



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION  
1220 S. ST. FRANCIS DRIVE  
SANTA FE, NM 87505  
(505) 476-3440  
(505)476-3462 (Fax)

PLEASE DELIVER THIS FAX:

TO: Jim Bruce, Bill Carr

FROM: Stephen Ross

DATE: 3-20-01

PAGES: 3

SUBJECT: Pogo Producing Co.

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IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE  
NUMBER ABOVE.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON**  
Governor  
**Jennifer A. Salisbury**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
**Oil Conservation Division**

March 20, 2001

*Via Facsimile and First Class Mail*

Mr. James Bruce  
Attorney At Law  
Post Office Box 1056  
Santa Fe, New Mexico 87504

William F. Carr  
Michael H. Feldewert  
Holland & Hart LLP and Campbell & Carr  
Suite 1, 110 North Guadalupe  
Sante Fe, New Mexico 87504-2208

Re: Case No. 12568  
Application of Pogo Producing Company for Compulsory Pooling, Lea County,  
New Mexico

Gentlemen,

The Oil Conservation Commission has docketed Case No. 12568, *de novo* on application of Pogo Producing Company.

A motion to dismiss the application has been filed by EOG Resources, Inc. Part I of the motion seeks dismissal of the *de novo* filing on the grounds that no order of dismissal had yet been issued in the Division case. I note that since the motion was filed, an Order of the Division has been issued. *See* Order No. R-11541. I therefore suggest that Part I of the motion to dismiss may be moot.

Part II of the motion, however, relates to the merits of the filing.

The Commission will hear argument on the motion during its meeting of March 30, 2001. Until the motion is heard and decided, it would be premature to schedule an evidentiary

James Bruce *et al.*

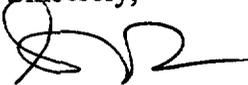
March 20, 2001

Page 2

presentation and risk inconveniencing witnesses. Therefore, please be prepared only to address the motion to dismiss during the March 30 meeting. If the motion to dismiss is denied, an evidentiary hearing will be scheduled for a future Commission meeting.

Please feel free to give me a call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be "SR", written over a horizontal line.

Stephen C. Ross

Assistant General Counsel

Cc: Commission Secretary



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**MARY E. JOHNSON**

Governor

**Jennifer A. Salisbury**  
Cabinet Secretary

**Lori Wrotenbery**

Director

**Oil Conservation Division**

March 20, 2001

*Via Facsimile and First Class Mail*

**Mr. James Bruce**  
Attorney At Law  
Post Office Box 1056  
Santa Fe, New Mexico 87504

**William F. Carr**  
Michael H. Feldewert  
Holland & Hart LLP and Campbell & Carr  
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James Bruce *et al.*

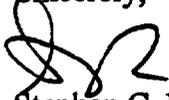
March 20, 2001

Page 2

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Please feel free to give me a call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Ross', written over the word 'Sincerely,'.

Stephen C. Ross

Assistant General Counsel

Cc: Commission Secretary

## **Ross, Stephen**

---

**From:** Catanach, David  
**Sent:** Thursday, March 01, 2001 6:54 AM  
**To:** Ross, Stephen  
**Subject:** RE: Case No. 12568 (Pogo Producing Co.)

Steve, there is no transcript in this case. I ruled on EOG's motion to dismiss before the case was ever heard.

-----  
**From:** Ross, Stephen  
**Sent:** Wednesday, February 28, 2001 10:43 AM  
**To:** Catanach, David  
**Subject:** Case No. 12568 (Pogo Producing Co.)

Dave,

Could I borrow the transcript of the hearing in this matter? Pogo has filed a de novo application which EOG has moved to dismiss, and I'd like to evaluate the situation so as to advise the Commission on how to dispose of the pending motion.

Thanks.

Stephen C. Ross  
Assistant General Counsel  
NM Energy, Minerals and Natural Resources Department  
Oil Conservation Commission  
1220 S. Saint Francis  
Santa Fe, New Mexico 87505  
Office: (505) 476-3451  
Fax: (505) 476-3462

**JAMES BRUCE**

ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

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HYDE PARK ESTATES  
SANTA FE, NEW MEXICO 87501

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

RECEIVED  
FEB 27

February 26, 2001

Lori Wrotenbery  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

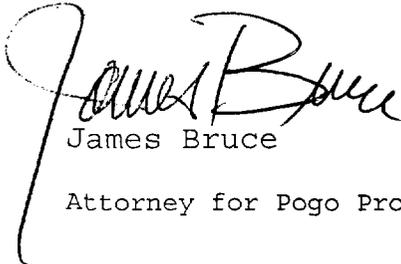
Re: Case No. 12568 (Pogo Producing Company)

Dear Ms. Wrotenbery:

On behalf of my client, I request that a written order be entered in the above case.

The case was set for hearing on January 11, 2001, but was verbally dismissed by the Examiner of January 10th. No written order has yet been issued. Pogo Producing Company has applied for a hearing de novo in this matter, and EOG Resources, Inc. has moved to dismiss the de novo hearing, in part, because no written decision has been entered. Please note that NMSA 1978 §70-2-13 does not require a written decision; it merely requires a "decision," which was obviously rendered by the Examiner, or the matter would have been heard on January 11th. I simply request that an order be entered to remove any need to further argue the point.

Very truly yours,



James Bruce

Attorney for Pogo Producing Company

cc: William F. Carr

HOLLAND & HART LLP  
AND  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

SUITE 1  
110 NORTH GUADALUPE  
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SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043  
www.hollandhart.com

February 12, 2001

**BY HAND DELIVERY**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Energy, Minerals and  
Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

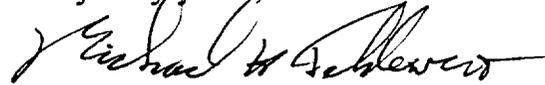
OIL CONSERVATION DIV.  
01 FEB 12 PM 4:43

Re: Case No. 12568: Application of Pogo Producing Company for  
Compulsory pooling, Lea County, New Mexico.

Dear Ms. Wrotenbery;

Enclosed is EOG Resources, Inc.'s Motion to Dismiss the Application For Hearing *De Novo* and the Amended Application filed by Pogo Producing Company with the Commission in the above referenced case.

Very truly yours,



Michael H. Feldewert

cc: James Bruce  
Attorney for Pogo Producing Company

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

APPLICATION OF POGO PRODUCING COMPANY  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

CASE NO. 12568 (*de novo*)

OIL CONSERVATION DIV.  
01 FEB 12 PM 4:42

**EOG RESOURCES, INC.'S**  
**MOTION TO DISMISS APPLICATION FOR HEARING *DE NOVO***  
**AND MOTION TO DISMISS "AMENDED APPLICATION"**

EOG Resources, Inc. ("EOG") hereby moves the Commission for an order dismissing (a) the Application For Hearing *De Novo* and (b) the "Amended Application" filed by Pogo Producing Company ("Pogo") on January 23, 2001. Pogo seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 23, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico for a well it proposes to drill on EOG acreage in the SE/4 NE/4 (Unit H) of this section, or in the alternative in the SW/4 NE/4 (Unit G) of this section. For the reasons set forth below, Pogo's applications must be dismissed.

**BACKGROUND INFORMATION**

1. Section 23 consists entirely of federal acreage. EOG is the leaseholder of record of 100% of the working interest in the N/2, SW/4 and W/2 SE/4 of Section 23, and is an owner of interest in the mineral estate Pogo seeks to pool. Pogo's interest in Section 23 is limited to the E/2 SE/4.

2. By letter dated September 29, 2000, EOG proposed to Pogo the drilling of a well to test the Morrow formation on a spacing unit comprised of the S/2 of Section 23 and the

creation of a working interest unit covering all of Section 23. In the alternative, EOG sought a farmin agreement or term assignment covering Pogo's interest in this federal section. EOG requested from Pogo the earliest possible response to this proposal due to time needed to obtain APD approval from the BLM and to schedule a rig. Pogo declined to participate in a well drilled on a S/2 spacing unit and declined to join in a one section working interest unit.

3. On October 24, 2000, EOG sent Pogo a revised Joint Operating Agreement for a S/2 unit. Pogo responded on November 2, 2000, by proposing a well on an E/2 spacing unit with the well to be drilled on EOG acreage in the SE/4 NE/4 of this section.

4. Being unable to reach voluntary agreement for the development of the Morrow reserves underlying Section 23, EOG filed an application with the Oil Conservation Division on November 7, 2000, seeking an order compulsory pooling the S/2 of Section 23 for a Morrow well to be drilled in the NW/4 SE/4 of the section.

5. On November 16, 2000, EOG wrote Pogo and advised Pogo that it had filed with the Bureau of Land Management an Application for Permit to Drill a well on a N/2 spacing unit in Section 23, advised Pogo that it believed that "lay down" proration units in Section 23 were the optimum method of developing this acreage, and again solicited Pogo's participation in the development of a S/2 spacing unit. *See Attachment A.*

6. While EOG was attempting to solicit Pogo's participation in the development of the S/2 of Section 23, EOG proceeded with its plans to develop its Morrow reserves underlying the N/2 of Section 23. On November 17, 2000, the BLM approved EOG's Application for Permit to Drill its Red Tank "23-N" Federal Well No. 1 on a standard 320-acre spacing unit in of the N/2 of Section 23. *See Attachment B.* This spacing unit is comprised of 100% federal lands

and is covered by one federal lease for which EOG is the leaseholder and 100% working interest owner.

7. On December 19, 2000, Pogo filed an application seeking a Division order pooling the E/2 of Section 23. This application was set for hearing on January 11, 2001.

8. On December 28, 2000, EOG again advised Pogo that it was proceeding with its plans to develop the N/2 of Section 23, that it had an approved APD from the BLM and that it intended to drill a well pursuant to the approved APD. *See Attachment C.*

9. At 7:00 A.M. on January 9, 2001, EOG commenced drilling its Red Tank "23-N" Federal Well No. 1 under the APD approved by the BLM for a N/2 spacing unit.

10. On January 9<sup>th</sup>, EOG requested that the Division continue its compulsory pooling application for a S/2 spacing unit until March 8, 2001. EOG also filed with the Division a Motion to Dismiss Pogo's application for an E/2 spacing unit in Section 23 on the grounds that the NE/4 was dedicated to EOG's Red Tank "23-N" Federal Well No. 1 under the N/2 spacing unit approved by the BLM. On that same day, Pogo filed a response objecting to EOG's motion.

11. On January 10<sup>th</sup>, EOG's motion was heard by a Division Examiner who indicated he intended to grant EOG's motion to dismiss. However, an order has not been entered by the Division.

#### **I. Pogo's Applications Are Not Property Before the Commission.**

*De Novo* appeals to the Commission are governed by Division Rule 1220, which states:

When an order has been entered by the Division pursuant to a hearing held by a Division Examiner, a party of record adversely affected by the order has the right to have the matter heard *de novo* before the Commission, provided that within 30 days from the date the order is issued the party files with the Division a written application for such hearing.

Case No. 12568 involves Pogo's Application filed before the Oil Conservation Division for a compulsory pooling order for a proposed well on EOG acreage in the SE/4 NE/4 (Unit H) of Section 23. On January 23, 2001, Pogo filed an "Amended Application" in Case No. 12568 with the Commission that seeks "in the alternative" a compulsory pooling order for a proposed well at a different location on EOG's acreage - the SW/4 NE/4 (Unit G) of Section 23.

The Division has yet to enter an order in Case No. 12568 addressing either Pogo's Application or its Amended Application. Pogo's application for *de novo* review by the Commission is therefore premature. See Division Rule 1220.

**II. EOG's acreage in the NE/4 of Section 23 Is Not Available For Pogo's Proposed E/2 Spacing Unit.**

Pogo has filed with the Commission a "Statement Of Reasons For Appeal" which essentially asks the Commission to revoke the N/2 spacing unit approved by the BLM and alter entirely the economics of EOG's well drilled on that federal acreage. Pogo contends such a drastic ruling is necessary to protect Pogo's correlative rights.

**A. The N/2 Spacing Unit Approved By the BLM Does Not Impair Pogo's Correlative Rights.**

"Correlative rights" is defined by the Oil and Gas Act as the right of a property owner to produce without waste "his just and equitable share" of the reserves under his property. See NMSA 1978, Sec. 70-2-33; Division Rule 7.C. Pogo has no right to produce or share in the recoverable reserves under EOG's property.

Pogo has no interest in the N/2 of Section 23. Pogo's interests are limited to the E/2 SE/4. The S/2 of Section 23, where Pogo's interest is located, remains available to form a 320 acre spacing unit and is the subject of of a compulsory pooling application filed by EOG now

pending before the Division as Case 12552. Thus, the N/2 spacing unit approved by the BLM does not prevent Pogo from producing its fair share of the reserves underlying Pogo's property.

**B. The BLM Avoids Communitization of Federal Leases Where A Single Federal Lease Can Be Developed In Conformity With Established Well Spacing.**

Pogo's request that the Commission revoke EOG's approved BLM drilling permit and create an E/2 spacing unit is also contrary to precedent and policy. Where federal acreage is involved, the Division has properly and routinely recognized the BLM's desire to avoid communitization of multiple federal leases where a single federal lease can be developed in conformity with established well spacing. *See* Attachment D (Order No. R-11413) at p. 4 and p. 6.

Case No. 12423 involved an effort by Southwestern Energy Production Company to obtain a compulsory pooling order forming a W/2 spacing unit. The Division dismissed that application after it was informed that the BLM had already approved Santa Fe Snyder's drilling permit forming a N/2 spacing unit. *Id.* The Division noted that the BLM opposes "Acommunitization of multiple leases when a single federal lease can be developed in conformity with established well spacing." *Id.* at p. 4. The Division also referenced a letter from the BLM which applies equally here:

As a result of the BLM's action (approving a permit to drill for a N/2 spacing unit), Southwestern's compulsory pooling application is moot and we consider it appropriate for you to dismiss their application in Division Case 12423.

Attachment E at p. 2.

BLM's expressed policy and Division precedent requires that Pogo's applications in this case likewise be dismissed.

### **C. Pogo's Efforts To Discredit EOG Also Fail.**

Since September of last year, EOG has undertaken efforts to jointly develop with Pogo the oil and gas reserves under Section 23. In September, 2000, EOG proposed a working interest unit comprised of Section 23 and a S/2 spacing unit for a well to be drilled to the Morrow formation. Pogo has refused those efforts, desiring instead to share in the recoverable reserves under EOG's property by requiring an E/2 spacing unit. As early as November 16<sup>th</sup>, EOG advised Pogo that EOG had filed with the BLM an Application for Permit to Drill a well on a N/2 spacing unit in Section 23, advised Pogo that it believed "lay down" proration units in Section 23 were the optimum method of developing the acreage, and solicited Pogo's participation in the development of a S/2 spacing unit. *See* Attachment A. Pogo filed no competing APD with the BLM.

Pogo did not file an application for an E/2 spacing unit with the Division until December 19<sup>th</sup>, more than a month after the BLM issued EOG an APD approving a N/2 spacing unit and more than a month after EOG advised Pogo of its plans to develop its acreage in the N/2 of the Section with a lay down unit.

Pogo's claim that it would have "gone to hearing on December 21<sup>st</sup>" if it had known EOG was drilling a well in the N/2 of Section 23 is puzzling. Pogo knew in November of EOG's plans to drill a well in the N/2 of Section 23. However, because Pogo had not filed a pooling application, it had no competing application which was even ready to be heard.

This is not a case of competing pooling applications, this is a case in which Pogo attempted to use the pooling statutes to strip EOG of an approved APD and impair EOG's right to develop EOG's federal acreage in the N/2 of Section 23. Pogo's complaint to this

Commission about the lack of development in the S/2 of Section 23 is the direct result of its refusal to participate in EOG's efforts to develop the S/2 of Section 23 and its insistence for an E/2 spacing unit.

**Conclusion**

For the above reasons, EOG respectfully requests that the Commission dismiss Pogo's Application for Hearing *De Novo* and dismiss Pogo's "Amended Application" for an order pooling the E/2 of Section 23, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico.

Respectfully submitted,

HOLLAND & HART LLP  
AND  
CAMPBELL & CARR

By:   
William F. Carr  
Michael H. Feldewert  
Post Office Box 2088  
Santa Fe, New Mexico 87501  
(505) 988-4412

ATTORNEYS FOR EOG RESOURCES,  
INC.

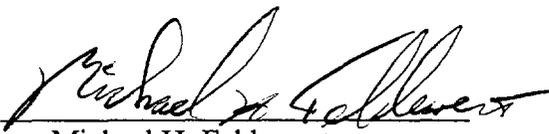
**CERTIFICATE OF SERVICE**

THIS WILL CERTIFY that a true and correct copy of the foregoing Motion to Dismiss was delivered by facsimile this 12th day of February, 2001 to the following:

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
Attorney for Pogo Producing Company

Respectfully submitted,

HOLLAND & HART LLP  
AND  
CAMPBELL & CARR

By: 

Michael H. Feldewert  
Post Office Box 2088  
Santa Fe, New Mexico 87501  
(505) 988-4412



EOG Resources, Inc.  
P. O. Box 2267  
Midland, TX 79702  
(915) 686-3600

November 16, 2000

Pogo Producing Company  
P. O. Box 10340  
Midland, Texas 79702-7340

Attention: Mr. Terry Gant

RE: Red Tank "23" Fed Com No. 1  
1830' FEL & 1980' FSL  
Section 23, T-22-S, R-32-E  
Lea County, New Mexico  
K0012970

Gentlemen:

Reference is made to those letters dated September 29, 2000 and October 24, 2000 concerning EOG Resources, Inc.'s ("EOG") proposal of the captioned well and that letter dated November 2, 2000 wherein Pogo Producing Company ("Pogo") proposed a different location and proration unit orientation.

EOG has filed with the BLM an Application for Permit to Drill (APD) for the captioned well based on a S/2 Section 23 proration unit. EOG has also filed an APD being 1660' FNL & 1980' FEL of Section 23 and being within a proration unit in the N/2 Section 23.

EOG believes the "lay down" proration units in Section 23 to be the optimum method of development based on sound geological, geophysical and engineering interpretations. EOG continues to solicit Pogo's participation in the drilling of the captioned well in the S/2 of Section 23.

Should there be any questions, please feel free to call the undersigned at (915) 686-3730.

Sincerely,

EOG RESOURCES, INC.

Larry D. Cunningham  
Project Landman

OPER. OGHID NO. 7377  
 PROPERTY NO. 26922  
 POOL CODE 83730  
 EFF. DATE 11/22/00  
 API NO. 30-025-3526D

Division 10 **APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS**

Form 3160-3  
(AUG1981 1999)

FORM APPROVED  
OSM No. 1004-0136  
Expires November 30, 2000

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**APPLICATION FOR PERMIT TO DRILL OR REENTER**

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. 81633
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator EOG Resources, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 2287, Midland, TX 79702		8. Lease Name and Well No. Red Tank "23-N" Federal No. 1
3b. Phone No. (include area code) (915)885-3714		9. API Well No.
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface <u>Unit G</u> 1,660' FNC <b>CARBON CONTROLLED WATER BASIN</b>		10. Field and Foot or Exploratory E-Red Tank (Narrow)
14. Distance in miles and direction from nearest town or post office		11. Sec., T., R., M., or B&C And Survey or Area Sec 23, T22S, R32E
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drlg. Unit line, if any) 1,660'	16. No. of Acres in lease 640	17. Spacing Unit dedicated to this well N/2 320
18. Distance from proposed location* to nearest well, drilling, completed applied for, on this lease, ft. 320	19. Proposed Depth 15,400'	20. BLM/BIA Bond No. on file NM2308
21. Elevations (Show whether DF, KDE, RT, GL, etc) GL-3753	22. Approximate date work will start 12/10/2000	23. Estimated duration 30 days
24. Attachments		

The following completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUP) shall be filed with the appropriate Forest Service Office)
- 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above)
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Mike Francis</i>	Name (Printed/Typed) Mike Francis	Date 10/13/2000
Title Agent		
Approved by (Signature) <i>LARRY D. BRAY</i>	Name (Printed/Typed) <i>LARRY D. BRAY</i>	Date <i>NOV 17 2000</i>
Title <i>Assistant Field Manager, Lands And Minerals</i>	Office <i>ROSWELL, FIELD OFFICE</i>	<b>APPROVED FOR 1 YEAR</b>

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would enable the applicant to conduct operations thereon.

Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

*GNW*

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
STIPULATIONS**

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

**APPLICATION FOR PERMIT TO DRILL OR REENTER**

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		3. Lease Serial No. 81633
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. # Indian, Allottee or Tribe Name
2. Name of Operator EOG Resources, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 2267, Midland, TX 79702		8. Lease Name and Well No. Red Bank "23-N" Federal No. 1
3b. Phone No. (include area code) (915)886-3714		9. API Well No.
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1,860' ENL & 1,980' FEL (Unit Lister G) At proposed prod. Zone <b>CANONIA CONTROLLED WATER BASIN</b>		10. Field and Pool or Exploratory <b>Red Bank</b>
14. Distance in miles and direction from nearest town or post office		11. Sec., T., R., M., or Blk. And Survey or Area Sec 23, T22S, R32E <b>93730</b>
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest orig. Unit line, if any) 1,860'	16. No. of Acres in lease 640	17. Spacing Unit dedicated to this well N/2 320
18. Distance from proposed location to nearest well, drilling, completed or to be drilled, on this lease, ft. 320	19. Proposed Depth 15,400'	20. BLW/BIA Bond No. on file NM2308
21. Elevations (Show whether DF, KDB, RT, GL, etc) GL-3783	22. Approximate date work will start 12/10/2000	23. Estimated duration 30 days

**24. Attachments**

The following completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- |                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>1. Well plat certified by a registered surveyor.</li> <li>2. A Drilling Plan.</li> <li>3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPD shall be filed with the appropriate Forest Service Office)</li> </ul> | <ul style="list-style-type: none"> <li>4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above)</li> <li>5. Operator certification.</li> <li>6. Such other site specific information and/or plans as may be required by the authorized officer.</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

25. Signature <i>Mike Francis</i>	Name (Printed/Typed) Mike Francis	Date 10/13/2000
Title Agent		
Approved by (Signature) <i>Larry D. Bray</i>	Name (Printed/Typed) LARRY D. BRAY	Date NOV 11 2000
Title Assistant Field Manager, Lands and Minerals		

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would enable the applicant to conduct operations thereon.

Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

Surface Casing must be in Top of Rustler (Anhydrite) minimum ~~900~~ **975** ft,  
- (Top 25 to 50 ft into Rustler.) **SEE STRIPS AT 975 FE.**

District I  
PO Box 1886, Hobbs, NM 88241-1886  
District II  
PO Drawer 88, Artesia, NM 88211-0718  
District III  
1040 Rio Grande Ed., Artesia, NM 87418  
District IV  
PO Box 2068, Santa Fe, NM 87504-2068

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-10  
Revised February 21, 199  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copie  
Fee Lease - 3 Copie

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1 API Number		2 Pool Code <b>8730</b>		3 Pool Name <del>Roosters Ridge East R.</del> <b>TANK (Hollow)</b>	
4 Property Code		5 Property Name <b>RED TANK "23-N" FEDERAL</b>			6 Well Number <b>1</b>
7 OCED No. <b>7377</b>		8 Operator Name <b>EOG RESOURCES INC.</b>			9 Elevation <b>3753</b>

**10 Surface Location**

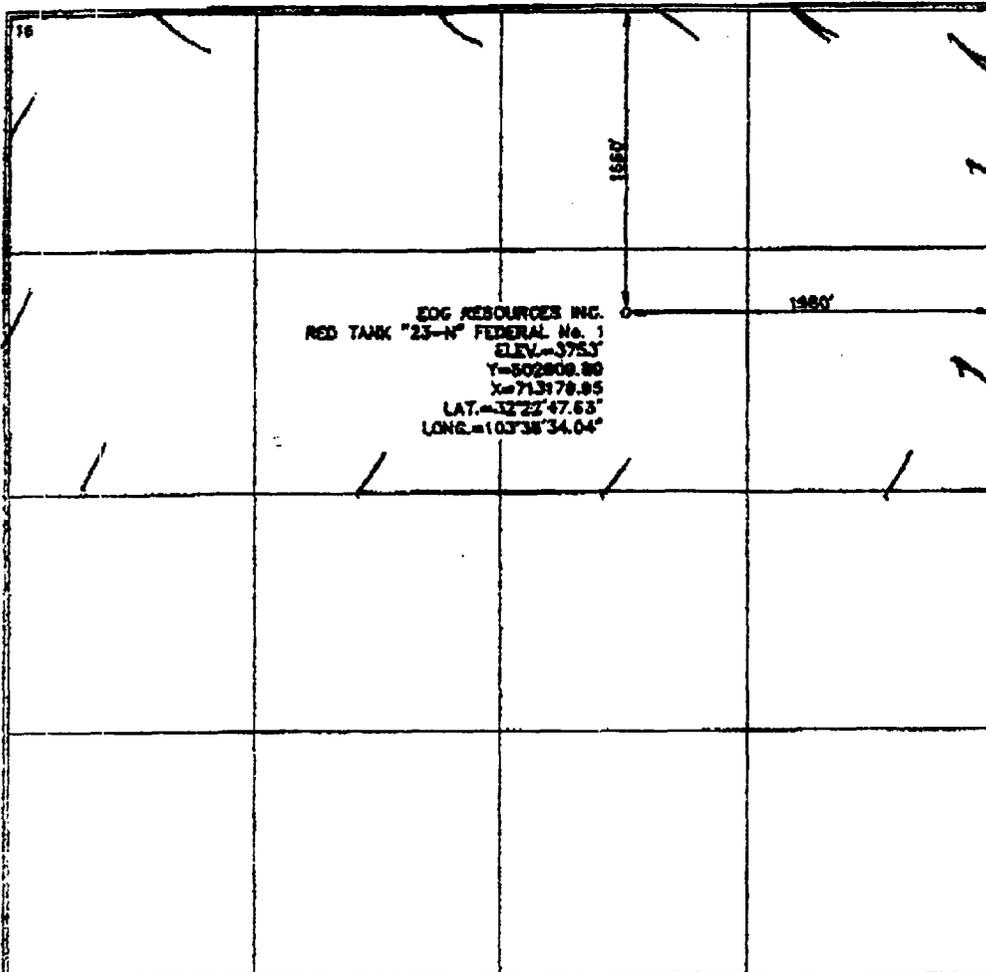
11 U.I. or lot no.	12 Section	13 Township	14 Range	15 Lot Idn	16 Feet from the	17 North/South line	18 Feet from the	19 East/West line	20 County
G	23	22	32		1660	NORTH	1980	EAST	LEA

**11 Bottom Hole Location If Different From Surface**

21 U.I. or lot no.	22 Section	23 Township	24 Range	25 Lot Idn	26 Feet from the	27 North/South line	28 Feet from the	29 East/West line	30 County

31 Dedicated Acres <b>3.20</b>	32 Joint or Infill	33 Consolidation Code	34 Order No.
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**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**



**17 OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Mike Francis*

Signature  
**Mike Francis**

Printed Name  
**Agent**

Title  
**10/16/00**

Date

**18 SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to best of my belief.

**OCTOBER 10, 2000**

Date of Survey

Signature and Title of Professional Surveyor:

*James E. Tompkins*  
REGISTERED PROFESSIONAL LAND SURVEYOR  
NEW MEXICO  
14729

Certificate Number  
**14729**

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
TANYA M. TRUJILLO  
ROBERT J. SUTPHIN, JR.  
  
JACK M. CAMPBELL  
1916-1999

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: law@westofpecos.com

December 28, 2000

**BY FACSIMILE AND U. S. MAIL**  
FAX NO. (505) 982-2151

James Bruce, Esq.  
Post Office Box 1056  
Santa Fe, New Mexico 87504

Re: Applications of EOG Resources, Inc and Pogo Producing Company for compulsory pooling, Section 23, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico.

Dear Mr. Bruce,

As you are aware, EOG Resources, Inc. owns 100% of the working interest in the N/2, SW/4 and W/2 SE/4 of Section 23, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico. EOG's interest is covered by a single federal lease. Pogo Producing Company owns the working interest in the W/2 SE/4 of this section.

By letter dated September 29, 2000 EOG proposed to Pogo the drilling of a well to test the Morrow formation on a spacing unit comprised of the S/2 of Section 23 and the creation of a working interest unit covering all of Section 23. In the alternative, EOG sought a farmin agreement or term assignment covering Pogo's interest in this section. EOG requested from Pogo the earliest possible response to this proposal due to time needed to obtain APD approval from the BLM and to schedule a rig. Pogo declined to participate in a well drilled on a S/2 spacing unit and declined to join in a one section working interest unit.

On October 24, 2000, EOG sent to Pogo a revised Joint Operating Agreement for a S/2 unit. Pogo responded on November 2, 2000 by proposing a well on an E/2 spacing unit with the well to be drilled on EOG acreage in the SE/4 NE/4 of this section.

Being unable to reach voluntary agreement for the development of the Morrow reserves

ATTACHMENT C

Jim Bruce, Esq.  
December 28, 2000  
Page 2

underlying Section 23, on November 7, 2000, EOG filed an application with the Oil Conservation Division seeking an order compulsory pooling the S/2 of Section for a Morrow well to be drilled in the NW/4 SE/4 of Section 23. This case was scheduled for hearing on December 7, 2000.

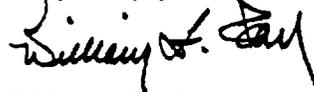
On November 16, 2000, EOG wrote to Pogo and advised Pogo that it had filed with the BLM an Application for Permit to Drill a well on a N/2 spacing unit in Section 23 and advised Pogo that it believed that "lay down" proration units in Section 23 were the optimum method of developing this acreage.

It is my understanding that the hearing on EOG's application was continued to January 11, 2001 at Pogo's request because one of Pogo's witnesses was unavailable on December 7th and because Pogo advised that it was going to file a competing pooling application. A continuance of EOG's application would avoid multiple hearings in this dispute. Pogo filed an application seeking a Division order pooling the E/2 of Section 23 on December 19, 2000. This application is also set for hearing on January 11, 2001.

EOG has proceeded with its plans for the development of its Morrow reserves underlying Section 23 in accordance with its letter to Pogo dated November 16, 2000. EOG's Application for Permit to Drill has been approved by the Bureau of Land Management covering a standard 320-acre N/2 spacing unit which is comprised of 100% federal lands under one federal lease (copy enclosed). EOG will drill this well. Accordingly, the NE/4 of Section 23 may not be dedicated to an E/2 spacing unit in Section 23.

Furthermore, unless a voluntary agreement is reached with Pogo for the development of the S/2 of Section 23, EOG intends to proceed with the hearing set for January 11, 2001 for an order pooling this acreage.

Very truly yours,



William F. Carr

cc: Mr. David Catanach (By Facsimile)

Larry D. Cunningham w/enc.  
EOG Resources, Inc.

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:

APPLICATION OF SANTA FE SNYDER CORPORATION  
FOR COMPULSORY POOLING, LEA COUNTY, NEW  
MEXICO.

CASE NO. 12393

APPLICATION OF SOUTHWESTERN ENERGY  
PRODUCTION COMPANY FOR COMPULSORY  
POOLING AND AN UNORTHODOX OIL WELL  
LOCATION, LEA COUNTY, NEW MEXICO.

CASE NO. 12423

ORDER NO. R-11413

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on May 18 and June 15, 2000, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this *6<sup>th</sup>* day of July, 2000, 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 these cases and their subject matter.

(2) In Case No. 12393 the applicant, Santa Fe Snyder Corporation ("Santa Fe"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the following acreage in Section 17, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico:

- (a) the N/2 to form a standard 320-acre lay-down gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated Antelope

Ridge-Strawn Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated West Antelope Ridge-Atoka Gas Pool, Undesignated Antelope Ridge-Morrow Gas Pool, Undesignated North Bell Lake-Morrow Gas Pool, and Undesignated Mid Bell Lake-Morrow Gas Pool;

- (b) the NW/4 to form a standard 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 SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool.

(3) These units are to be dedicated to Santa Fe's proposed Paloma Blanco "17" Federal Well No. 1 (API No. 30-025-35033) to be drilled at a standard location for all three sized units 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 17.

(4) In Case No. 12423 the applicant, Southwestern Energy Production Company ("Southwestern"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Atoka formation underlying the following acreage in Section 17, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico:

- (a) the W/2 to form a standard 320-acre stand-up gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated Antelope Ridge-Strawn Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, and Undesignated West Antelope Ridge-Atoka Gas Pool;

- (b) the NW/4 to form a standard 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 NW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool.

(5) These units are to be dedicated to Southwestern's proposed Baywatch "17" Federal Well No. 1 to be drilled 1310 feet from the North and West lines (Unit D) of Section 17. This location is standard for the proposed 160 and 320-acre gas units but unorthodox for the proposed 40-acre oil unit pursuant to Division Rule 104.B (1).

(6) At the time of the hearings, Division Cases No. 12393 and 12423 were consolidated for the purpose of presenting testimony. Also, because the approval of one case will correspondingly require the denial of the other and in order to provide a comprehensive decision in these cases, one order should be entered for both cases.

(7) Section 17, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico is a standard sized and shaped governmental section containing 640 acres. The N/2 is a single federal lease (U. S. Government lease No. NM-97157) dated September 1, 1996 with undivided working interest owned 50 % by Santa Fe and 50 % by Southwestern. The S/2 is another single federal lease (U. S. Government lease No. LC-065194) dated May 1, 1951 with 100 % working interest ownership by Santa Fe.

(8) With respect to the two proposed 320-acre gas spacing and proration units, the evidence presented indicates that:

- (a) Santa Fe's proposed lay-down 320-acre gas unit, being the N/2 of Section 17, consists of one federal oil and gas lease;

- (b) Southwestern's proposed stand-up 320-acre gas unit, being the W/2 of Section 17, would involve the consolidation of the two above-described federal oil and gas leases;
- (c) on May 1, 2000, the United States Bureau of Land Management ("BLM") issued a letter to the Division stating the BLM's position opposing communitization of multiple leases when a single federal lease can be developed in conformity with established well spacing;
- (d) further, under certain conditions, the BLM will grant exceptions if adequate engineering and/or geological data indicates communitization of multiple leases will result in more efficient drainage of an area;
- (e) by letter dated May 11, 2000, Southwestern submitted its geological data to the BLM in support of its proposed stand-up 320-acre gas unit;
- (f) similarly, on May 16, 2000, Santa Fe submitted its geological data to the BLM for its proposed lay-down 320-acre gas unit; and
- (g) on May 17, 2000, the BLM approved Santa Fe's "*Application for Permit to Drill*" ("APD").

(9) At the conclusion of the May 18, 2000 hearing, this matter was continued to the June 15, 2000 hearing for advertisement purposes and to give the BLM additional time to process both Santa Fe's and Southwestern's requests.

(10) By letter dated May 31, 2000 from the BLM, the Division was advised that, pursuant to 43 CFR 3105.2-2, the BLM had determined that it was in the public's best interest to approve Santa Fe's proposed lay-down 320-acre gas unit, being the N/2 of Section 17, in order to avoid the communitization of multiple federal leases and requested the Division consider dismissing Southwestern's application in Case No. 12423.

(11) At the June 15, 2000 hearing Southwestern's legal counsel requested Case No. 12423 be dismissed.

(12) Santa Fe and Southwestern have been unable to reach a mutually acceptable agreement to voluntarily pool their interests; therefore, a compulsory pooling order in favor of Santa Fe should be entered.

(13) After pooling, uncommitted working interest owners are referred to as "non-consenting working interest owners."

(14) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in the units the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbon production in any pool resulting from this order, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within these units.

(15) Santa Fe should be designated the operator of the subject well and units.

(16) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.

(17) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(18) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(19) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(20) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000.00 per month while drilling and \$600.00 per month while producing, provided that this rate should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled

*"Accounting Procedure-Joint Operations."* The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(21) All proceeds from production from the well that are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(22) If the operator of the pooled units fails to commence drilling the well to which the units are dedicated on or before October 1, 2000, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

(23) The operator of the well and units should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Southwestern Energy Production Company in Case No. 12423, as further described in Finding Paragraph Nos. (4) and (5) of this order is hereby dismissed.

(2) Pursuant to the application of Santa Fe Snyder Corporation ("Santa Fe") in Case No. 12393, all uncommitted mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the following described acreage in Section 17, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled in the following manner:

- (a) the N/2 to form a standard 320-acre lay-down gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated Antelope Ridge-Strawn Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated West Antelope Ridge-Atoka Gas Pool, Undesignated Antelope Ridge-Morrow Gas Pool, Undesignated North Bell Lake-Morrow Gas Pool, and Undesignated Mid Bell

Lake-Morrow Gas Pool;

- (b) the NW/4 to form a standard 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 SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool.

(3) These three units are to be dedicated to Santa Fe's proposed Paloma Blanco "17" Federal Well No. 1 (API No. 30-025-35033) to be drilled at a standard location for all three sized units 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 17.

PROVIDED HOWEVER THAT, the operator of the units shall commence drilling the well on or before October 1, 2000, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event the operator does not commence drilling the well on or before October 1, 2000, Ordering Paragraph (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (2) should not be rescinded.

(4) Santa Fe is hereby designated the operator of the subject well and units.

(5) After pooling, uncommitted working interest owners are referred to as "non-consenting working interest owners." After the effective date of this order and within 90 days prior to commencing the well; the operator shall furnish the Division and each known non-consenting working interest owner in the units an itemized schedule of estimated well costs.

(6) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
- (b) as a charge for the risk involved in drilling the well, 200 percent of the above costs.

(10) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.

(11) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000.00 per month while drilling and \$600.00 per month while producing, provided that this rate shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is hereby authorized to withhold

from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(14) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, that portion of this order authorizing compulsory pooling shall thereafter be of no further effect.

(15) The operator of the well and units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(16) 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  
Director

SEAL



# 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

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.

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