

**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 ENERQUEST OIL & GAS, L.L.C.
FOR COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO.**

CASE NO. 12411

**APPLICATION OF ENERQUEST OIL & GAS, L.L.C.
FOR AMENDMENT OF DIVISION ORDER NO.
R-10986, LEA COUNTY, NEW MEXICO.**

CASE NO. 12471

ORDER NO. R-10986-A

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on August 24, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of September, 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) By Order No. R-10986, issued in Case No. 11932 and dated May 7, 1998, the Division granted the application of Pioneer Natural Resources U.S.A., Inc. ("Pioneer") for the compulsory pooling of all mineral interests from the surface to the base of the Abo formation underlying the NE/4 SW/4 (Unit K) of Section 18, Township 20 South, Range 39 East, NMPM, Lea County, New Mexico forming a standard 40-acre oil spacing and proration unit for all formation and pools developed on 40-acre spacing. This pooled unit was dedicated to the McCasland "18" Fee Well No. 1 (**API No. 30-025-34391**) drilled at a standard oil well location 1650 feet from the South line and 2000 feet from the West line of Section 18.

(3) In **Case No. 12411** the applicant, EnerQuest Oil & Gas, L.L.C. ("EnerQuest"), seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the SW/4 of Section 18, including but not limited to the Blinebry Oil and Gas Pool. This unit is to be dedicated to the above-described McCasland "18" Fee Well No. 1.

(4) In **Case No. 12471** EnerQuest seeks to amend Division Order No. R-10986 to increase the acreage pooled to include the SW/4 of Section 18.

(5) In mid-1998, Pioneer initially drilled and completed the McCasland "18" Fee Well No. 1 in the East Warren-Tubb Pool and dedicated thereto a standard 40-acre oil spacing and proration unit comprising the NE/4 SW/4 (Unit K) of Section 18.

(6) In January, 1999 Pioneer abandoned the Tubb formation in the McCasland "18" Fee Well No. 1 and completed up-hole into the gas-bearing Blinebry formation, which pursuant to the special pool rules governing the Blinebry Oil and Gas Pool is developed on 160-acre spacing and proration units. At that time no effort was taken by Pioneer to consolidate the interests in the SW/4 of Section 18 to form a standard 160-acre unit.

(7) In August, 1999, EnerQuest acquired all of Pioneer's interest in this acreage and assumed operations of the McCasland "18" Fee Well No. 1.

(8) When EnerQuest discovered that Pioneer had neither obtained voluntary agreements pooling all of the separately owned interests in the 160-acre Blinebry gas spacing and proration unit for the McCasland "18" Well No. 1 nor obtained a Division order pooling these interests, it contacted the interest owners in the SW/4 of Section 18 and attempted to obtain voluntary agreements.

(9) At this time there are certain mineral interest owners in the 160-acre unit who have not agreed to pool their interests.

(10) At the hearing, EnerQuest requested that its application in Case No. 12411 be dismissed.

(11) No affected party appeared at the hearing or objected to including the SW/4 of Section 18 in the compulsory forced pooling provisions of Division Order No. R-10986; therefore, the application of Case No. 12471 should be approved, and Case No. 12411 should be dismissed.

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

(13) The location of the McCasland "18" Fee Well No. 1, pursuant to the rules governing the Blinebry Oil and Gas Pool, is considered to be unorthodox. Subsequent to the hearing no record could be found that the Division had issued either Pioneer or EnerQuest an exception for this unorthodox Blinebry gas well location.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of EnerQuest Oil and Gas, Inc. ("EnerQuest") in **Case No. 12471**, Ordering Paragraph No. (1) on page 6 of Division Order No. R-10986 is hereby amended to read in its entirety as follows:

(1) All uncommitted mineral interests, whatever they may be, from the surface to the base of the Abo formation underlying the following described acreage in Section 18, Township 20 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled in the following manner:

- (a) the SW/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, which presently include but are not necessarily limited to the Blinebry Oil and Gas Pool; and
- (b) the NE/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated House-Drinkard Pool, Undesignated DK-Abo Pool, and East Warren-Tubb Pool.

Both units are to be dedicated to the McCasland "18" Fee Well No. 1 (**API No. 30-025-34391**) located 1650 feet from the South line and 2000 feet from the West line (Unit K) of Section 18.

(2) Ordering Paragraph No. (2) on page 6 of Division Order No. R-10986 is hereby amended to read in its entirety as follows:

(2) EnerQuest Oil & Gas, L.L.C. is hereby designated the operator of the subject well and units.

(3) The amendment set forth in this order shall be entered retroactively as of May 7, 1998.

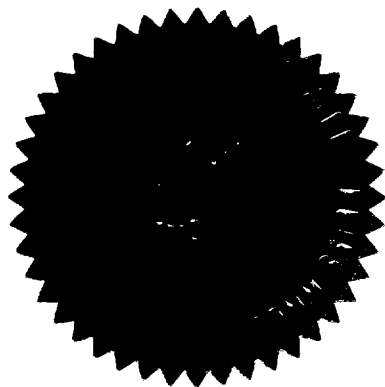
(4) Division Case No. 12411 shall be dismissed.

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

(6) EnerQuest shall take the necessary steps to obtain the proper authorization from the Division for the unorthodox location of the McCasland "18" Fee Well No. 1 (**API No. 30-025-34391**), located 1650 feet from the South line and 2000 feet from the West line (Unit K) of Section 18, within the existing 160-acre gas spacing and proration unit for the Blinebry Oil and Gas Pool comprising the SW/4 of Section 18. Failure to do so will subject EnerQuest to further enforcement action by the Division.

(7) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
Lori Wrotenbery
LORI WROTENBERY
Director