

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF POGO PRODUCING
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 12568

RESPONSE OF POGO PRODUCING COMPANY
IN OPPOSITION TO EOG RESOURCES, INC.'S
MOTION TO DISMISS POOLING APPLICATION

Pogo Producing Company ("Pogo") moves the Division for an order denying the motion of EOG Resources, Inc. ("EOG") to dismiss the above case. In support of its response, Pogo states:

I. FACTS.

The above case, and a competing case filed by EOG (Case No. 12552), involve Section 23, Township 22 South, Range 32 East, N.M.P.m. Section 23 is entirely comprised of federal minerals: The E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 23 is covered by a federal oil and gas lease owned by Pogo, and the remainder of Section 23 is covered by a federal oil and gas lease owned by EOG.

The chronology of this matter is as follows:

(1) EOG originally proposed to form a working interest unit covering all of Section 23. Pogo believed that its interest would be diluted by such a unit, and informed EOG that it would not agree thereto.

(2) EOG also proposed a Morrow well in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 to Pogo, with a S $\frac{1}{2}$ well unit. The compulsory pooling application for this well (Case No. 12552) was set for the December 7, 2000 hearing.

(3) EOG later permitted a well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23, with a N $\frac{1}{2}$ well unit. (The initial, informal discussions

between the parties' geologists, before any well proposals were made, involved a well in the NE¼ of Section 23.)

(4) Pogo proposed a Morrow well in the ~~SE¼NE¼~~ of Section 23 to EOG, with an E½ well unit.

(5) Due to the unavailability of its geologist for the December 7, 2000 hearing, Pogo requested a continuance of the hearing, to which EOG consented.

(6) Pogo was prepared to file its pooling application on the E½ of Section 23 for the December 21st hearing, but EOG informed Pogo that it had witness availability problems for that date. As a result, Pogo scheduled its case (No. 12568) for the January 11, 2001 hearing. Pogo understood that no well would be drilled until the Division decided the cases.

(7) In a telephone call on or about December 26, 2000, EOG confirmed to Pogo that it intended to move forward with the drilling of the well in the SW¼NE¼ of Section 23, before the pooling applications could be heard. This conversation occurred after Pogo obtained information that EOG was building a location in the SW¼NE¼ of Section 23.

(8) EOG has commenced drilling the well in the SW¼NE¼ of Section 23, and has filed a motion to dismiss Pogo's application, claiming that the N½ is dedicated to that well and the E½ of Section 23 cannot be pooled.

(9) On January 2, 2001, representatives of Pogo met with Bureau of Land Management ("BLM") personnel in Roswell, New Mexico. **The BLM stated that it would defer to the Division as**

to the proper well units (standup or laydown) in developing the Morrow formation in Section 23.

II. ARGUMENT.

A. The BLM's approval of an APD for EOG's well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23 (N $\frac{1}{2}$ well unit) cannot be construed to preclude the Division from deciding the orientation of the well unit. In fact, the BLM has expressly deferred to the Division's expertise on that issue. Moreover, in a similar case recently before the Division (which involved federal lands), the Division decided the orientation of the well unit. See Order No. R-11451 (Application of Santa Fe Snyder Corporation for Compulsory Pooling, Lea County, New Mexico).

B. Pogo has been active in the Morrow in this area for two decades, and should be allowed the opportunity to prove its case.

All wells proposed in Section 23 are in the E $\frac{1}{2}$ of Section 23. Obviously, the E $\frac{1}{2}$ is deemed by both parties to be the productive portion of the section. If the W $\frac{1}{2}$ of Section 23 is not productive, then Pogo's correlative rights will be adversely affected by laydown units: It will receive 1/8 of production from laydown units, while it has 1/4 of the productive acreage in the section (the E $\frac{1}{2}$). Thus, standup units are mandated.

It is the Division's duty to protect correlative rights, and if the Division grants EOG's motion it is waiving its statutory obligations.

C. Based on EOG's actions and statements, Pogo can only assume that EOG attempted to short-circuit the pooling proceedings

by delaying the hearing past December 21st, in order to commence its well. This behavior should not be countenanced by the Division.

WHEREFORE, Pogo requests that EOG's motion be denied, and that Case No. 12568 be heard on January 11, 2001.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Pogo Producing Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was sent via facsimile transmission this 9th day of January, 2001 to:

William F. Carr
Holland & Hart LLP and Campbell & Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043


James Bruce