

KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 7, 2000

HAND DELIVERED

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Mrs. Lyn Hebert, Esq.
Division Attorney
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

MOTION TO DISMISS CASE 12433

Re: Case 12393
Application of Santa Fe Snyder Corporation
for compulsory pooling, Lea County, New Mexico

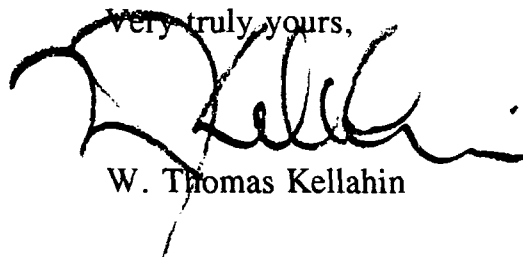
Re: Case 12433
Application of Southwestern Energy Production Company
for compulsory pooling, Lea County, New Mexico

Dear Mr. Stogner and Mrs. Hebert:

The two referenced cases were heard by Mr. Stogner at the Division Examiner's hearing held on May 18, 2000 but continued to June 15, 2000.

On behalf of Santa Fe Snyder Corporation, please find enclosed our Motion to Dismiss Southwestern Energy Production Company's ("Southwestern") application because action taken by the Bureau of Land Management, as confirmed in its letter to the Division of May 31, 2000, renders Southwestern's application moot.

Very truly yours,



W. Thomas Kellahin

cc: James Bruce, Esq.,
Attorney for Southwestern
Santa Fe Snyder Corporation
Attn: Steve Smith

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

**IN THE MATTER OF THE APPLICATION CASE NO. 12433
OF SOUTHWESTERN ENERGY PRODUCTION
COMPANY FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO**

**SANTA FE SNYDER CORPORATION'S
MOTION TO DISMISS**

Comes now Santa Fe Snyder Corporation ("Santa Fe"), by its attorneys, Kellahin and Kellahin, hereby moves that the Division **dismiss with prejudice** Division Case 12433 because Southwestern Energy Production Company ("Southwestern") application is now moot because the Bureau of Land Management ("BLM"), pursuant to 43 CFR 3105.2-2, has determined that it is the public interest to approve the N/2 spacing unit for Santa Fe's well thereby avoiding the communitization of multiple leases as proposed by Southwestern, and in support states:

BACKGROUND

The two referenced cases were heard by Mr. Stogner at a Division Examiner's hearing held on May 18, 2000. At that hearing, evidence was introduced which demonstrates that:

- (1) Santa Fe is the proposed operator of the Paloma Blanco "17" Federal Well No. 1 located in Unit E of this section and to be dedicated to a standard 320-acre spacing unit consisting of the N/2 of Section 17 which consists of one federal oil & gas lease.
- (2) Southwestern Energy Production Company's ("Southwestern") competing compulsory pooling application is for a 320-acre gas spacing unit consists of the W/2 of this section which would involve multiple federal leases.

(3) On May 1, 2000, the BLM issued a letter to the Division stating the BLM regulation and policy concerning communitization of multiple leases when a single federal lease can be developed in conformity with established well spacing patterns. **See Exhibit A**

(4) In certain circumstances the BLM will grant an exception to this policy if adequate engineering and/or geologic data indicates communitization of multiple leases will result in more efficient drainage of an area.

(5) By letter dated May 11, 2000, Southwestern had submitted its geologic data to the BLM and had requested that the BLM approve a W/2 spacing unit.

(6) On May 16, 2000, Santa Fe submitted its geological data to the BLM and requested that the BLM approve its APD for a N/2 spacing unit

(7) On May 17, 2000, the BLM approved Santa Fe's APD.

SUMMARY OF PROCEEDINGS

At the conclusion of the hearing, Southwestern requested the cases be continued to the docket scheduled for June 15, 2000. Santa Fe objected and asked that the Southwestern case be dismissed because the Bureau of Land Management's action in granting Santa Fe's APD precluded the Division from pooling the spacing unit as Southwestern proposed it should be oriented. Southwestern argued that the BLM action in approving Santa Fe's APD did not amount to a BLM determination pursuant to 43 CFR 3105.2-2.

Both cases were continued to the Examiner's docket scheduled for June 15, 2000.

SUPPLEMENTAL RELEVANT FACTS

(8) By letter dated May 31, 2000, the BLM advised the Division that the BLM, pursuant to 43 CFR 3105.2-2, (i) has determined that it is the public interest to approve the N/2 spacing unit for Santa Fe's well thereby avoiding the communitization of multiple leases as proposed by Southwester, and (ii) asked that the Division dismiss Southwestern's compulsory pooling application in Case 12433. **See Exhibit B**

DISCUSSION

Southwestern's pooling efforts have failed because its proposal will require consolidating multiple leases which is contrary to the Bureau of Land Management ("BLM") regulations and policy concerning the communitization of multiple leases when a single federal lease can be developed by Santa Fe in conformity with Division established well spacing patterns.

Despite the foregoing, at the Division hearing, Southwestern argued that the Division should still approve the Southwestern pooling application for the W/2 spacing unit because the BLM's approval of Santa Fe's APD did not amount to a BLM decision on that issue. Their position is contrary to BLM's action as confirmed by the BLM letter dated May 31, 2000.

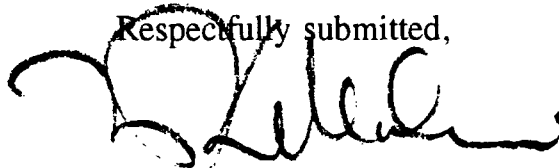
The BLM has exercised its exclusive jurisdiction over this issue and by approving Santa Fe's APD has thereby denied Southwestern's requested orientation.

CONCLUSION

This is a matter within the exclusive jurisdiction of the BLM who will reject Southwestern's proposal. This action by the BLM in exercising its jurisdiction over these federal oil and gas leases, has made moot Southwestern's competing pooling application.

Accordingly, the Division has no alternative but to dismiss Southwestern's pooling application and to grant Santa Fe's application.

Respectfully submitted,



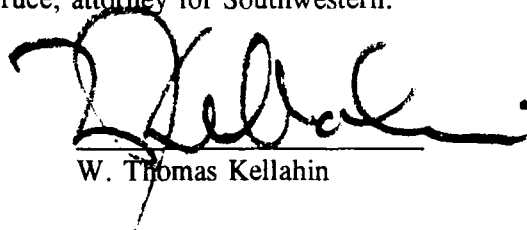
W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was transmitted by facsimile this 7th day of June, 2000 to James Bruce, attorney for Southwestern.



W. Thomas Kellahin



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER TO:
3160 (3105.2-2)
NM-97157
LC-065194

New Mexico Oil Conservation Division
Attn: Mr David R. Catanach
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: NMOC Case 12393
Application of Santa Fe Snyder Corporation
for Compulsory Pooling, Lea County, New Mexico

Dear Mr. Catanach,

This letter is in reference to the above case and the Bureau of Land Management's regulation and policy concerning the communitization of multiple leases when a single federal lease can be developed in conformity with established well spacing patterns.

Federal Regulation 43 CFR 3105.2-3 concerning communitizations or drilling agreements states the following:

3105.2-2 Purpose

When a lease or a portion thereof **cannot** be independently developed and operated in conformity with an established well-spacing or well-development program, the authorized officer may approve communitization or drilling agreements for such lands with other lands, whether or not owned by the United States, upon a determination that it is in the public interest. Operations or production under such an agreement shall be deemed to be operations or production as to each lease committed thereto.

As stated in the regulation the objective of communitization is to provide for the development of separate tracts which cannot be independently developed or operated in conformity with well spacing patterns established in the area. As a general guideline communitization will not be authorized when a single Federal lease or unleased Federal acreage can be fully developed and still conform to an optional (North-South or East-West spacing) pattern established by State order.

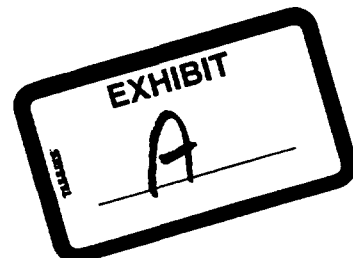
In certain instances the Bureau of Land Management will approve a communitization even though the lease can be independently developed in conformance with state established spacing if adequate engineering and/or geological data is presented to indicate that communitizing two or more leases or unleased Federal acreage will result in more efficient drainage of an area.

If you have any questions concerning this matter please call Alexis C. Swoboda, 505-627-0228.

Sincerely yours,

A handwritten signature in cursive script that reads "Larry D. Bray".

Larry D. Bray
Assistant Field Manager
Lands and Minerals Division





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88202

IN REPLY REFER TO
3160 (3105.2-2)
NMNM97157

MAY 31 2000

New Mexico Oil Conservation Division
Attn: Mr. Michael E. Stogner
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 12393 (N/2 Sec. 17, T23S, R34E)
Application of Santa Fe Snyder Corporation
for Compulsory Pooling, Lea County, New Mexico

Re: NMOCD Case 12433 (W/2 Sec. 17, T23S, R34E)
Application of Southwestern Energy Production Company
for Compulsory Pooling, Lea County, New Mexico

Dear Mr. Stogner:

This letter is to advise you that on May 17, 2000, the Bureau of Land Management (BLM), after review of geologic data submitted by Southwestern Energy Production Company (Southwestern) on May 15, 2000, and geologic data submitted by Santa Fe Snyder Corporation (Santa Fe) on May 16, 2000, approved Santa Fe's Paloma Blanco "17" Federal Well No. 1, located 1980' FNL & 660' FWL Sec. 17, T23 & R34E, NMPM with a N/2 dedication.

Based on our review of the geologic data submitted by both Southwestern and Santa Fe, BLM has concluded that there is not enough well control in the area to determine where the productive limits of any potential reservoir for the Morrow or Atoka formations exist.


Therefore, BLM has determined that pursuant to 43 CFR 3105.2-2, it was in the public interest for the BLM to approve a N/2 spacing unit for the Paloma Blanco "17" Federal Well No. 1 as submitted by Santa Fe, thereby avoiding the communitization of multiple leases.



As a result of the BLM's action, Southwestern's compulsory pooling application is moot and we consider it appropriate for you to dismiss their application in Division Case 12423.

If you have any questions regarding this matter please call Armando Lopez at (505)627-0248.

Sincerely,

A handwritten signature in cursive script, appearing to read "Armando Lopez", written over a horizontal line.

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Larry D. Bray
Assistant Field Manager,
Land and Minerals Division