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- \* NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN NATURAL RESOURCES - OIL & GAS LAW
- \*\* NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN REAL ESTATE LAW

June 5, 2001

**BY HAND-DELIVERY**

Lori Wrottenbery, Director  
New Mexico Oil Conservation Director  
1220 South St. Francis  
Santa Fe, New Mexico 87505

Re: NMOCD Case No. 12680; Application of Energen Resources Corporation  
To Amend Order No. R-10,448-A To Reinstate Project Allowable, West  
Lovington Strawn Pool, Lea County, New Mexico

Dear Ms. Wrottenbery:

Enclosed for filing is the Application of Energen Resources Corporation to Amend  
Order Nos. R-9722-C and R-10488-A. Accordingly, it is requested that this matter be placed  
on the June 28, 2001 Examiner Docket.

Thank you.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.



J. Scott Hall

JSH/ao

Enclosure(s) – as stated

6621/27052/Correspondence/Wrottenbery ltr.doc

01 JUN -5 AM 11:08  
OIL CONSERVATION DIV

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF ENERGEN RESOURCES CORPORATION TO  
AMEND ORDER NOS. R-9722-C AND R-10448-A  
TO REINSTATE THE PROJECT ALLOWABLE FOR  
THE WEST LOVINGTON STRAWN UNIT AREA,  
LEA COUNTY, NEW MEXICO.

CASE NO. 12680

01 JUN -5 AM 11:03

OIL CONSERVATION DIV  
NO. 1000000000

APPLICATION

ENERGEN RESOURCES CORPORATION, for its Application, states:

1. Applicant is the Operator of the West Lovington Strawn Unit ("WLSU"), which includes the designated West Lovington Strawn Pool underlying the following lands:

TOWNSHIP 15 SOUTH, RANGE 35 EAST NMPM

Section 28: S/2 S/2  
Section 32: E/2 E/2  
Section 33: All  
Section 34: W/2, S/2 NE/4, and SE/4  
Section 35: W/2 SW/4

TOWNSHIP 16 SOUTH RANGE 35 EAST NMPM

Section 1: Lots 1 through 11 and the N/2 and SE/4 equivalents of Lot 12

TOWNSHIP 16 SOUTH RANGE 36 EAST NMPM

Section 5: Lots 3, 4 and 5  
Section 6: Lots 1, 2, 6, 7 and 8

2. The WLSU was approved by Division Order No. R-10449, issued in Case No. 11195 on August 29, 1995. At the time, the WLSU was comprised of 1,458.95 acres, more or less, of state,

federal and fee lands. Creation of the Unit was approved pursuant to the Statutory Unitization Act, Section 70-7-1 through Section 70-7-21 NMSA 1978. The Unit, itself, became effective on October 1, 1995 and was originally operated by Gillespie-Crow, Inc.

3. The West Lovington Strawn Pool was originally known as the “East Big Dog Strawn Pool” created by the Division on September 23, 1992 under Order No. R-9722, issued in Case No. 10530. Order No. R-9722 also established temporary special rules and regulations for the East Big Dog Strawn Pool. Rule 6 of these pool rules provided:

Rule 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 445 barrels per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

4. Production restrictions were initially voluntarily implemented for the reservoir in order to prevent premature pressure decline and to prevent the reservoir from reaching critical gas saturation. In October 1995, under the authority of Division Order No. R-10448 issued in Case No. 11194 on August 29, 1995, the Unit Operator instituted the West Lovington Strawn Unit pressure maintenance project by the commencement of gas injection operations within the WLSU. Order No. 10448, by adoption of Rule 6 of the Special Pool Rules for the East Big Dog Strawn Pool, established a project allowable for the pressure maintenance project as follows:

(19) The project allowable shall be equal to the top unit allowable for the West Lovington Strawn Pool (445 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable should be established at 4,895 barrels of oil per day.

(20) The transfer of allowables between wells within the project area should be permitted.

5. Subsequently, on January 26, 1993, the Division changed the nomenclature of the East Big Dog Strawn Pool to the West Lovington Strawn Pool in Order No. R-9722-A (Case No. 10660).

6. In 1996, the Unit Operator for the WLSU made application to the Division in Case No. 11599 to modify the horizontal limits of the West Lovington Strawn Pool, to create a separate, new pool (the South Big Dog Strawn Pool) and the promulgation of special pool rules for the new pool. On February 26, 1997, the Division entered consolidated orders Nos. R-9722-C and R-10448-A, both expanding and contracting the horizontal limits of the West Lovington Strawn Pool and establishing the horizontal limits of the South Big Dog Strawn Pool.

7. In Case No. 11599, the Unit Operator proposed that Rule 6 of the Special Pool Rules, promulgated under Order No. R-9722 be amended to establish an 80-acre depth bracket allowable of 250 barrels of oil per day, except that certain wells lying outside the boundaries of the West Lovington Strawn Unit would be allowed to revert to the 445 barrels of oil per day standard depth bracket allowable after a period of one year or if it was determined that such well was not in communication with the WLSU reservoir.

8. At finding 15 of Order No. R-9722-C/R-10448-A, the Division noted that the actual reservoir comprising the West Lovington Strawn Unit extended beyond the horizontal limits of the WLSU as it was then configured under Order No. R-10449 and, further, that the Unit Reservoir was in pressure communication with two wells that then lay outside the Unit boundaries.

9. In Order No. R-9722-C/R-10448-A, the Division rejected the proposed amendment to Rule 6 for the reason that it would have, in effect, set a double standard for a single pool, leading to confusion in the setting of allowables for units in the pool. Consequently, the Division made a

single depth bracket oil allowable of 250 barrels of oil per day applicable to the entire reservoir, effectively abolishing the special project allowable for the WLSU, including the provision permitting the assignment of an allowable to injection wells. Order No. R-9722-C/R-10448-A adopted an amended Rule 6 for the Special Rules and Regulations for the West Lovington Strawn Pool as follows:

“Rule 6: A standard pro-ration unit (79 through 81 acres) shall be subject to an 80-acre depth bracket allowable of 250 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80-acres.”

10. Subsequent to the abolition of the special project allowable by Order No. R-9722-C/R-10448-A, the Division approved the expansion of the horizontal boundaries of the WLSU first by Order No. R-10864 entered in Case No. 11724 on August 27, 1997 and more recently, by Order No. 10864-B entered in Case No. 12289 on March 20, 2000. Under its expanded configuration, the WLSU encompasses the entirety of the productive limits of the West Lovington Strawn Pool.

11. On February 1, 2001, Energen acquired the interest of Charles B. Gillespie, Jr. in the WLSU. On May 1, 2001, Energen became Unit Operator of the WLSU pursuant to a vote of the Unit Working Interest Owners.

12. With the expansion of the WLSU to include the entirety of the productive limits of the West Lovington Strawn Pool, the circumstances that led to the abolition of the project allowable no longer exist. Consequently, Energen seeks the reinstatement of the project allowable as originally established under Order No. R-10488, including specifically, the authorization to transfer allowables between wells within the unit, but at the current rate of 250 barrels of oil per day. Energen proposes that the project allowable be equal to the top unit allowable for the pool times the number of

developed production or injection proration units within the project area. Applicant also proposes the reinstated project allowable be made effective as of March 20, 2000, the date the Division issued Order No. R-10864-B, approving the third expansion of the West Lovington Strawn Unit.

13. Reinstatement of the project allowable will facilitate better pressure maintenance and more efficient production operations and is otherwise in the interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, applicant requests that after notice and hearing, the relief requested above be granted.

MILLER, STRATVERT & TORGERSON, P.A.

By:   
J. Scott Hall, Esq.  
Post Office Box 1986  
Santa Fe, New Mexico 87504  
(505) 989-9614

Attorneys for Energen Resources Corporation

Case 12680

Proposed Advertisement

**Application of Energen Resources Corporation To Amend Order No.s R-9722-C and R-10448-A To Reinstate The Project Allowable For The West Lovington Strawn Unit Area Under The Special Rules And Regulations For The West Lovington-Strawn Pool, Lea County, New Mexico.** Applicant seeks an order amending consolidated orders R-9722-C and R-10448-A to reinstate the project allowable established under Order No. R-10448 equal to the top unit allowable for the West Lovington-Strawn Pool, now at 250 barrels of oil per day, times the number of developed (production or injection) proration units within the project area. The transfer of allowables among wells within the project area would also be permitted. The West Lovington Strawn Unit is approximately four miles west of Lovington, New Mexico and includes the following described area:

Township 15 South, Range 35 East

- Section 28: S/2 S/2
- Section 32: E/2 E/2
- Section 33: All
- Section 34: W/2, S/2 NE/4, and SE/4
- Section 35: W/2 SW/4

Township 16 South, Range 35 East

- Section 1: Lots 1 through 11 and N/2 and SE/4 equivalents of Lot 12

Township 16 South, Range 36 East

- Section 5: Lots 3, 4 and 5
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