

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. 10265
ORDER NO. R-8332-A

APPLICATION OF NORTHWEST PIPELINE
CORPORATION FOR CLARIFICATION OF
DIVISION ORDER NO. R-8332 RELATING
TO COMPULSORY POOLING, RIO ARRIBA
COUNTY, NEW MEXICO

RECEIVED
APR 24 1991,
OIL CON. DIV.
DIST. 3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of April, 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) The applicant, Northwest Pipeline Corporation, seeks clarification of Division Order No. R-8332, dated November 4, 1986, which pooled certain interests in the Gavilan-Mancos Oil Pool underlying the S/2 of Section 24, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, forming a standard 320-acre oil spacing and proration unit dedicated to the Mesa Grande Resources, Inc. Rucker Lake Well No. 2, located at an approved unorthodox oil well location (Division Administrative Order NSL-1705) 1450 feet from the South line and 1520 feet from the West line (Unit K) of said Section 24.

(3) Subsequent thereto, Mountain States Natural Gas Corporation, a non-consenting working interest owner, asserted that it was entitled to share in the production from the Rucker Lake Well No. 2 from the date of first production. Northwest Pipeline Corporation believes that Mountain States Natural Gas Corporation was entitled to share in the production from that well from March 1, 1984, the effective date of the Division's Order No. R-7407 abolishing the Special Rules and Regulations for the Gavilan-Mancos Oil Pool.

(4) In addition, that non-consenting working interest owner questioned whether or not Northwest Pipeline Corporation acted properly by accounting to the operator, Mesa Grande Resources, Inc., for said non-consenting working interest owner's share of income received from the sale of production from the Rucker Lake Well No. 2, reasonable well costs actually incurred by Northwest Pipeline Corporation in drilling and completion of that well and the actual expenditures required for operating that well from March 1, 1984, and paying said non-consenting working interest owner's share of production, less those costs and expenses, to the operator for further disbursement in accordance with the Division's Order No. R-8332.

(5) In Order No. R-8332, the Division expressly retained jurisdiction for entry of such further orders as it might deem necessary.

(6) Division Order No. R-8332 also provided for the following:

- (A) designated Mesa Grande Resources, Inc. operator of the subject well and unit (Decretory Paragraph No. (2));
- (B) dismissed that portion of the application for a charge for the risk involved in drilling of the subject well (Decretory Paragraph No. (7));
- (C) authorized the operator to recover all drilling and completion costs attributable to said well from any and all non-consenting working interest owners (Finding Paragraph Nos. (3), (10), (11), (12), and (13) and Decretory Paragraph Nos. (3), (4), (5), and (6)); and,
- (D) authorized the operator to recover its share of all costs of operations and overhead charges (\$475.00 per month while drilling and producing) since March 1, 1984 (Finding Paragraph Nos. (3), (10), (11), (12), and (13) and Decretory Paragraph Nos. (3), (4), (5), and (6)).

(7) Northwest Pipeline Corporation drilled the Rucker Lake Well No. 2 at a standard oil well location in the NE/4 SW/4 of said Section 24 and completed the same to the Gallup formation, with a total depth of approximately 8,155 feet on August 25, 1983 and 40 acres were dedicated as the standard spacing or proration unit for that well at that time.

(8) Subsequent thereto, the Division entered Division Order No. R-7407 effective March 1, 1984 establishing the Gavilan-Mancos Oil Pool and the Special Rules and Regulations, including a provision establishing the standard spacing or proration unit as 320 acres.

(9) Only after March 1, 1984 was it necessary for the operator of said Rucker Lake Well No. 2 to file with the Division an application to pool any and all non-consenting parties in newly formed 320-acre spacing unit under the provisions of Section 70-2-17 and 18, NMSA 1978.

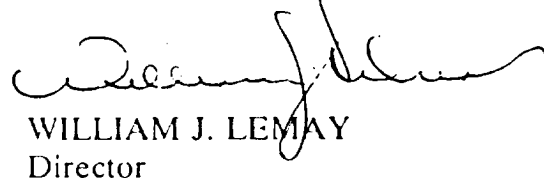
(10) Prior to March 1, 1984 the Gallup formation was spaced on 40-acre units and the NE/4 SW/4 of said Section 24 was 100 percent controlled by Northwest Pipeline Corporation. Therefore, no other parties were entitled to share in the production from said well before the first day of March, 1984.

(11) Decretory Paragraph No. 5 of page 4 of said Order No. R-8332 provides an opportunity for any non-consenting interest owner affected by said order an opportunity to object to the actual well costs attributable to him. No such objection was filed with the Division within the prescribed time by any party.

(12) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director