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William F. Carr

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July 1, 2003

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

RECEIVED
JUL 1 2003
Oil Conservation Division

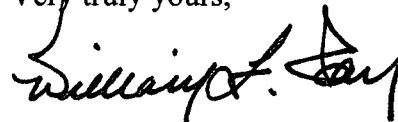
Case 13112

Re: Application of Pure Resources, L.P. for a blanket exception in the Rincon Unit Area to the well location requirements for the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico.

Dear Ms Wrotenbery:

Enclosed in duplicate triplicate is the Application of Pure Resources, L.P. in the above-referenced case as well as a copy of a legal advertisement. Pure Resources, L.P. requests that this application be placed on the docket for the July 24, 2003 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Tom Morrow
Pure Resources, L.P.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

RECEIVED

JUL 1 2003

Oil Conservation Division

**IN THE MATTER OF THE APPLICATION OF
PURE RESOURCES, L.P. FOR A BLANKET
EXCEPTION IN THE RINCON UNIT AREA
TO THE WELL LOCATION REQUIREMENTS
FOR THE BLANCO-MESAVERDE GAS POOL,
RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 13112

APPLICATION

PURE RESOURCES, L.P. ("Pure Resources"), through its undersigned attorneys, hereby makes application for an order granting a blanket exception to the well location requirements of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to downhole commingle production from the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool in wellbores in the Rincon Unit Area and in support of its application states:

1. Pure Resources is the operator of the Rincon Unit which consists of 20,642.7 acres, more or less, in the following described acreage located in Rio Arriba County, New Mexico:

Township 26 North, Range 6 West, N.M.P.M.

Section 6: All

Township 27 North, Range 6 West, N.M.P.M.

Sections 16 through 23: All

Sections 26 through 32: All

Township 26 North, Range 7 West, N.M.P.M.

Sections 1 and 2: All

Sections 11 and 12: All

Township 27 North, Range 7 West, N.M.P.M.

| | |
|-------------------------|-----------|
| Sections 13 and 14: | All |
| Section 15: | E/2 |
| Section 22: | E/2 |
| Sections 23 | All |
| Section 24: | S/2 |
| Sections 25 and 26: | All |
| Section 27: | NE/4, S/2 |
| Section 28: | S/2 |
| Sections 33 through 36: | All |

Within the Unit Area, the only tract not committed to the Unit is the N/2 of Section 24, Township 27 North, Range 7 West, N.M.P.M. Attached hereto as Exhibit A is a map showing the Rincon Unit Area.

2. The Rincon Unit is a federal exploratory unit. Unitized substances are produced from the Charca, Fruitland Coal, Gallup, Pictured Cliffs, Tocito, Mesaverde and Dakota formations. To effectively develop the Mesaverde and Dakota formations commingling of production is necessary for it is not economically feasible to drill and complete dedicated wells for each zone. Accordingly, by Order No. R-9893 entered in Case No. 10663, dated May 18, 1993, the Oil Conservation Division authorized blanket commingling of these formations in the Rincon Unit Area.

3. The Blanco Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units, authorize as many as four per spacing unit, and contain special well location requirements. (Order No. R-8170, as superseded by Order No. R-10987-A, effective February 1, 1999 and Amended by Order No. R-10987-A(1), effective December 2, 2002). These Special Pool Rules and Regulations provide:

I. ACREAGE AND WELL LOCATION REQUIREMENTS

- A. **Standard GPU (Gas Proration Unit):** A Standard GPU in the Blanco-Mesaverde Pool shall be 320-acres, more or less, comprising any two contiguous

quarter sections of a single section that is a legal subdivision of the U. S. Public land Surveys.

B. Well density:

- (1) Up to four (4) wells may be drilled on a standard GPU, as follows:
 - (a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;
 - (b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter-quarter not containing a Mesaverde Well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;
 - (c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;
 - (d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;
 - (e) no more than two wells shall be located within either quarter section in a GPU;
 - (f) any deviation from the above described well density requirements ... shall be authorized only after hearing.

C. Well locations:

- (1) Except as provided in subparagraph I.C(2) below, wells drilled on a GPU shall be located no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any inner quarter or quarter-quarter section line or subdivision inner boundary.
- (2) A well drilled or recompleted within a federal exploratory unit is not subject to the 660-foot setback requirement to the outer boundary of a GPU, provided however:
 - (a) the well shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary;
 - (b) the well shall not be closer than 660 feet to the outer boundary of the federal exploratory unit;
 - (c) if the well is located within the federal exploratory unit area but adjacent to an existing or prospective GPU containing a non-committed tract or partially tract, it shall not be closer than 660 feet to the to the outer boundary of its GPU;
 - (d) if the well is located within a non-committed or partially committed GPU, it shall not be closer than 660 feet to the outer boundary of its GPU;

- (e) if the well is located within a participating area but adjacent to an existing or prospective GPU that is not within the same participating area, it shall not be closer than 660 feet to the outer boundary of the participating area; and
- (f) **if the well is located within the federal exploratory unit area but in an existing or prospective GPU that is a non-participating GPU, it shall not be closer than 660 feet to the outer boundary of its GPU....**
(emphasis added)

4. The Basin Dakota Gas Pool is governed by the same well density and well locations requirements as the Blanco Mesaverde Gas Pool (Order No. R-8170, as amended by Order No. R-10987-B, effective June 30, 2000 and superseded by Order No. R-10981-B(1), effective January 29, 2002).

5. The Rincon Unit Dakota Participating Area includes all of the Unit Area except Section 33 and the West half of Section 34, Township 27 North, Range 7 West, N.M.P.M. Attached as Exhibit B to this application is a plat of the Dakota Participating Area.

6. The Rincon Unit Mesaverde Participating Area includes the following lands:

Township 27 North, Range 6 West, N.M.P.M.

| | |
|-------------------------|-----|
| Sections 16 through 23: | All |
| Section 26 and 27: | All |
| Section 28: | N/2 |
| Sections 29 and 30: | All |

Township 26 North, Range 7 West, N.M.P.M.

| | |
|------------|-----|
| Section 1: | W/2 |
| Section 2: | All |

Township 27 North, Range 7 West, N.M.P.M.

| | |
|--------------------|-----|
| Section 13 and 14: | All |
| Section 15: | E/2 |
| Section 34: | All |

Attached as Exhibit C to this application is a plat showing the Mesaverde Participating Area.

7. Because of the differences in the boundaries of the Dakota Participating Area and Mesaverde Participating Area in the Rincon Unit, Rule I.C (f) of the Special Rules and Regulations for each of these pools establishes different well spacing requirements for Dakota wells that are within the Dakota participating area, and Mesaverde wells that are not in the Mesaverde participating area.

8. Different well location requirements for wells that produce from the Dakota and Mesaverde formations in the Rincon Unit make it impossible to commingle the production from the Dakota and Mesaverde formations in planned future wells without first obtaining Division approval for the unorthodox Mesaverde well locations.

9. Pure therefore requests blanket approval for unorthodox well locations in the Mesaverde formation within the Rincon Unit Area to permit the commingling of Mesaverde and Dakota production, provided that the unorthodox Mesaverde location is a standard well location under the rules applicable to the well in the Dakota formation.

10. Approval of this application will prevent waste for it will result in the recovery of hydrocarbons that otherwise will not be produced.

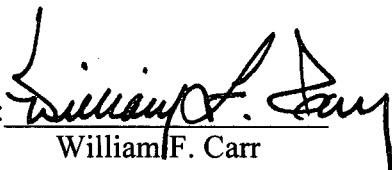
11. The ownership in each of the participating areas in this unit is not common, but the ownership interest in each of these pools has been fully committed to the Rincon Unit. In addition, as a result of the ratification of the Rincon Unit Agreement, by all working interest and royalty interest owners, the parties entitled to share in the production in the participating area established for each of the subject pools have contractually agreed on how they will participate and share in that production. Accordingly, no impairment of correlative rights will occur.

WHEREFORE, Pure Resources, L.P. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 24, 2003 and after notice and

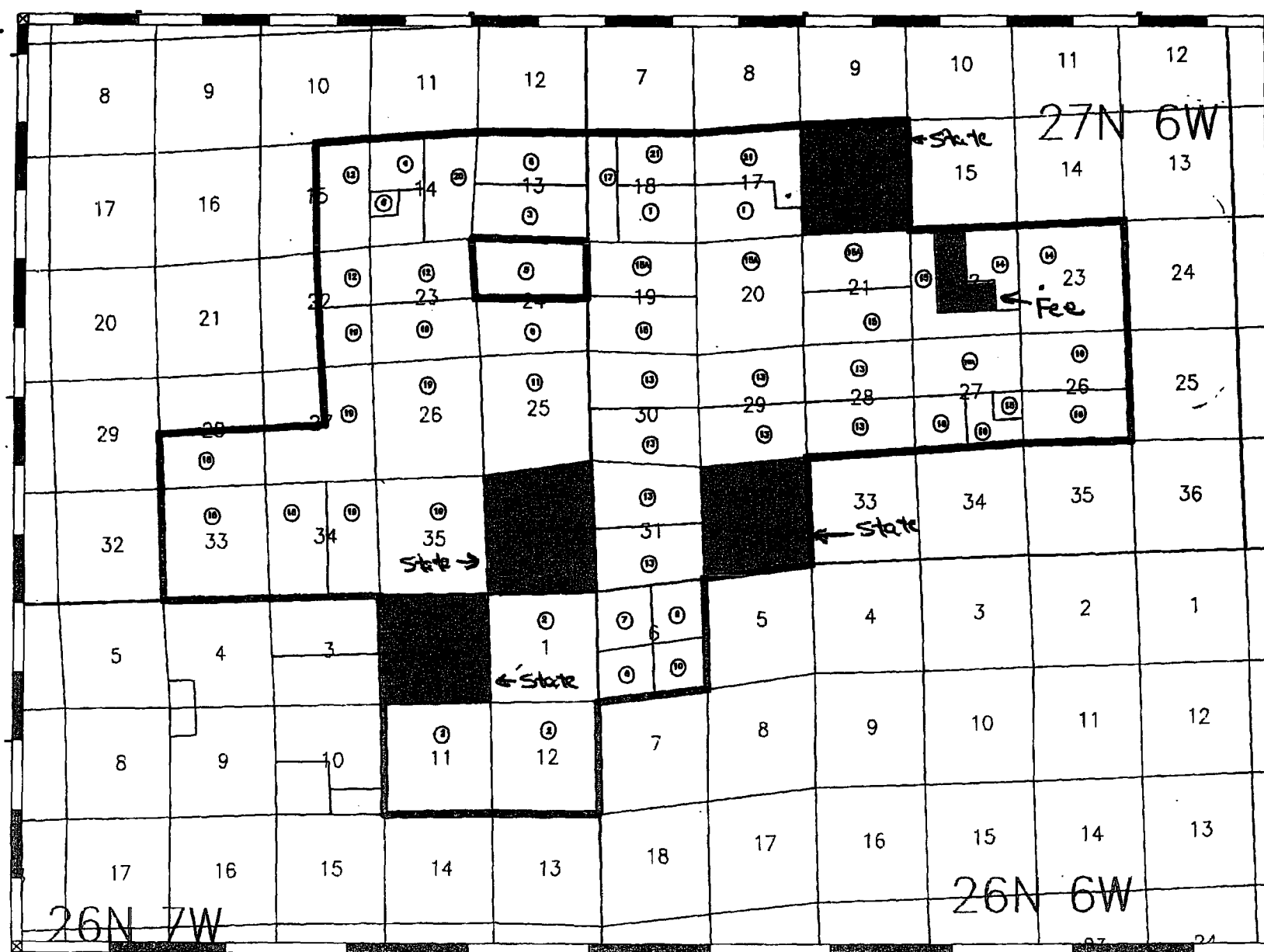
hearing as required by law, the Division enter its order granting an exception to the well location requirements of Rule I.C(f) of the Special Rules and Regulations for the Blanco-Mesaverde Pool for wells located outside the Mesaverde Unit Participating Area but within the boundaries of the Rincon Unit, provided that the well locations in the Mesaverde formation conform to the Dakota locations authorized in the Unit Area by the Special Rules and Regulations for the Basin-Dakota Gas Pool.

Respectfully submitted,

HOLLAND & HART LLP

By: 
William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR PURE RESOURCES, L.P.



0 1 2 3 4 5 miles



| LEGEND | |
|--------------------------|----------------------------------|
| <input type="checkbox"/> | Federal Land is colored white |
| <input type="checkbox"/> | State Land is colored light blue |
| <input type="checkbox"/> | Fee Land is colored lavender |

EXHIBIT A

SPIRIT ENERGY
New name. Same spirit.
A Division of Shell

RINCON UNIT
Rio Arriba Co., NM
Land Map

| | | |
|------------|------------------|-------------|
| Base Map | Scale 1:66582.85 | CL= NONE |
| Joe Schwab | 10/21/1999 | JB-LAND.GPJ |

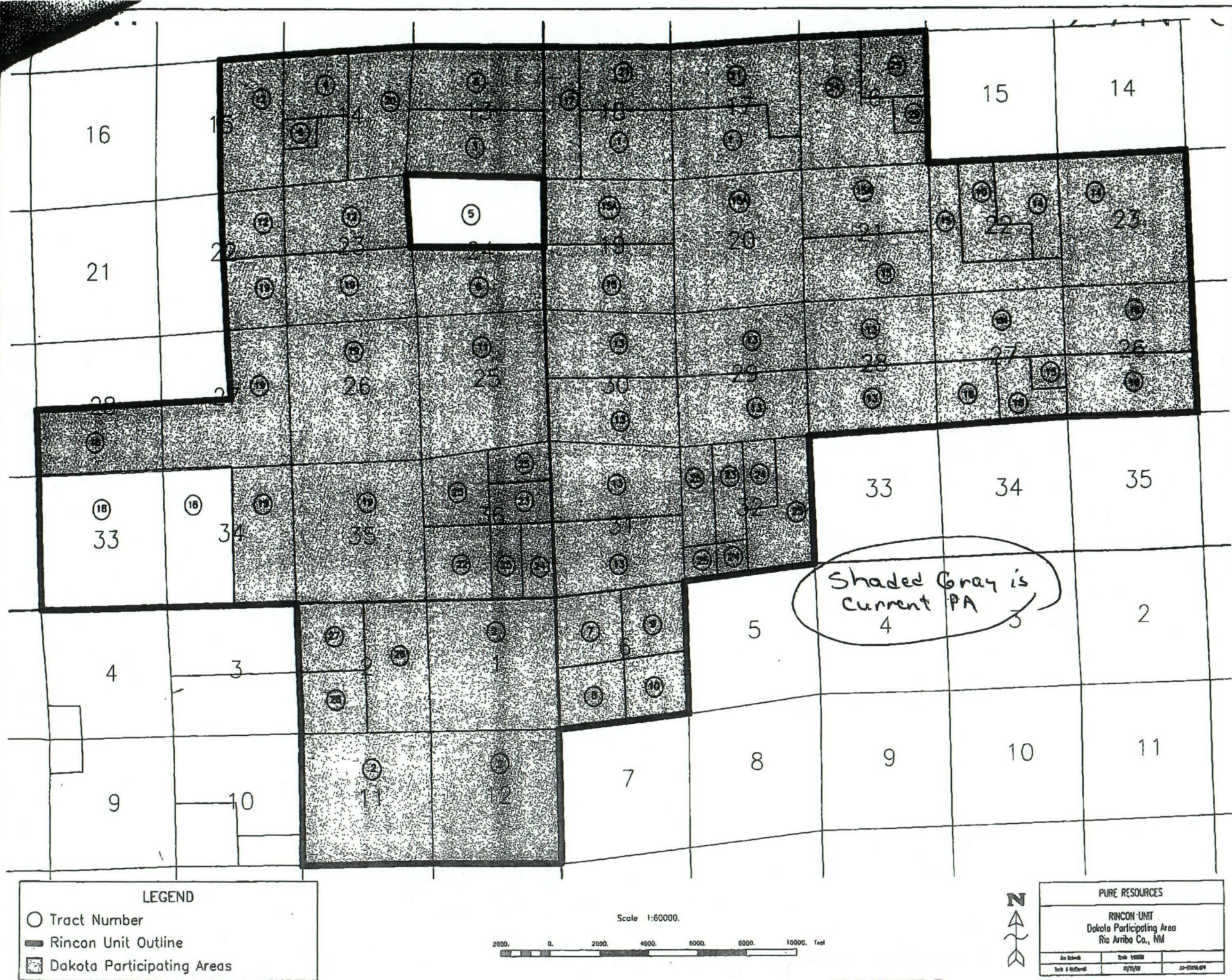


EXHIBIT B

