

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

IN THE MATTER OF THE APPLICATION
OF POGO PRODUCING COMPANY FOR
TWO NON-STANDARD JALMAT GAS UNITS,
LEA COUNTY, NEW MEXICO

CASE NO. 13274

PRE-HEARING STATEMENT
RESLER & SHELDON

This Pre-Hearing Statement is submitted by Miller Stratvert P.A. (J. Scott Hall) on behalf of Resler & Sheldon, as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT'S ATTORNEY

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APPLICANT

Pogo Producing Company

OPPONENT'S ATTORNEY

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OPPONENT

Bonnie Resler Karlsrud and
Wayne Resler, d/b/a Resler & Sheldon

OTHER PARTY'S ATTORNEY

OTHER PARTY

STATEMENT OF THE CASE

Opponents' Statement of the Case

Bonnie Resler Karlsrud and Wayne Resler, d/b/a Resler & Sheldon, are the owners of certain interests in the lands located in the S/2 of Section 20, T23S, R37E, NMPM in Lea County, New Mexico that are the subject of the Pogo Producing Company application. The

Resler & Sheldon interests are currently dedicated to the Steeler "A" Well No. 1 (30-025-10805) located in the SW/4 of Section 20 and producing from the Jalmat Gas Pool. Special Pool Rules for the Jalmat Gas Pool require the dedication of 640-acre units in the area (R-8170-P). A 320-acre non-standard proration unit consisting of the S/2 of Section 20 is dedicated to the well pursuant to Administrative Order NSP-420. The non-standard unit conforms to a voluntary unit that has been in place on the S/2 of the section since 1958 and continues in effect to this day. The 320-acre unit, including the Steeler "A" Well No. 1 well, is operated by Resler & Sheldon's contract operator, Westbrook Oil Corporation. Resler and Sheldon and the other interest owners in the unit have participated in production from the well on a 320-acre basis since 1958. The unit includes gas production from all formations from the surface to 3,100'.

The Resler & Sheldon interests are located throughout the S/2 of Section 20. On August 15, 2003, Resler & Sheldon executed that Term Assignment of Oil and Gas Leasehold Estate With Reservation of Overriding Royalty in favor of Eagle K Production Company, which in-turn assigned to Arch Petroleum, Inc. (now Pogo). The Term Assignment was limited to the SE/4 and the NE/SW and was for less than Resler & Sheldon's full interest in that 200 acres. The Term Assignment did not include any of Resler & Sheldon's interest in the remainder of the SW/4.

Resler & Sheldon contend that Arch Petroleum did not acquire the right to drill and complete the Resler "B" No. 1 Well to any formation spaced on 320-acres within the Jalmat Gas Pool because the Yates formation within that pool was previously dedicated to a well committed to an existing 320-acre gas spacing and proration unit. Further, the Term Assignment on the 200 acres did not result in the relinquishment of operating agreements covering the 320-acre S/2 gas unit.

On February 11, 2004, Arch Petroleum filed an APD for the Resler "B" Well No. 1. The proposed pool for the well was reflected as the Jalmat-Tansil-Yates-Seven Rivers (oil) (Pool

Code 33820). The accompanying C-102 Acreage Dedication Plat showed that 40 acres located in the NW/4 SE/4 of Section 20 was dedicated to the well. On March 17, 2004 Arch began drilling the Resler "B" Well No. 1. On March 22, 2004 the Resler "B" Well No. 1 reached total depth (3,100') and was plugged back to 3,035'.

On April 23, 2004 Arch submitted an Application for Administrative Approval of a 160-acre non-standard gas spacing and proration unit for the Resler "B" Well No. 1 in the Jalmat Gas Pool. Subsequently, on April 28, 2004 an application for administrative approval of a 160-acre non-standard gas spacing and proration unit consisting of the SW/4 of Section 20 was submitted on behalf of Westbrook Oil Corporation. Pursuant to objections received from offset operators in the Jalmat Gas Pool, both administrative applications were set for hearing on the Division's examiner hearing docket on May 27, 2004.¹

On June 13, 2005 the Division entered Order No. R-12366 denying the applications of Arch Petroleum, Inc. and Westbrook Petroleum Corporation to create two non-standard 160-acre spacing and proration units.

Some three weeks following the issuance of Order No. R-12366, Arch Petroleum completed the Resler "B" No. 1 Well with perforations in the Yates and Seven Rivers formation, Jalmat Gas Pool. The well was placed on production the next day.

On July 20, 2005, Charles W. Kemp, Vice President of Westbrook Oil Corporation advised the Division by letter that Westbrook was unaware of the application to create a 160-acre non-standard proration unit. Westbrook opposes the application.

Subsequently, on October 18, 2005 Arch Petroleum filed an amended C-102 Acreage Dedication Plat for the Resler "B" Well No. 1 showing the dedication of the S/2 of Section 20 to the well and correcting the Pool Code from 33820 to 79240 (Jalmat-Tansil-Yates-Seven Rivers).

¹ See Case No. 13275.

Resler & Sheldon continue to own interests throughout the entire S/2 of Section 20. It is their position that if Pogo's Application is granted, Resler & Sheldon will be excluded from participating in production from the Resler "B" No. 1 Well proportionate to its interests and therefore its correlative rights will be violated. Resler & Sheldon also contends that the effect of the relief sought by Pogo would abrogate a voluntary pooling and unit agreement that has been in place and relied on by the parties in the S/2 of Section 20 since 1958. Pogo's Application would further request that Pogo be designated as operator of the SE/4 when Westbrook Oil Corporation is the operator of the pre-existing S/2 unit. For these reasons, Pogo Producing Company's application to establish two non-standard gas spacing and proration units in the Jalmat Gas Pool should be denied.

<u>WITNESSES</u>	<u>TIME</u>	<u>EXHIBITS</u>
Bonnie Resler Karlsrud Owner, Resler & Sheldon	15 minutes	5
Charles Kemp Vice President, Westbrook Oil Corp.	15 minutes	4
Greg Fulfer Fulfer Oil & Cattle Company LLC	15 minutes	10

PROCEDURAL MATTERS

The notice provided of the two applications appears to be defective.

Respectfully submitted,
MILLER STRATVERT P.A.

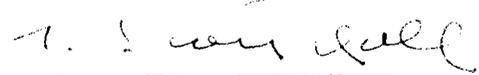
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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 12th day of April, 2007, as follows:

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