



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury
Cabinet Secretary

March 27, 2001

Lori Wrotenbery

Director

Oil Conservation Division

Dugan Production Corporation
P. O. Box 420
Farmington, New Mexico 87499-0420

H-5-24N-9W
Phillips #1 30-045-26803

Attention: John D. Roe

Re: *Application for the creation of a non-standard 160-acre gas spacing and proration unit within the Basin-Fruitland Coal (Gas) Pool comprising the NE/4 of Section 5, Township 24 North, Range 9 West, NMPM, San Juan County, New Mexico.*

Dear Mr. Roe:

Reference is made to the following: (i) your application dated February 28, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Aztec and Santa Fe, including Division Orders No. R-8768, dated October 17, 1988, R-8768-A, dated October 17, 1988, and R-8768-B, dated February 10, 2000, which orders promulgated the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool."

You're obviously aware that the Basin-Fruitland Coal (Gas) Pool is currently spaced on 320-acre spacing, pursuant to Rule 4 of the special pool rules. However, being an unprorated gas pool not subject to the gas prorationing rules of the Division (see Rule 605), Division Rule 104.D (3), which provides for only one well within a standard drilling tract, does however apply. Approval of such "half units" would ultimately result in the drilling of unnecessary wells within this pool to offset drainage. This would serve to increase well density within this pool to 160-acre spacing.

Your reasons for forming this unit are not found to be extraordinary and are deemed to be unjustified; therefore, being unnecessary this application is hereby **denied**.

Should you need additional information on how to proceed in forming a standard 320-acre unit for this well you may wish to contact the U. S. Bureau of Land Management in Farmington about "communitization" of two or more leases on a voluntary basis, or refer to Sections 70-2-17 and 18, N.M.S.A., 1978 and Division Rule 1207.A (1), which provides for the compulsory pooling of such acreage.

Your application brought up some old issues that were settled years ago during the onset of this pool. With the influx of new people in the industry now might be a good time to revisit this issue with the Basin-Fruitland Coal (Gas) Pool study committee. Call Steve Hayden in Aztec at (505) 334-6178 (ext. 14) who is now lead contact.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: **New Mexico Oil Conservation Division - Aztec**
Mr. Steve Salzman - U. S. Bureau of Land Management, Santa Fe
Mr. Neel McBride - U. S. Bureau of Land Management, Farmington
Ms. Kathy Valdes, NMOCD - Santa Fe
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe

