



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

May 26, 2000

E.G.L. Resources, Inc.
Attention: **W. Wesley Perry**
214 West Texas Avenue - Suite 900
Midland, Texas 79701

Re: *Administrative application dated March 24, 2000, but was not received by the Division until April 3, 2000, for E.G.L. Resources, Inc.'s proposed Oxy Yates "14" Federal Well No. 11 (API No. 30-015-30802) to be drilled at an unorthodox gas well location for the Undesignated Russell-Lower Yates Gas Pool 2570 feet from the North line and 2425 feet from the West line (Unit F) of Section 14, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Perry:

Reference is made to your letter dated May 22, 2000 (received May 24, 2000), which is a response to my letter requesting additional information dated April 5, 2000, containing supplemental data for the subject application. Review of this information indicates that your application is incomplete with respect to notice. Pursuant to Division Rule 1207.A (2) (a), revised by Division Order No. R-11205, issued by the New Mexico Oil Conservation Commission in Case No. 12177 on June 17, 1999 (see copy attached), written notice to all mineral interest in Federal Lease No. LC-050797 (E/2 E/2 of Section 14) is required. Please provide me a list of this interest owners and proof of notification.

Furthermore, please note that Yates gas completions are covered under Division Rule 104.C (3), see copy attached, which requires 160-acre spacing and wells to be located no closer than 660 feet to the outer boundary of such dedicated tract.

Thank you for your assistance and cooperation in this matter.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe

(e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]

(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

1. the Division-designated operator;
2. in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
3. in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]

(2) 320-ACRE SPACING applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

- (a) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (c) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(3) 160-ACRE SPACING applies to any other gas well not covered above. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. Public Land Surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

104.D. ACREAGE ASSIGNMENT

(1) Well Tests and Classification. It is the responsibility of the operator of any wildcat or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the test with the Division within 10 days following completion of the test. (See Rule 401)

- (a) The date of completion for a gas well is the date of the conclusion of active completion work on the well.
- (b) If the Division determines that a well should not be classified as a gas well, the Division will reduce the acreage dedicated to the well to the standard acreage for an oil well.
- (c) Failure of the operator to file the test within the specified time will also subject the well to such acreage reduction.



E. G. L. Resources, Inc. 214 West Texas, Suite 900 P.O. Box 10886 Midland, Texas 79702 915.687.6560 telephone 915.682.5852 facsimile

6/8/00

Michael Stogner
State of New Mexico
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

JUN 12 2000
OIL CONSERVATION DIVISION

Via Fax # 505-827-1389

**RE: Oxy Yates Fed 14#11
T-20-S, R-28-E, NMPM
Section 14 2570' FNL & 2425' FWL
Eddy County, New Mexico**

Dear Mr. Stogner:

Reference is hereby made to your letter dated May 26, 2000. Regarding notice, EGL Resources, Inc. is the owner of LC-050797 (E/2 E/2 Section 14) and EGL is not objecting. The only other offset owner in Oxy USA, Inc. and they have signed a waiver as provided in our first correspondence.

We are aware of the 660 foot requirement for a Yates completion and is the reason we are requesting the variance. That particular location falls in the vicinity of a gas plant and an old well. I apologize for any miscommunication. Thank you for your consideration. I am,

Very truly yours,


W. Wesley Perry
President