

**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 THE:**

**APPLICATION OF EL PASO E&P COMPANY, L.P. FOR AN EXCEPTION TO
NMAC 19.15.3.104.C(3) TO ALLOW INFILL DRILLING AND SIMULTANEOUS
DEDICATION, COLFAX COUNTY, NEW MEXICO**

**CASE NO. 13902
ORDER NO. R-12844**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 26, 2007, at Santa Fe, New Mexico, before Examiners William V. Jones and Michael Thomas.

NOW, on this 10th day of December, 2007, the Division Director, having considered the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and the subject matter.

(2) El Paso seeks authority to drill and produce a second coalgas production well within an existing 160-acre standard gas spacing unit in the Stubblefield Canyon Raton-Vermejo Gas Pool (96970).

(3) The Division in Order No. R-11561, effective April 9, 2001, formed the Van Bremmer Canyon-Vermejo Gas Pool (97047), the Stubblefield Canyon Raton-Vermejo Gas Pool (96970) and the Castle Rock Park-Vermejo Gas Pool (97046). None of these pools has "special" pool rules.

(4) Gas wells drilled in Colfax County, New Mexico are governed by Division Rule 104C(3), which specifies 160-acre spacing units with one well allowed per unit and 660 feet setback well locations from unit boundaries.

(5) The subject spacing unit consists of the NW/4 of Section 3, Township 31 North, Range 19 East, NMPM, Colfax County, New Mexico. This spacing unit is

already dedicated to the El Paso operated VPR A Well No. 64 (API No. 30-007-20323) located in Unit E.

(6) El Paso is proposing to drill the VPR E Well No. 64 at a standard location in Unit C and proposes to simultaneously dedicate both wells to the aforementioned spacing unit.

(7) El Paso presented testimony at the hearing from a landman and engineer which shows the following:

(a) The surface lands within the subject spacing unit and surrounding spacing units are owned by the Vermejo Park LLC ("the ranch"). El Paso has a "mineral extraction agreement" allowing this proposed infill drilling operation.

(b) El Paso is the operator and only working interest owner within this area. Within the ranch, El Paso is the primary owner of oil and gas minerals. Ownership is identical in this and surrounding spacing units.

(c) The coals in this area occur in numerous coal seams with the Raton coals located above the Vermejo coals. The Vermejo coals are the primary producing interval. The wells are approximately 2300 feet deep.

(d) Volumetric gas recovery percentage as projected with decline analysis is approximately ½ of expected, and this spacing unit needs an additional well to recover its potential gas volumes.

(8) El Paso's application to drill and produce a second well within this standard 160-acre gas spacing unit should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of El Paso E&P Company, L.P. ("El Paso") is hereby approved to:

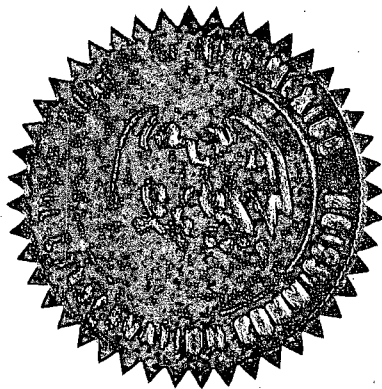
(a) drill and produce the VPR E Well No. 64 at a standard location in Unit C of Section 3, Township 31 North, Range 19 East, NMPM, Colfax County, New Mexico; and

(b) to simultaneously dedicate this well along with the previously drilled VPR A Well No. 64 (API No. 30-007-20323) located in Unit E to a standard 160-acre gas spacing unit within the Stubblefield Canyon Raton-Vermejo Gas Pool (96970) consisting of the NW/4 of Section 3.

(2) Permission to drill must be obtained from the Division's District 4 office.

(3) Jurisdiction is hereby 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire", written in a cursive style.

MARK E. FESMIRE P.E.
Director