



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

July 27, 2000

Lori Wrotenbery

Director

Oil Conservation Division

Union Oil Company of California (Unocal)
P. O. Box 850
Bloomfield, New Mexico 87413

Attention: **Mike Phillips**

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Re: Administrative application of Union Oil Company of California (Unocal) for an exception to the well location requirements provided within the "Special Rules and Regulations for the Basin-Dakota Pool," as promulgated by Division Order No. R-10987, as amended, by Division Order No. R-10987-B, for the Rincon Unit Well No. 173-M to be drilled 1810 feet from the South line and 2345 feet from the East line (Unit J) of Section 23, Township 27 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

Dear Mr. Phillips:

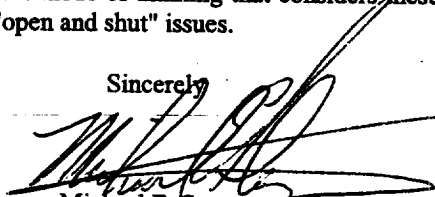
I have reviewed the subject application and the records of the New Mexico Oil Conservation Division ("Division") concerning this matter, please be aware that:

- (1) under the old rules governing the placement of Basin-Dakota gas wells (see Division Order No. R-10987, issued in Case No. 11705 and dated May 7, 1998, which required wells to be "not closer than 790 feet to any outer boundary of the quarter section") this location is still unorthodox;
- (2) in instances where a single wellbore is to be utilized in more than one producing horizon, the operator is expected to drill that well at a location considered to be standard for all intended zones and not just one of the intended formations with the expectation that this is reason enough for approval; and
- (3) the reason for this location is neither based on topography or geology and therefore does not qualify for administrative approval.

This application is hereby **denied** and is being returned to you at this time.

As a reminder our pool rules are serious matters for the purpose of orderly development of New Mexico's valuable oil and gas resources. It is very easy to get into a mode of thinking that considers these rules as minor inconveniences and applications for exceptions as "open and shut" issues.

Sincerely,


Michael E. Stogner
Chief Hearing Officer/Engineer

cc: ~~New Mexico Oil Conservation Division - Aztec~~
U. S. Bureau of Land Management - Farmington
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Kathy Valdes, NMOCD - Santa Fe