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Revised

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:

APPLICATION OF ROBERT L. BAYLESS
FOR A NON-STANDARD GAS PRORATION
UNIT, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 11571
Order No. R-10653

RECEIVED
AUG 19 1996

OIL CON. DIV.
DIST. 3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 25, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of August, 1996, 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, Robert L. Bayless, seeks authority to establish a 238.94-acre non-standard gas spacing and proration unit in the Blanco-Mesaverde Gas Pool comprising the E/2 SW/4, Lot 2, N/2 SE/4 and the SE/4 SE/4 of Section 10, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico.

(3) The proposed non-standard unit is to be dedicated to the applicant's existing Hazel Bolack "10" Well No. 1 located at a standard gas well location 1000 feet from the South line and 1650 feet from the East line (Unit O) of Section 10.

(4) The Hazel Bolack "10" Well No. 1 is currently completed in the Pictured Cliffs formation.

(5) Applicant proposes to plug off the Pictured Cliffs formation and deepen the subject well to a depth sufficient to test and produce the Mesaverde formation.

(6) Applicant testified that it expects to encounter marginal

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production only from the Mesaverde formation.

(7) According to applicant's evidence and testimony, the W/2 SW/4 of Section 10 is located within the town of Aztec, New Mexico, and is broken up into townsite lots.

(8) Applicant testified that due to the significant costs associated with identifying, locating and securing leases from the interest owners within the W/2 SW/4 of Section 10, it is cost prohibitive to form a standard 320-acre gas proration unit for the aforesaid Hazel Bolack "10" Well No. 1.

(9) Pursuant to Division Rule No. 1207.A.(6), applicants seeking approval of non-standard proration units presented at an Examiner or Commission hearing are required to provide notice as follows:

(a) Actual notice shall be given to all operators owning a leasehold interest to be excluded from the proration unit in the quarter-quarter section (for 40-acre pools or formations), the quarter section (for 160-acre pools or formations), the half section (for 320-acre pools or formations), or in the section (for 640-acre pools or formations) in which the non-standard unit is located and to each operator on any proration unit, or owner of an undrilled tract, which unit or tract adjoins or corners such quarter-quarter, quarter, half or whole section. Such notice shall be by certified mail (return receipt requested).

(10) Current Division policy regarding acreage not subject to an oil and gas lease is that owners of the unleased mineral interest in that acreage will be treated and must be notified the same as "operators owning a leasehold interest".

(11) This policy is reflected in Division Rule No. 104.D. which was revised in February, 1996, and which currently requires that all applications for approval of non-standard proration units must be accompanied by proof that all "affected parties" have been notified of the application by certified or registered mail. For the purpose of this rule "affected parties" is defined as follows:

"those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not

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included in said non-standard spacing unit"

(12) Pursuant to Division policy, the interest owners within the W/2 SW/4 of Section 10 are entitled to notice of the proposed application.

(13) Applicant did not provide proper notice to the interest owners within the W/2 SW/4 of Section 10.

(14) Approval of the subject application without providing the interest owners within the W/2 SW/4 of Section 10 the opportunity to either lease, participate in the drilling of the well, or otherwise object to the formation of a non-standard proration unit does not serve to protect correlative rights.

(15) The application of Robert L. Bayless for approval of the subject non-standard gas proration unit should be denied.

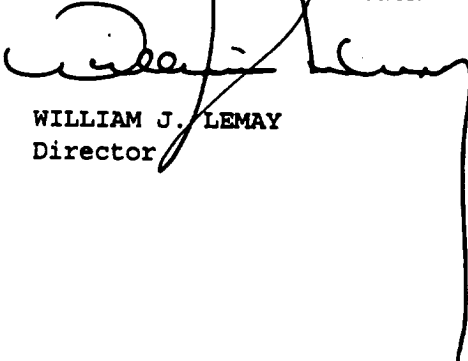
IT IS THEREFORE ORDERED THAT:

(1) The application of Robert L. Bayless to establish a 238.94-acre non-standard gas spacing and proration unit in the Blanco-Mesaverde Gas Pool comprising the E/2 SW/4, Lot 2, N/2 SE/4 and the SE/4 SE/4 of Section 10, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, said unit to be dedicated to the existing Hazel Bolack "10" Well No. 1 located at a standard gas well location 1000 feet from the South line and 1650 feet from the East line (Unit 0) of Section 10, is hereby denied.

(2) 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

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