



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 4, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Lanexco, Inc.
1105 West Kansas
Jal, New Mexico 88252

Case 13587

Attention: **Robert Lansford, President**

RE: Administrative application of Lanexco, Inc. filed with the New Mexico Oil Conservation Division ("Division") on September 6, 2005 (**administrative application reference No. pSEM0-525033115**) for an exception to Division Rule 104.D (3) to simultaneously dedicate the following two wells within a single 80-acre non-standard gas spacing unit comprising the W/2 SW/4 of Section 21, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico (approved by Division Administrative Order NSP-1443), within the un-prorated Hare-San Andres Gas Pool (78080): (i) existing Robert Well No. 1 (**API No. 30-025-28664**) located at a standard gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 21; and (ii) proposed Robert Well No. 2 (**API No. 30-025-36826**) located at a standard gas well location 1650 feet from the South line and 660 feet from the West line (Unit L) of Section 21.

Dear Mr. Lansford:

The Hare-San Andres Gas Pool is an "un-prorated" shallow gas pool in southeast, New Mexico that is not subject to Part H of the Division's statewide rules entitled "Gas Proration and Allocation" (Rules 601 through 605); however, this pool is governed by Division Rules 104.C (3) and D (3), which provide for 160-acre spacing units, require wells to be no closer than 660 feet to the outer boundary of their assigned units nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary, and precludes a second gas well within a single 160-acre gas spacing unit.

To understand Division Rule 104.D (3) it is best to review its evolutionary beginnings. The formal limiting of wells within a spacing unit in un-prorated gas pools started when the Division Director, William J. LeMay, released an official Memorandum on July 27, 1988 (see copy attached), which limited the number of wells allowed to produce within a single spacing unit to only one, otherwise an exception could be granted after a hearing and only with "compelling evidence that the applicant's [operator's] correlative rights [would] be impaired unless both wells produced." A second Memorandum issued by Director LeMay on August 3, 1990 (also attached), which offered clarification in the Division's position on this matter and flexibility if an exception was sought at a hearing, later revised this Division Policy Memorandum. Memorandum's being difficult to enforce and not readily available to the public at that time, the Division initially adopted Rule 104.D (3) by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case No. 11351 on January 18, 1996. This rule, being somewhat condensed, was nonetheless intended to mirror the previous Memorandum (see Finding Paragraph No. (10) on page 4 of Order No. R-10533). In 1999 when Rule 104 was revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, the wording was again changed to its current reading and still remains somewhat misleading. This rule was further defined by a Memorandum issued by Director Lori Wrotenbery on October 25, 1999. The intent of this rule affecting un-prorated gas pools remains: (i) only one producing well within a spacing unit; and (ii) application to produce two wells continuously and concurrently would only be entertained after notice and hearing.

Lanexco, Inc.

Division Administrative Application Reference No. pSEM0-525033115

October 4, 2005

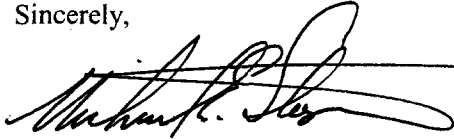
Page 2

Therefore, your application cannot be processed administratively and will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for November 3, 2005. I have prepared the following advertisement in this matter:

Application of Lanexco, Inc. for an infill gas well within an un-prorated gas pool [exception to Division Rule 104.D (3)], Lea County, New Mexico. Applicant seeks to simultaneously dedicate the following two wells within a single 80-acre non-standard gas spacing unit comprising the W/2 SW/4 of Section 21, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico (approved by Division Administrative Order NSP-1443), within the un-prorated Hare-San Andres Gas Pool (78080): (i) existing Robert Well No. 1 (API No. 30-025-28664) located at a standard gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 21; and (ii) proposed Robert Well No. 2 (API No. 30-025-36826) located at a standard gas well location 1650 feet from the South line and 660 feet from the West line (Unit L) of Section 21. This unit is located approximately 1.5 miles north-northwest of Jal, New Mexico.

Should you have any questions concerning this matter, please contact the Division's Chief Engineer, Mr. Richard Ezeanyim in Santa Fe at (505) 476-3467. Thank you.

Sincerely,



Michael E. Stogner
OCD Staff

MES/ms

cc: New Mexico Oil Conservation Division – Hobbs

Please set this case on the November 3, 2005 docket. Thanks.

MS.

Application of Lanexco, Inc. for an infill gas well within an un-prorated gas pool [exception to Division Rule 104.D (3)], Lea County, New Mexico. Applicant seeks to simultaneously dedicate the following two wells within a single 80-acre non-standard gas spacing unit comprising the W/2 SW/4 of Section 21, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico (approved by Division Administrative Order NSP-1443), within the un-prorated Hare-San Andres Gas Pool (78080): (i) existing Robert Well No. 1 (API No. 30-025-28664) located at a standard gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 21; and (ii) proposed Robert Well No. 2 (API No. 30-025-36826) located at a standard gas well location 1650 feet from the South line and 660 feet from the West line (Unit L) of Section 21. This unit is located approximately 1.5 miles north-northwest of Jal, New Mexico.

Case 13587

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Case 13588

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☒ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

Lanexco, Inc.
1105 West Kansas
Jal, New Mexico 88252
505/395-3056
Fax 505/395-3205

LANEXCO, INC.

2005 SEP 6 PM 1 22

AUGUST 31, 2005

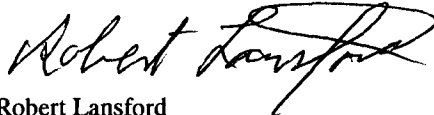
OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
SANTA FE, NM 87505

RE: ROBERT NO. 1 AND ROBERTS NO. 2
HARE - SAN ANDRES GAS POOL
SEC. 21, T - 21- S, R - 37 - E,
LEA COUNTY, NEW MEXICO

Gentlemen:

Lanexco, Incorporated respectfully request an 80 acre simultaneously dedication of Robert No. 2 with Robert No. 1. Please see attachments of well plats with 80 acres outlined.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Lansford", written in a cursive style.

Robert Lansford
President

DISTRICT I
1625 N. FRENCH DR., BOBBS, NM 86240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 86210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 78080	Pool Name HARE SAN ANDRES (GAS)
Property Code 005751	Property Name ROBERT	Well Number 2
OGRID No. 013046	Operator Name LANEXCO, INC.	Elevation 3487'

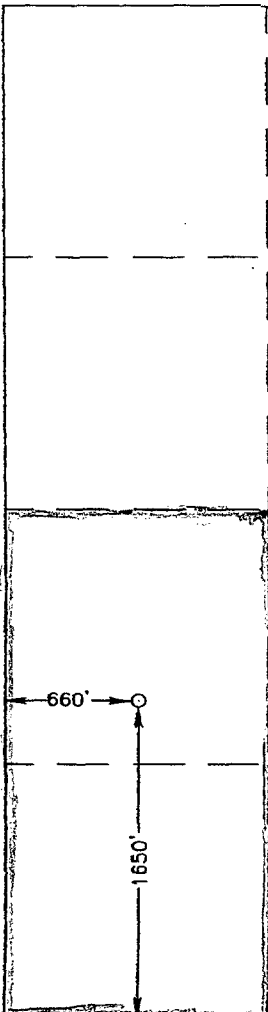
Surface Location

UL or lot No. L	Section 21	Township 21-S	Range 37-E	Lot Idn	Feet from the 1650'	North/South line SOUTH	Feet from the 660'	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=533568.3 N X=857603.6 E</p> <p>LAT.=32°27'41.59" N LONG.=103°10'26.19" W</p> <p>Standard 640-acre Section</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Robert W. Lansford</i> Signature</p> <p>ROBERT W. LANSFORD Printed Name</p> <p>PRESIDENT Title</p> <p>Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 23, 2004</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>GARY E. EDSON</i> GARY E. EDSON 04.11.0775</p> <p>Certificate No. GARY EDSON 12641</p>
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CONSERVATION DIVISION

STATE OF NEW MEXICO
OIL AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-7

All distances must be from the outer boundaries of the Section.

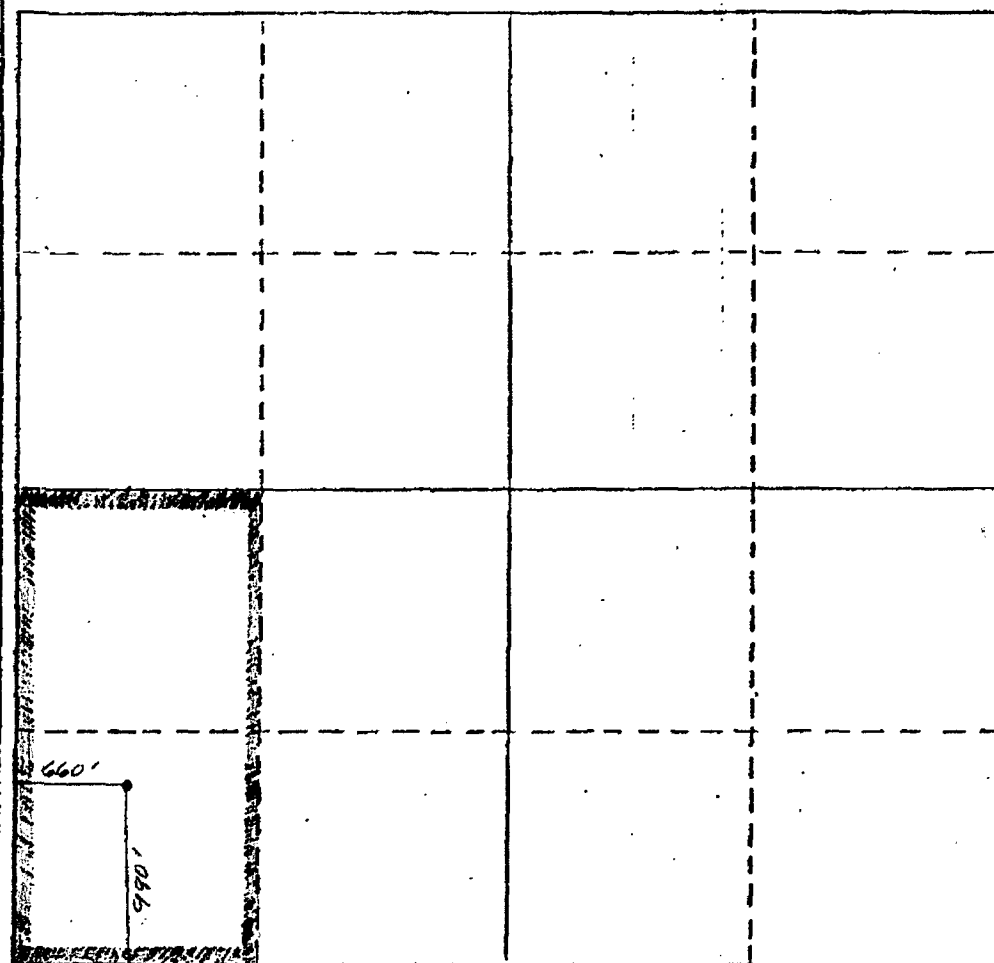
Grantor Alpha Twenty-One Production Company			Lessee Robert		Well No. 1
Unit Letter M	Section 21	Township 21S	Range 37E	County Lea	
Actual Footage Location of Well: 990 feet from the South line and 660 feet from the West line					
Ground Level Elev. 3491.3' GL	Producing Formation San Andres	Pool Hare-San Andres		Dedicated Acreage: 80 acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name

R.W. Langford

Position

VP/Energy Resources

Company

Alpha Twenty-One Prod. Co.

Date

September 19, 1984

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer
and/or Land Surveyor

Certificate No.

0 500 600 80 1420 1600 1800 2000 2200 2400 2600 2800 3000 3200 3400 3600 3800 4000 4200 4400 4600 4800 5000 5200 5400 5600 5800 6000 6200 6400 6600 6800 7000 7200 7400 7600 7800 8000 8200 8400 8600 8800 9000 9200 9400 9600 9800 10000