

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:**

**DE NOVO
CASE NO. 14149
ORDER NO. R-13010-B**

**APPLICATION OF EI PASO E&P COMPANY, L.P. TO ABOLISH THE VAN
BREMNER CANYON-VERMEJO GAS POOL, EXPAND THE CASTLE ROCK
PARK-VERMEJO GAS POOL AND TO ESTABLISH SPECIAL RULES AND
REGULATIONS FOR THE CASTLE ROCK PARK-VERMEJO GAS POOL,
COLFAX COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE COMMISSION:

This case came on for hearing at 9:00 a.m. on August 13, 2009, at Santa Fe, New Mexico, before the Oil Conservation Commission.

NOW, on this 9th day of September, 2009, the Commission, having considered the testimony and the record,

FINDS THAT:

- (1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.
- (2) In this case, El Paso E&P Company, L.P. ("applicant" or "El Paso") seeks to abolish the Van Bremner Canyon-Vermejo Gas Pool, expand the horizontal limits of the Castle Rock Park-Vermejo Gas Pool, and establish special rules for the Castle Rock Park-Vermejo Gas Pool, including infill drilling and special well location requirements.
- (3) Division Case Nos. 14149 and 14150 were consolidated at the time of the hearing for the purpose of testimony.
- (4) Division Order No. R-11561, issued in Case No. 12639 on April 9, 2001, initially created and defined the Van Bremner Canyon-Vermejo Gas Pool and the

horizontal limits of the Castle Rock Park-Vermejo Gas Pool. No "special" rules were established for the pools. Despite ongoing development, the horizontal limits of the pools have never been expanded by the Division since their creation.

(5) Gas wells drilled in Colfax County, New Mexico are governed by Division Rule 19.15.15.10, which specifies 160-acre spacing units with one well allowed per unit, and wells to be located no closer than 660 feet to unit boundaries or closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(6) This application was unopposed and no other person entered an appearance.

(7) El Paso presented testimony and evidence at the hearing from a landman, geologist, and engineer indicating that:

(a) The pools are within the boundaries of the Vermejo Park Ranch, which covers, among other lands, portions of Townships 29-31 North, Ranges 17-21 East, N.M.P.M., in Colfax County, New Mexico and extending into Las Animas County, Colorado.

(b) Since April 2001 over 340 wells have been drilled in the above-described lands, and the two pools now adjoin each other.

(c) El Paso owns approximately 637,000 acres of 100% mineral fee lands within the Vermejo Park Ranch, identified on Exhibit 1 submitted at the hearing. All lands covered by Case Nos. 14149 and 14150 are within this tract.

(d) El Paso is the sole operator in the pools, and controls all lands there with its 100% mineral fee. The only other mineral owner in the pools is the federal government, which owns unleased minerals in approximately twenty five well units located on the southwest edge of El Paso's tract, which have been developed by El Paso.

(e) The Division has never expanded the pools with its nomenclature orders even though they have grown considerably in the last seven (7) years.

(f) Applicant requests that the Van Bremmer Canyon-Vermejo Gas Pool be abolished and acreage in that pool be included within the horizontal limits of the Castle Rock Park-Vermejo Gas Pool.

(g) El Paso further requests special rules for the Castle Rock Park-Vermejo Gas Pool, as follows:

(i) 160-acre well units, comprised of a single governmental quarter section;

(ii) Two wells per 160 acres, whether they are vertical or horizontal wells, which may be located on any quarter-quarter section in the well unit;

(iii) An administrative procedure for an exception to the well density provisions of the special pool rules;

(iv) Wells to be located no closer than 10 feet to a quarter section line or an interior quarter-quarter section line or subdivision inner boundary, subject to the directional drilling provisions of Division Rule 19.15.16.14; and

(v) A buffer zone on the exterior of its mineral fee lands, where wells must be located in accordance with statewide rules.

(h) The preliminary engineering and geologic data show that only 20% of the wells in the Pool are draining the 160-acre well units. Therefore, many well units are not being adequately drained and reserves are being left in the ground.

(i) Applicant's request to relax the well setback requirements is due to convenience and area topography. The tract owned by El Paso is dissected by canyons that are up to 750 feet deep.

(j) There are no correlative rights issues in relaxing well setback requirements because the entire area is El Paso owned and operated.

(8) According to the applicant, the Bureau of Land Management has requested that lands within one-half mile of well units which include unleased federal lands continue to be governed by statewide rules. Those well units are as follows:

Township 29 North, Range 18 East, N.M.P.M.

Section 3: NW/4

Section 3: SW/4

Section 3: SE/4

Section 4: NE/4

Section 10: NE/4
Section 10: SE/4

Township 30 North, Range 17 East, N.M.P.M

Section 21: NE/4
Section 21: NW/4
Section 22: NE/4
Section 22: NW/4
Section 23: NE/4
Section 23: NW/4
Section 24: SW/4
Section 24: SE/4

Township 30 North, Range 18 East, N.M.P.M

Section 29: SW/4
Section 30: NE/4
Section 30: NW/4
Section 30: SE/4
Section 32: NE/4
Section 32: NW/4
Section 32: SE/4
Section 33: SW/4

This request should be granted.

(9) There is need for the abolition of the Van Bremmer Canyon-Vermejo Gas Pool (**Pool Code 97047**) and expansion of the Castle Rock Park-Vermejo Gas Pool (**Pool Code 96946**) in Colfax County, New Mexico.

(10) Approval of this application will not adversely affect correlative rights, will minimize surface use and surface disturbance, and will prevent waste.

(11) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Van Bremmer Canyon-Vermejo Gas Pool (**97047**) is hereby abolished.

(2) The application of El Paso E&P Company, L.P. to expand the Castle Rock Park-Vermejo Gas Pool (**96946**) is hereby approved. The Castle Rock Park-Vermejo Gas Pool, as expanded, shall include the following lands:

Township 29 North, Range 18 East, N.M.P.M

Sections 1-3: All
Section 4: NE/4
Section 10: E/2
Sections 11-14: All
Sections 23-25: All

Township 29 North, Range 19 East, N.M.P.M

Section 3: W/2
Sections 4-9: All
Section 10: SW/4
Section 16: W/2
Sections 17-20: All
Section 21: W/2
Section 30: NW/4

Township 30 North, Range 17 East, N.M.P.M

Sections 1- 3: All
Section 9: SE/4
Sections 10-16 All
Section 17: NE/4
Section 21: N/2
Section 22: N/2
Section 23: N/2
Section 24: All

Township 30 North, Range 18 East, N.M.P.M

Sections 3-29: All
Section 30: N/2 and SE/4
Section 32: N/2 and SE/4
Sections 33-36: All

Township 30 North, Range 19 East, N.M.P.M.

Section 7: All
Section 17: NW/4
Section 18: All
Section 19: All
Section 20: All
Section 21: SW/4
Section 28: W/2 and SE/4
Sections 29-32: All

Section 33: W/2 and SE/4

Township 31 North, Range 17 East, N.M.P.M.

Section 13: S/2
Section 14: All
Sections 23-26: All
Section 27: NE/4 and S/2
Section 28: SE/4
Section 33: E/2
Sections 34-36: All

Township 31 North, Range 18 East, N.M.P.M.

Section 29: All
Section 30: W/2 and SE/4
Section 31: All
Section 32: All
Section 33: W/2

(3) The following "*Special Pool Rules for the Castle Rock Park-Vermejo Gas Pool*" are hereby established and shall read in their entirety as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
CASTLE ROCK PARK-VERMEJO GAS POOL**

Rule 1. **Application of Rules.** Each well completed in or recompleted in the Castle Rock Park-Vermejo Gas Pool, or in the Coal Gas formation within one mile thereof and not nearer to or within the limits of another designated Coal Gas pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

Rule 2. **Unit Size.** A standard spacing unit in this pool shall contain 160 acres, more or less, comprised of a governmental quarter-section being a legal subdivision of the United States Public Lands Survey, unless otherwise authorized in accordance with Division rules.

Rule 3. **(a) Well Density.** No more than two wells (to consist of vertical wells, directional wells drilled pursuant to Division Rule 19.15.16.14, or any combination thereof) shall be simultaneously produced from this pool within any spacing unit. Wells may be completed anywhere in the unit, subject to Rule 3(b) and Division Rule 19.15.16.14.

(b) Location. No well located in the pool shall be located closer than 10 feet to any unit outer boundary. Except for directional wells located as provided in Division Rule 19.15.16.14, no well in the pool shall be located closer than 10 feet to any quarter-quarter section or subdivision inner boundary line.

(c) Buffer Zone. The "*Special Rules and Regulations for the Castle Rock Park-Vermejo Gas Pool*" shall not apply to a buffer zone comprised of quarter sections on the exterior of the El Paso mineral fee lands, identified on Exhibit 1 submitted at the hearing, where wells must be drilled, spaced, and located in accordance with the Division's statewide rules.

In addition, wells within one-half mile of the well units described below shall be drilled, spaced, and located in accordance with the Division's statewide rules:

Township 29 North, Range 18 East, N.M.P.M

Section 3: NW/4
Section 3: SW/4
Section 3: SE/4
Section 4: NE/4
Section 10: NE/4
Section 10: SE/4

Township 30 North, Range 17 East, N.M.P.M

Section 21: NE/4
Section 21: NW/4
Section 22: NE/4
Section 22: NW/4
Section 23: NE/4
Section 23: NW/4
Section 24: SW/4
Section 24: SE/4

Township 30 North, Range 18 East, N.M.P.M

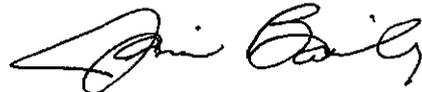
Section 29: SW/4
Section 30: NE/4
Section 30: NW/4
Section 30: SE/4
Section 32: NE/4
Section 32: NW/4
Section 32: SE/4
Section 33: SW/4

Rule 4. Exceptions. The Division may grant an exception to any provision of these rules in the manner and on the basis provided by the Division's statewide rules.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

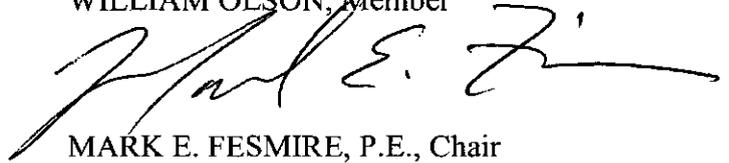
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

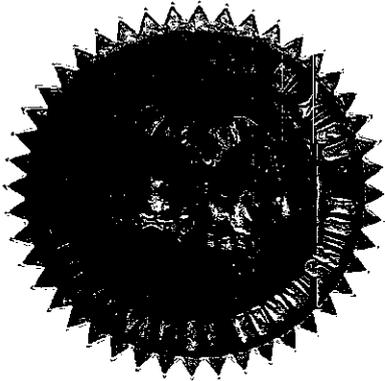


JAMI BAILEY, CPG, Member

WILLIAM OLSON, Member



MARK E. FESMIRE, P.E., Chair



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