



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 17, 1997

Bonneville Fuels Corporation
1660 Lincoln - Suite 1800
Denver, Colorado 80264

Attention: R. A. Schwering



Re: Administrative application of an unorthodox gas well location in the Burton Flat-Starwn and Burton Flat-Morrow Gas Pools for the proposed Lake Shore "10" Federal Com Well No. 2 (API No. 30-025-29879) to be drilled 1750 feet from the South line and 660 feet from the East line (Lot 7/Unit I) of Section 10, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, in which Lots 1, 5, 6, 7, 8, and 11, the NE/4 NE/4, and the SE/4 SE/4 (E/2 equivalent) of said Section 10 being a standard 324.08-acre gas spacing and proration unit for said pool is to be dedicated to said well.

Dear Mr. Schwering:

In reviewing the subject application I found the proposed well and spacing unit to be within the governing limits of the following Starwn and Morrow gas pools:

- (1) Avalon-Starwn Gas Pool;
- (2) West Burton-Starwn Gas Pool;
- (3) Avalon-Morrow Gas Pool; and,
- (4) Burton Flat-Morrow Gas Pool.



All four of these pools are subject to **104.C(2)(b)** of the New Mexico Oil Conservation Division General Rules and Regulations, which provides for 320-acre gas spacing and proration units, or drilling units, and requires that wells be located no closer than 660 feet to the nearest side boundary of the designated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary thereon. The Avalon-Starwn, West Burton-Starwn, and Avalon-Morrow Gas Pools have never been subject to any special pools. The Burton Flat-Morrow Gas Pool at one time was subject to the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Burton Flat-Morrow Gas Pool", as promulgated by Division Order No. R-8170, as amended. However, by Division Order No. R-8170-E-1, issued in Case 9872 and dated October 28, 1991 these pools reverted to statewide rules (see copy attached).

Bonneville Fuels Corporation

November 17, 1997

Page 2

Your application refers to the Burton Flat-Starwn Gas Pool which is currently subject to said Order No. R-8170, as amended, however this pool lies approximately 3 miles east of said Section 10. The location of your proposed Lake Shore "10" Federal Com Well No. 2 is standard for the subject 324.08-acre gas spacing unit; therefore, this application is deemed unnecessary and is being returned to you at this time.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: ~~New~~ Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
Kathy Valdes, NMOCD - Santa Fe

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. 9872
ORDER NO. R-8170-E-1

IN THE MATTER OF CASE 9872 BEING REOPENED PURSUANT TO THE PROVISIONS OF DIVISION ORDER NO. R-9463, WHICH, AMONG OTHER THINGS, PROVIDED FOR THE REOPENING OF SAID CASE 9872 IN ORDER THAT ALL OPERATORS IN THE BURTON FLAT-MORROW GAS POOL, EDDY COUNTY, NEW MEXICO, MAY APPEAR AND PRESENT EVIDENCE RELATIVE TO THE PERMANENT TERMINATION OF GAS PRORATIONING FOR SAID BURTON FLAT-MORROW GAS POOL.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 19, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of October, 1991 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) By Division Order No. R-8170-E, dated April 2, 1990, issued in Case No. 9872 and made effective April 1, 1990, the following provisions affecting the Burton Flat-Morrow Gas Pool, encompassing portions of Townships 20 and 21 South, Ranges 26, 27 and 28 East, NMPM, Eddy County, New Mexico were instituted:
 - a) the prorationing of gas production, pursuant to the provisions of Division Order No. R-8170, as amended, was suspended for a temporary testing period commencing April 1, 1990 and ending June, 1991;

- b) the General Rules and Regulations applicable for Morrow gas wells in Southeast New Mexico were applied to said pool during the testing period;
- c) production records were kept on said pool and reported on the Proration Schedule for Southeast New Mexico during the testing period for statistical purposes only;
- d) the Division retained jurisdiction in this matter should it had been determined at any time during the test period that the pool should again be prorated, each well would have been reassigned its classification and over or under production status as of April 1, 1990; and,
- e) if gas prorationing had been reinstated, each non-marginal well would be assigned a minimum allowable of 750 MCF per day.

(3) The temporary testing period and the provisions of said Order No. R-8170-E were extended to September, 1991 by Division Order No. R-9463, dated March 22, 1991, in order to evaluate the effects of the new six-month allocation periods established by Division Order No. R-8170-H on said pool and to avoid having the pool return to proration in the middle of an allocation period should conditions warrant.

(4) OXY USA, Inc., the applicant in the original hearing, appeared at this hearing and presented evidence showing that since February 1990 the Burton Flat-Morrow Gas Pool:

- a) has shown an increase in gas production;
- b) several new wells have been drilled;
- c) compression installation and work-over activity has increased;
- d) there continues to be a market for all the gas from the pool;
- e) there continues to be support from the vast majority of the interested parties within the pool for deproration;
- f) no objections were received; and,

- g) no extenuating circumstances have occurred within the pool to support reinstatement of prorationing within the pool.

(5) Testimony also indicates that correlative rights would not be adversely affected since market demand exceeds the pool deliverability.

(6) Prorationing of gas production from the Burton Flat-Morrow Gas Pool should therefore terminate and the Special Rules and Regulations for said pool, as promulgated by Division Order No. R-8170, as amended, should be suspended; concomitantly said pool should be governed by all applicable provisions provided by the Division's Statewide Rules and Regulations.

(7) Allowables established for the Burton Flat-Morrow Gas Pool in the "Proration Schedule for the Six-Month Period October 1991 through March 1992" or any subsequent period should be null and of no effect.

IT IS THEREFORE ORDERED THAT:

(1) The Special Rules and Regulations for the Burton Flat-Morrow Gas Pool, as promulgated by Division Order No. R-8170, as amended, are hereby terminated.

IT IS FURTHER ORDERED THAT:

(2) The provisions of Division Order No. R-8170-E, dated April 2, 1990, issued in Case No. 9872 and made effective April 1, 1990, which suspended gas prorationing within said pool for a temporary period is hereby continued in full force and effect until further notice of the Division.

(3) Allowables established for the Burton Flat-Morrow Gas Pool in the "Proration Schedule for the Six-Month Period October 1991 through March 1992" or any subsequent period shall be null and of no effect.

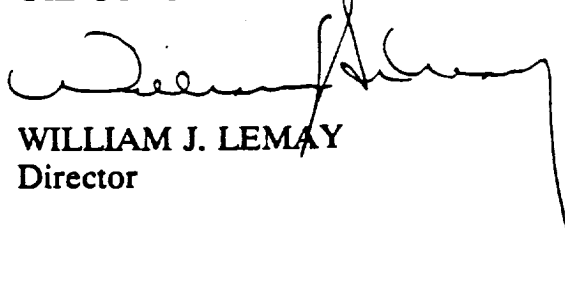
(4) Said pool shall be governed by the General Rules and Regulations applicable for gas wells in Southeast New Mexico currently completed in the Morrow formation.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9872
Order No. R-8170-E-1
Page No. 4

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', with a long, sweeping vertical line extending downwards from the end of the signature.

WILLIAM J. LEMAY
Director

SEAL

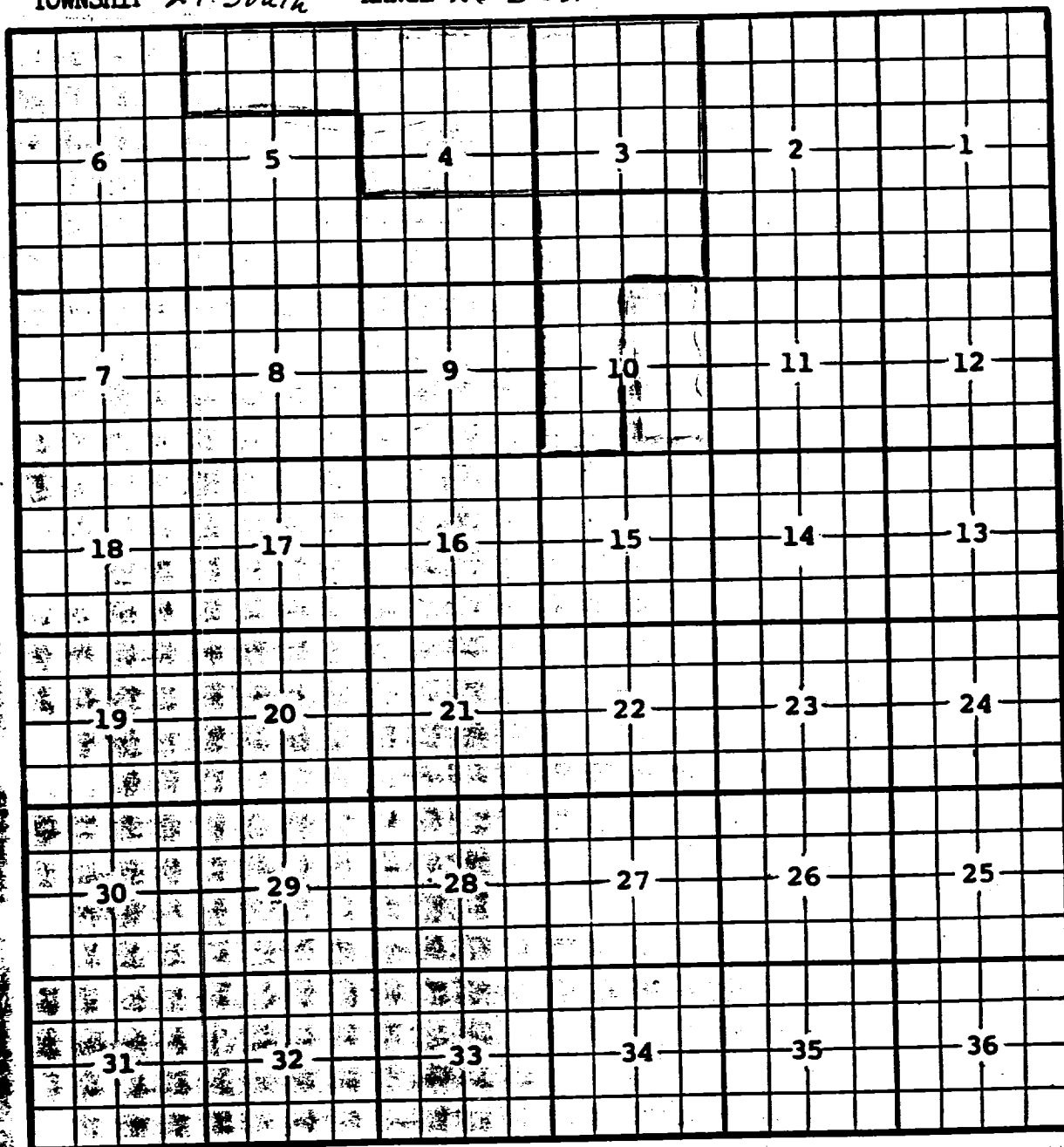
COUNTY Eddy

POOL Avalon - Stra n Gas

TOWNSHIP 21 South

RANGE 26 East

NMPM



Description: Lots 1 thru 16 Sec 3 (R-4861, 11-1-74)

Ext: Lots 1 thru 16 Sec 4, Lots 1 thru 8 Sec 5 (R-5063, 7-1-75)

Ext: $\frac{5}{2}$ Sec 3, $\frac{1}{2}$ Sec 10 (R-5781, 9-1-78)

POOL West Burton Flai-Strawn Gas

RANGE 26 East

NMPPM

Description, Lots 1 thru 8, Sec 1 (R-5309, 11-1-76)

Ext: $\frac{1}{2}$ Sec. 12 (R-9709, 8-25-92) Ext: $\frac{1}{2}$ Sec. 12 (R-9709, 8-25-92)

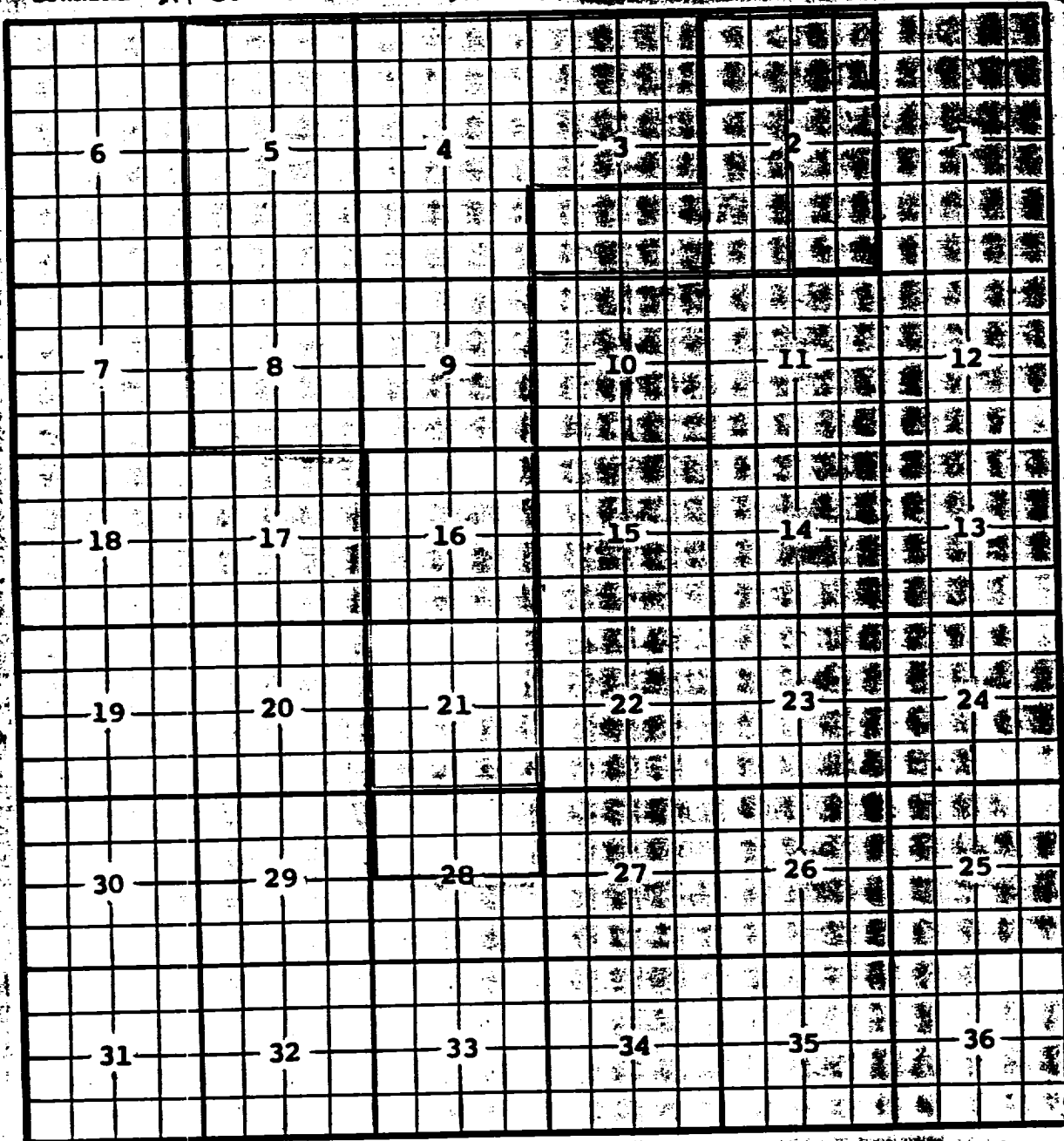
Extr. 8/2 Sec. 12 (R-10042, 12-28-93) Extr. 11/2 Sec. 11 (R-10234, 11-7-94)

COUNTY EddyPOOL Avalon- Mar

J. Gas

TOWNSHIP 21 SouthRANGE 26 East

NMPM



Description: Lots 1 thru 16 Sec 3, All Secs 4, 5, 8, 9, 16 & 21

(R-4861, 11-1-74) Ext: Lots 11, 12, 13, 14 & SW/4 Sec 2 (R-5102, 10-1-75)

Ext. N/2 Sec 28 (R-6033, 7-1-79) Ext: Lots 9, 10, 15, 16 & SE/4 Sec 2

(R-6876, 1-22-82) Ext: Lots 1 thru 8 Sec 2 (R-6912, 3-5-82)

COUNTY Eddy

POOL Burton Flat

Narrow Gas

TOWNSHIP 21 South

RANGE 26 East

NIPM

A 36x36 grid with numbers 1 through 36 placed at the intersections of the grid lines. The numbers are arranged in a regular pattern, with each number appearing in a specific row and column intersection.

Ext: $N/2$ Sec 12 (R-4915, 12-1-74)

Ext: Lots 1 thru 8 Sec 1 (R-4937, 2-1-75)

Ext: S/2 Sec 12 E/2 Sec 13 (R-5162, 3-1-76)

Ext. $\frac{1}{2}$ Sec. 1 (R-5309, 11-1-76) Ext.: ($\frac{1}{2}$ Sec. 13, $\frac{1}{2}$ Sec. 14) R-6368, 2-7-8

Ext: Lots 9, 10, 11, 12, 13, 14, 15, 16 SEC 1 (A-6576, 2-10-81)

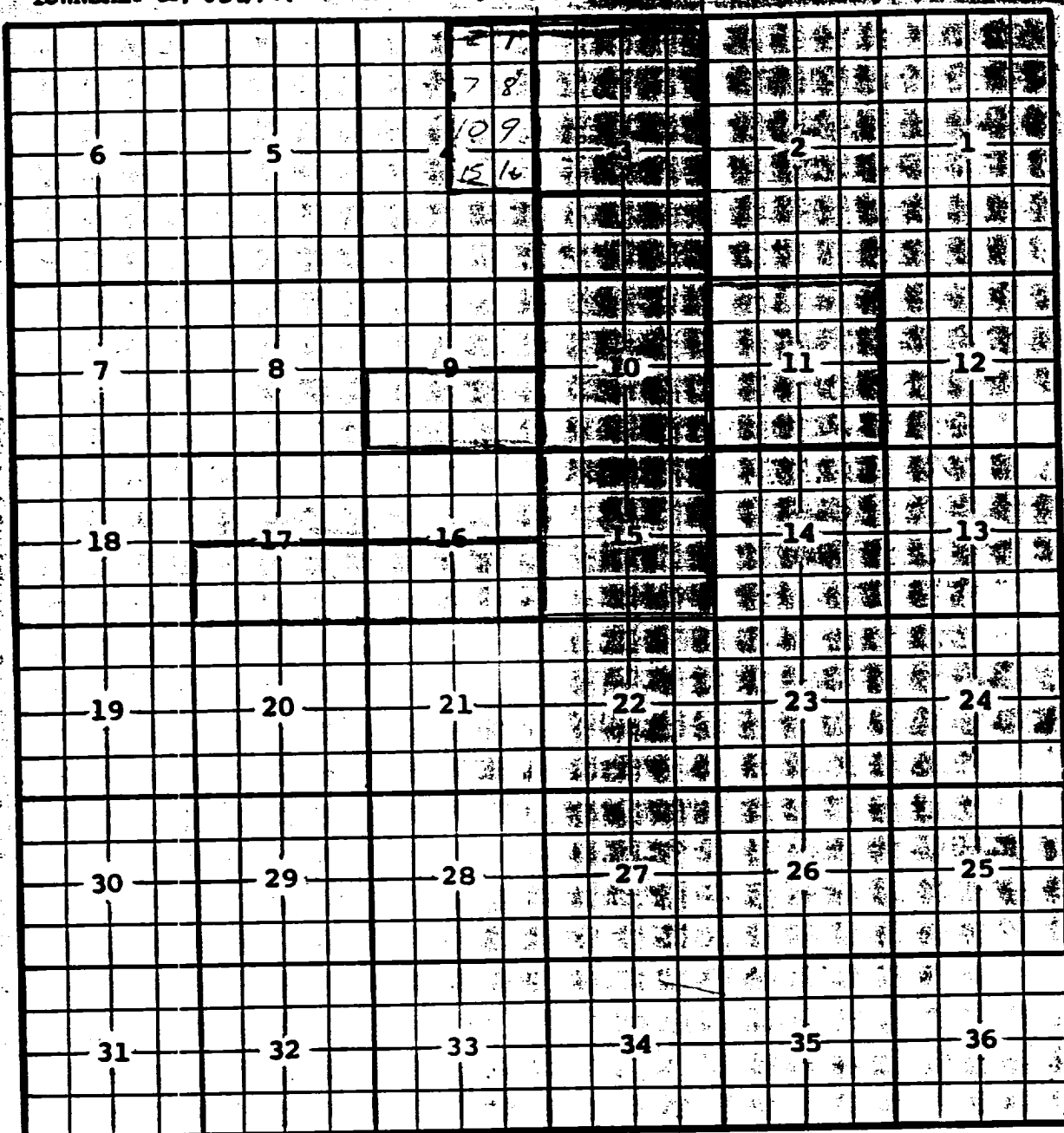
Ext: N/A SFC 11 (A-7419, 12-21-83)

COUNTY *Eddy*

POOL

*Burton Flat Strawn Gas*TOWNSHIP *21 South*RANGE *27 East*

NMPH



Description: $\frac{3}{4}$ Sec. 3 (R-4622, 9-1-73)

Ext: All Sec 10 (R-4707, 1-18-74)

Ext: Lots 1 thru 16, Sec 3 (R-4734, 3-1-74)

Ext: All Sec 11 (R-4782, 6-1-74) Ext: All Sec 15 (R-5162, 3-1-76)

Ext: $\frac{5}{8}$ Sec 9 (R-6576, 2-10-81) Ext: Lots 1, 2, 7, 8, 9, 10, 15, and 16 (R-9832, 1-27-93)

Ext: $\frac{5}{8}$ Sec 16, $\frac{5}{8}$ Sec 17 (R-9844, 2-8-93)