

**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:**

Oil Conservation Commission
Case No. _____
Exhibit No. 2

**CASE NO. 14149
ORDER NO. R-13010**

**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 DIVISION:

This case came on for hearing at 8:15 a.m. on July 10, 2008, at Santa Fe, New Mexico, before Examiners Terry G. Warnell, David K. Brooks and Richard Ezeanyim.

NOW, on this 22nd day of October, 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Cases No. 14149 and 14150 were consolidated at the time of the hearing for the purpose of testimony.

(3) The Division Order Number R-11561, issued in Case No. 12639 on April 9, 2001, initially created and defined the Castle Rock Park-Vermejo Gas Pool and the Van Bremner Canyon-Vermejo Gas Pool. Neither of these pools has "special" pool rules. The horizontal limits of these pools have never been changed or expanded since the pools were created.

(4) There is need for the abolishment of the Van Bremner Canyon-Vermejo Gas Pool (97047) in Colfax County, New Mexico. The acreage formerly included in that pool will be placed in the Castle Rock Park-Vermejo Gas Pool (97046). 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 104C.(3), 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 with no other parties entering 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 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.

(b) Since April of 2001 over 340 wells have been drilled in this area and the two gas pools have now adjoined.

(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 controls everything there with one lease and mineral fee. Colfax County owns approximately 141 acres (0.02%).

(e) 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.

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

(g) El Paso showed that the Van Bremmer Canyon-Vermejo, and the Castle Rock Park Gas Pools are now adjoined and there is no reason for two pools.

(h) El Paso is requesting that the Van Bremmer Canyon Pool be abolished and acreage in that pool be included within the horizontal limits of the

Castle Rock Park-Vermejo Gas Pool.

(i) The preliminary engineering and geologic data further show that only 20% of the Castle Rock Park wells are draining the 160-acre spacing. Eighty per-cent of the wells are not being adequately drained.

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

(a) each 160 acre spacing unit should comprise a single governmental quarter section;

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

(c) An administrative procedure be included in the order for an exception to the well density provisions of the special pool rules;

(d) Wells are 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 111; and

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

(9) El Paso's testimony also demonstrates 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.

(10) 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.

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

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

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

(14) This application should be approved.

IT IS THEREFORE ORDERED THAT:

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

(2) The expansion of the Castle Rock Park-Vermejo Gas Pool (97046) is hereby approved. The Castle Rock Park-Vermejo Gas Pool, as expanded, will 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 POOL RULES AND REGULATIONS
FOR THE
CASTLE ROCK PARK-VERMEJO GAS POOL**

RULE 1. 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 pool rules hereinafter set forth.

RULE 2. Each well shall be located on a standard gas spacing and proration unit containing 160 acres, more or less, comprising a governmental quarter-section which is a legal subdivision of the United States Public Lands Survey. An original well and one additional well may be drilled in each unit.

RULE 3. (a) No more than two wells (to consist of vertical wells, directional

wells drilled pursuant to Division Rule 111, 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 104.C(3) and Division Rule 111.

(b) Except for directional wells located as provided in Division Rule 111, no well in the pool shall be located closer than 10 feet to any quarter-quarter section or subdivision inner boundary line.

(c) 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.

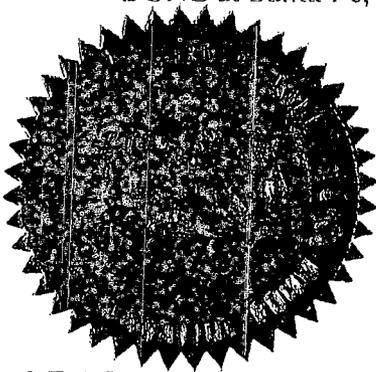
RULE 4. Wells shall be located no closer than (i) 660 feet to the outer boundary of section, (ii) 10 feet to an interior quarter section line, or (iii) 10 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 5. The Division Director may grant exceptions to the requirements of Rules 2, 3, and 4 without hearing only when an application has been filed with the Division.

IT IS FURTHER ORDERED THAT:

(4) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

MARK E. FESMIRE, P.E.
Director