

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:

CASE NO. 11211
ORDER NO. R-10328

GAS ALLOWABLES FOR THE PRORATED GAS POOLS IN NEW MEXICO FOR
APRIL THROUGH SEPTEMBER, 1995.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9:00 a.m. on February 23, 1995, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of March, 1995, the Commission, a quorum being present and having considered the testimony, the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) This hearing was called for the purpose of accepting nominations and other evidence and information to assist in determining April through September, 1995 gas allowables for the prorated gas pools in New Mexico. Thirteen of the prorated gas pools are in Lea, Eddy, and Chaves Counties in Southeast New Mexico, and the other four prorated gas pools are in San Juan, Rio Arriba, and Sandoval Counties in Northwest New Mexico.
- (3) Amendments to the Gas Proration Rules approved by the Commission Order No: R-8170-H in December, 1990 provide for allowables to be established for six month allocation periods beginning in April and October of each year.
- (4) Average monthly allowables for April through September, 1995 for each pool should be based on the monthly average individual pool production for April through September, 1994, with administrative adjustments where appropriate.

(5) Production information for 1994 was not available because of delays in getting C-115 production information into the new system. Estimates based on 1993 data were therefore used as a basis for preliminary allowables. Producers, purchasers, and transporters of gas were asked to review these preliminary allowables and to participate in the February 23, 1995 hearing by providing information which would assist in arriving at the final allowable assignments.

(6) Chevron and Conoco presented evidence at the hearing to support the OCD recommended allowables for the prorated pools in Southeast New Mexico. Exxon and Oryx entered statements supporting the proposed allowables.

(7) Amoco submitted testimony at the hearing to support increased allowables for the Northwest New Mexico Pools. They requested the following monthly increases:

Basin Dakota - 10,000 MCF; Blanco Mesaverde - 535,491 MCF; Blanco P.C. South - 9,540 MCF; and Tapacito Pictured Cliffs - 2,509 MCF. Phillips entered a statement requesting essentially these same allowables for the Basin Dakota and Blanco Mesaverde Pools. Meridian submitted a statement supporting the OCD allowables but indicating no objection to increases proposed by others. The increases proposed by Amoco are in addition to the adjustments proposed by OCD.

(8) Testimony by OCD indicates that gas production in New Mexico continues at record levels in spite of low prices. Production was 1.4 TCF in 1994 and an estimated 1.55 TCF in 1995. This indicates there is sufficient demand for New Mexico gas to accommodate the proposed allowables.

(9) The allowable increases proposed by Amoco for the Northwest New Mexico Pools should be approved.

(10) OCD Exhibit No. 1 shows that there are currently no prorated wells in the Burton Flat Strawn; Carlsbad Morrow, South; Catclaw Draw Morrow; and Monument McKee Ellenburger Pools. This condition has existed for the last several years. Proration in these pools should therefore be suspended until such time as production data or other information indicates that the pools should be prorated.

IT IS THEREFORE ORDERED THAT:

(1) Exhibits "A" and "B" attached to and incorporated herein, including the increased allowables requested in Finding Paragraph No. (7) are adopted for the purpose of making allowable assignments for the prorated gas pools in New Mexico for the months of April through September, 1995.

(2) The Oil Conservation Division is hereby directed to prepare proration schedules for the April through September, 1995 allocation period in accordance with this order and other Division Rules, Regulations and Orders. Copies of this order shall be included in each proration schedule.

(3) Proration is hereby suspended in the Burton Flat Strawn; Carlsbad Morrow, South; Catclaw Draw Morrow; and Monument McKee Ellenburger Pools until such time as production data or other information indicates the pools should again be prorated.

(4) Jurisdiction of this cause 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.

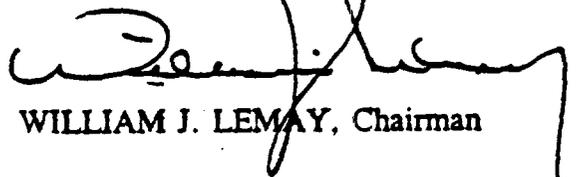
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

SEAL

**OIL CONSERVATION DIVISION
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS OF NORTHWEST NEW MEXICO
FOR APRIL 1995 THROUGH SEPTEMBER 1995**

NAME	AVG MONTHLY POOL SALES APR93-SEP93	POOL ADJUSTMENTS	MONTHLY POOL ALLOWABLE APR95-SEP95	MONTHLY MARGINAL POOL ALLOWABLE APR95-SEP95	MONTHLY NON- MARGINAL POOL ALLOWABLE APR95-SEP95	NUMBER OF NON- MARGINAL ACR. FACTORS	MONTHLY ACREAGE ALLOC. FACTOR
Penn	106,172	930	107,102	59,102	48,000	2.00	24,000
Coconino Oil and Gas	564,643	13,880	578,523	450,873	127,650	3.00	42,550
Coconino Valley Penn	293,780	188	293,968	260,968	33,000	1.00	33,000
Coconino Yates 7 Rivers Qn	2,563,744	451,241	3,014,985	2,156,185	858,800	22.60	38,000
Coconino Basin Morrow	62,700	531	63,231	47,231	16,000	1.00	16,000
Coconino Basin Upper Penn	3,722,866	183,172	3,906,038	2,934,038	972,000	4.86	200,000
Coconino Tansill YT 7 Rivers	1,029,426	22,196	1,051,622	973,847	77,775	4.25	18,300
Coconino Morieta	48,401	51,631	100,032	26,832	73,200	4.00	18,300
Coconino Oil and Gas	293,367	28,378	321,745	203,620	118,125	8.75	13,500

Gas Volumes Shown in MCF

**OIL CONSERVATION DIVISION
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 PRORATED GAS POOLS OF NORTHWEST NEW MEXICO
 FOR APRIL 1995 THROUGH SEPTEMBER 1995**

POOL NAME	AVG MONTHLY POOL SALES APR95-SEP95	POOL ADJ	MONTHLY POOL ALLOWABLE APR-95-SEPT95	MONTHLY MARGINAL POOL ALLOW- ABLE APR95-SEPT95	MONTHLY NON- MARGINAL POOL ALLOW- ABLE APR95-SEPT95	NUMBER OF NON- MARGINAL ACR. FACTORS	NUMBER OF NON-MARGINAL ACR.*DLY.	MONTHLY ACREAGE ALLOC. FACTOR	MONTHLY ACR.*DLY. FACTOR
asin Dakota	9,548,540	108,958	9,657,498	9,377,498	280,000	15.05	7,978	11,163	14.04
lanco Mesaverde	16,495,592	535,491	17,031,083	14,049,750	2,981,333	129.16	85,529	5,771	26.14
lanco P.C. South	1,216,638	39,353	1,255,991	1,106,658	149,333	84.80	3,974	440	28.18
ipacito Pictured Cliffs	326,656	2,509	329,165	314,232	14,933	8.00	566	467	19.79

All Gas Volumes Shown in MCF

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

RECEIVED
SEP 19 1997
CAMPBELL, CARR, et al.

APPLICATION OF MEWBOURNE OIL
COMPANY FOR AN UNORTHODOX GAS
WELL LOCATION AND A NON-STANDARD
GAS PRORATION UNIT, EDDY COUNTY,
NEW MEXICO.

Case No. 11723 (de novo)

APPLICATION OF FASKEN OIL AND
RANCH, LTD. FOR A NON-STANDARD
GAS PRORATION AND SPACING UNIT-
AND TWO ALTERNATE UNORTHODOX GAS
WELL LOCATIONS, EDDY COUNTY,
NEW MEXICO.

Case No. 11755 (de novo)

Order No. R-10872

**MOTION OF MEWBOURNE OIL COMPANY
FOR A STAY OF DIVISION ORDER NO. R-10872
AND TO SHUT-IN AN EXISTING WELL**

Mewbourne Oil Company ("Mewbourne") moves the Oil Conservation Division ("Division") and the Oil Conservation Commission ("Commission") for an order staying Division Order No. R-10872 pending a de novo review by the Commission, and requesting that an existing well be shut-in, and in support thereof, states:

A. MOTION FOR A STAY.

1. Denying A Stay Negates Mewbourne's Right To An Appeal.

The above cases were heard by the Division on April 3, 1997. On September 12, 1997 the Division entered Order No. R-10872, granting the application of Fasken Oil and Ranch, Ltd. ("Fasken Oil") and denying the application of Mewbourne. An Application for Hearing De Novo was filed with the Division by Mewbourne on September 17, 1997. Mewbourne has an absolute right to a de novo hearing before the Commission pursuant to statute. N.M. Stat. Ann. §70-2-13 (1995 Repl. Pam.).

If a stay is not granted, Fasken may drill its proposed well. As a result, by the time this matter is decided by the Commission the issue may be moot, and Mewbourne's right to a de novo hearing will effectively be negated. As a result, a stay of Order No. R-10872 is proper.

2. Order No. R-10872 Is Contrary To Division Policy And Law.

Order No. R-10872 approved Fasken's well location essentially because it was unopposed by offsetting interest owners. Order No. R-10872, Finding ¶(16). Division Memorandum 3-89 states that unorthodox locations will not be granted merely because they are unopposed. Thus, Order No. R-10872 is contrary to Division policy, and needs to be reviewed by the Commission before a well is commenced.

Moreover, no geologic justification was given in Order No. R-10872 for denying one application and granting the other, and the order does not disclose the reasoning of the Division, as required by law. Fasken v. Oil Conservation Comm'n, 87 N.M. 292, 532 P.2d 588 (1975); Viking Petroleum, Inc. v. Oil Conservation Comm'n, 100 N.M. 451, 672 P.2d 280 (1983) (findings must be sufficiently extensive to show the basis of the order and disclose the reasoning of the Division). Therefore, Order No. R-10872 is legally defective, and must be reviewed by the Commission.

3. Order No. R-10872 Ignored The Operating Agreement.

The property at issue in this case, the S¼ of Section 1-21S-25E, is subject to an Operating Agreement (Mewbourne Exhibit 3), under which Mewbourne and Fasken Land and Minerals, Ltd. ("Fasken

Land") are interest owners.¹ There was substantial evidence presented at hearing that the operator under the agreement must be an interest owner, and thus Fasken Oil is not a proper applicant. Nonetheless, Order No. R-10872 appointed Fasken Oil as operator. Order No. R-10872, Decretory ¶(3). Therefore, the order is defective because Fasken Oil cannot be operator of a well in the S¼ of Section 1.

In addition, Mewbourne's well location was proposed first. As a result, Fasken Land, as operator, had a duty under the Operating Agreement to proceed with obtaining regulatory approval of Mewbourne's location, instead of opposing it. Order No. R-10872 ignored these facts. Again, the order is defective and must be reviewed by the Commission before any well is drilled.

4. The Division Did Not Have Jurisdiction Over Case 11755.

Fasken Land, not Fasken Oil, is the proper applicant in Case 11755. Notice of Case 11755 was never published naming Fasken Land as applicant, as required by Division Rule 1205.B. Thus, notice was defective, the Division never had jurisdiction over Case 11755, and granting relief in Case 11755 was improper.

B. MOTION TO SHUT-IN WELL.

Texaco Exploration and Production Inc. ("Texaco")² operates two wells in Section 12-21S-25E, one located in Unit N (drilled in 1972) and one located in Unit F (commenced in October 1995 and

¹Fasken Oil is not an interest owner under the Operating Agreement.

²Texaco entered an appearance in this action in opposition to Mewbourne's application.

completed in early 1996). Order No. R-10872, Finding ¶(9); Mewbourne Exhibit 10; Texaco Exhibit 6. Prorationing was suspended in the Catclaw Draw-Morrow Gas Pool in March 1995, by Commission Order No. R-10328. As a result, when the Texaco well in Unit F was drilled, it was subject to Division Rule 104.D(3), which limits the number of producing wells in a gas spacing and proration unit within non-prorated pools to one. Order No. R-10872, Finding ¶(5).

Thus, Texaco's E.J. Levers Fed. "NCT-1" Well No. 2, in Unit F of Section 12, was illegally drilled. Moreover, this well may be draining the S½ of Section 1, giving Texaco an unfair advantage over the interest owners therein.³ Therefore, Mewbourne requests that Texaco's well in Unit F of Section 12 be shut-in pending the hearing *de novo* and until Texaco applies to and obtains an order of the Division allowing it to produce the well.

WHEREFORE, Mewbourne requests that Order No. R-10872 be stayed pending a decision in the hearing *de novo*, and that Texaco's E.J. Levers Fed. "NCT-1" Well No. 2 be shut-in pending a proper application to and decision by the Division.

Respectfully submitted,



James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

³Texaco's Well No. 2 produces at a rate of several million cubic feet of gas per day.

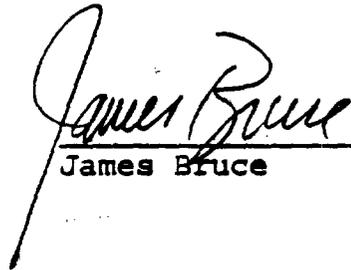
CERTIFICATE OF SERVICE

I hereby certify that a copy of the forgoing pleading was served upon the following counsel of record this 18th day of September, 1997, by United States mail:

W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504

Marilyn S. Hebert
Rand L. Carroll
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505


James Bruce

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

5. Lease Designation and Serial No.
NM 0454228

6. If Indian, Alottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and Number
E. J. LEVERS '12 FEDERAL NCT-1
2

9. API Well No.

10. Field and Pool, Exploratory Area
CATCLAW DRAW MORROW

11. County or Parish, State
EDDY, NM

SUBMIT IN TRIPLICATE

1. Type of Well: OIL WELL GAS WELL OTHER

2. Name of Operator
TEXACO EXPLORATION & PRODUCTION INC.

3. Address and Telephone No. P.O. Box 3109, Midland Texas 79702 688-4608

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Unit Letter F : 2448 Feet From The NORTH Line and 1980 Feet From The
WEST Line Section 12 Township 21-S Range 25-E

12. Check Appropriate Box(s) To Indicate Nature of Notice, Report, or Other Data

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> OTHER: <u>MOVE LOCATION</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log Form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

CHANGE OF LOCATION: THIS WELL WAS MOVED 468' SOUTH AT THE REQUEST OF THE BUREAU OF RECLAMATION.

THE APD FOR THIS WELL WAS FILED 7/31/95.

ATTACHED IS A REVISED C-102, TOPO MAP, DRILLING RIG LAYOUT, AND SURFACE USE PLAN.



14. I hereby certify that the foregoing is true and correct.
SIGNATURE C. Wade Howard TITLE Eng. Assistant DATE 8/7/95
TYPE OR PRINT NAME C. Wade Howard

(This space for Federal or State office use)
APPROVED BY [Signature] TITLE Assistant Area Mgr. DATE 8-15-95
CONDITIONS OF APPROVAL, IF ANY:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I
P. O. Box 1980, Hobbs, NM 88240

DISTRICT II
P. O. Drawer 00, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P. O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994

Instructions on back

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Submit to Appropriate District Office

State Lease-4 copies
Fee Lease-3 copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

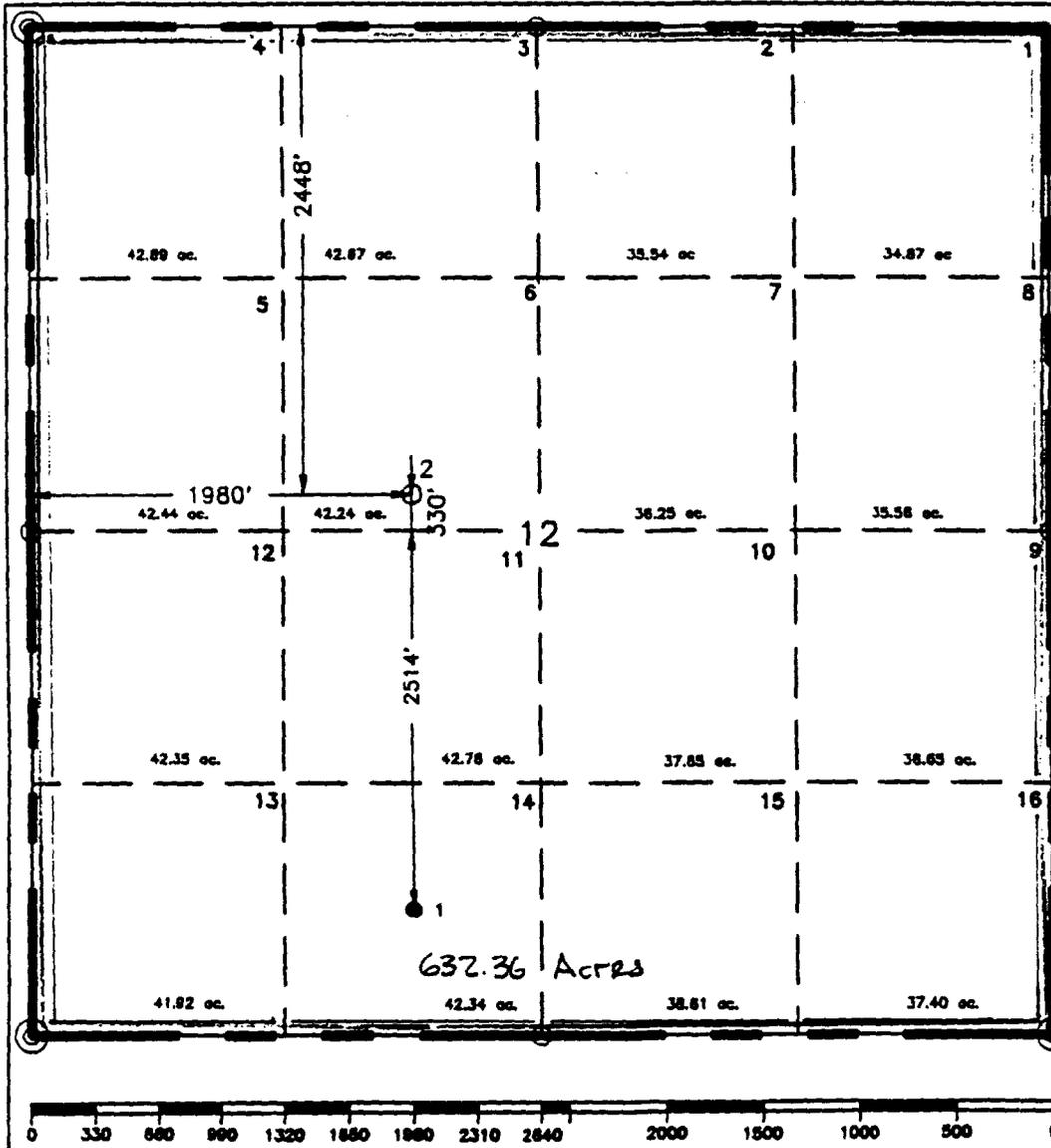
1 API Number		2 Pool Code		3 Pool Name Cataclaw Draw Morrow	
4 Property Code 10982		5 Property Name E. J. Levers "12" Fed. (NCT-1)			6 Well Number 2
7 OGRID No. 22351		8 Operator Name TEXACO EXPLORATION & PRODUCTION, INC.			9 Elevation 3276'

10 Surface Location									
UL or lot no. F	Section 12	Township 21-S	Range 25-E	Lot Idn	Feet from the 2448'	North/South line North	Feet from the 1980'	East/West line West	County Eddy

11 Bottom Hole Location if Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 632.38'	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION.



16 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *C. Wade Howard*

Printed Name: C. Wade Howard

Position: Engineer's Assistant

Company: Texaco Expl. & Prod. Inc.

Date: August 7, 1995

17 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: July 19, 1995

Signature & Seal of Professional Surveyor: *John S. Piper*

Certificate No.: 7254 John S. Piper

Sheet 8 of 8

Water Supply Well ● = Plugged & Abandoned