continued indefinitely.

(8) Subsequent to the receipt of a letter from Pogo Producing Company to the Division dated October 3, 1997, this matter was reopened and readvertised in the following manner:

“CASE 11013: (REOPENED BY THE DIVISION FOR A SHOW CAUSE HEARING and READVERTISED)”

Application of Baber Well Servicing Company and/or Pronghorn Management Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval for its New Mexico “BZ” State NCT-5 Well No. 5 (API No. 30-025-32362), drilled at an unorthodox oil well location 40 feet from the North line and 750 feet from the West line (Unit D) of Section 29, Township 21 South, Range 35 East, as an infill well on an existing 40-acre standard oil spacing and proration unit in the North San Simon-Yates Associated Pool comprising the NW/4 NW//4 of said Section 29, which is dedicated to the Pronghorn Management Corporation New Mexico “BZ” State NCT-5 Well No. 1 (API No. 30-025-03521), located at a standard oil well location 660 feet from the North and East lines (Unit D) of said Section 29. Said 40-acre unit is located approximately 8.5 miles west-southwest of Oil Center, New Mexico. **FURTHER**, the operator of said 40-acre unit shall appear and show cause why: (i) the New Mexico “BZ” State NCT-5 Well No. 5 should not be plugged and abandoned; (ii) it commenced producing said well without proper authorization; (iii) the off set interest’s correlative rights were not violated by the past production; and (iv) a civil penalty should not be assessed or other restrictions imposed for any violations committed by the operator.”

(9) At the time of the February 19, 1998 hearing, Pogo Producing Company appeared and presented evidence in opposition to this application and requested that this well be shut-in.

(10) Pogo Producing Company is a one-sixteenth overriding royalty interest owner to a depth of 5,200 feet within a lease that is also operated by Baber Well Servicing Company and comprises the S/2 of Section 20, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico.

(11) There was no appearance by Baber Well Servicing Company/Pronghorn Management Corporation at this hearing.

(12) The New Mexico “BZ” State NCT-5 Well No. 5, being only 40 feet from the S/2 of Section 20, is draining reserves from that lease. Pogo Producing Company’s interest is being adversely affected and its correlative rights are being violated.

(13) Production from the New Mexico “BZ” State NCT-5 Well No. 5 should cease immediately and Baber Well Servicing Company/Pronghorn Management Corporation should be ordered to properly plug and abandon this well and restore the well site to the satisfaction of the Supervisor of the Division’s District Office in Hobbs (District I) by October 1, 1998.

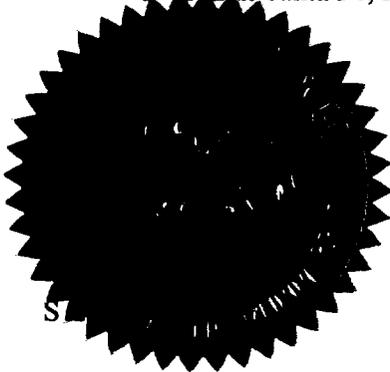
IT IS THEREFORE ORDERED THAT:

(1) Baber Well Servicing Company/Pronghorn Management Corporation is hereby ordered to cease production operations on New Mexico "BZ" State NCT-5 Well No. 5 (API No. 30-025-32362), located 40 feet from the North line and 750 feet from the West line (Unit D) of Section 29, Township 21 South, Range 35 East, NMPM, North San Simon-Yates Associated Pool, Lea County, New Mexico.

(2) Further, Baber Well Servicing Company/Pronghorn Management Corporation is hereby ordered to plug and abandon its New Mexico "BZ" State NCT-5 Well No. 5 and remove the tank batteries and surface equipment located thereon with all work to be completed to the satisfaction of the Supervisor of the Division's District Office in Hobbs (District I) by October 1, 1998. Failure to do so may subject the operator to a fine of up to \$1,000.00 per day until such work is completed.

(3) Jurisdiction of this case 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

Lori Wrotenbery
LORI WROTENBERY
Director