



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 15, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Amoco Production Company
501 West Lake Park Blvd.
Houston, Texas 77079-3092

Case 12725

Attention: Max K. Eddington

RE: *Administrative application of Amoco Production Company for well location and well density exceptions (application reference No. pKRV0-115246178) filed with the New Mexico Oil Conservation Division ("Division") on May 31, 2001 for its Gallegos Canyon Unit Well No. 555 (API No. 30-045-30683) to be drilled at an unorthodox infill Dakota/initial Pictured Cliffs gas well location 90 feet from the South line and 2465 feet from the East line (Unit O) of irregular Section 12, Township 28 North, Range 12 West, NMPM, Basin-Dakota and West Kutz-Pictured Cliffs Pools, San Juan County, New Mexico.*

Dear Mr. Eddington:

The subject application with respect to the Dakota interval cannot be addressed in the administrative review process.

The rules and procedures currently governing the Basin-Dakota Pool contain a provision that serves to check well density within existing spacing units by limiting the number of Dakota gas wells per spacing unit to two. I have therefore prepared the following advertisement, which will be placed on the September 6, 2001 hearing docket:

"Application of Amoco Production Company for an exception to the well density and location provisions of the special rules governing the Basin-Dakota Pool and to form a non-standard gas spacing unit and approval of an unorthodox gas well location within the West Kutz-Pictured Cliffs Pool, San Juan County, New Mexico. Applicant seeks an exception to the well location and well density requirements provided within the "Special Rules for the Basin-Dakota Pool," as promulgated by Division Order No. R-10987-B, as amended by Division Order No. R-10987-B (1), in order to drill its Gallegos Canyon Unit Well No. 555 (API No. 30-045-30683) at an unorthodox gas well location 90 feet from the South line and 2465 feet from the East line (Unit O) of irregular Section 12, Township 28 North, Range 12 West, as a second infill gas well in the Basin-Dakota Pool within an existing non-standard 337.98-acre gas spacing and proration unit (approved by Division Order No. R-1814 and dated November 4, 1960) comprising Lots 1 and 2 and the S/2 SE/4 of irregular Section 11 and Lots 2, 3, and 4, the S/2 SW/4, and the SW/4 SE/4 of irregular Section 12, both in Township 28 North, Range 12 West (which is located approximately six miles west-southwest of Bloomfield, New Mexico. This 337.98-acre unit is currently dedicated to Burlington's: (i) Gallegos Canyon Unit Well No. 201 (API No. 30-045-11566), located 1190 feet from the South line and 304 feet from the West line (Unit M) of Section 12; and (ii) Gallegos Canyon Unit Well No. 201-E (API No. 30-045-26189), located 900 feet from the South line and 1850 feet from the East line (Unit O) of Section 11. The applicant seeks to simultaneously dedicate all three wells to this 337.98-acre Dakota gas unit. FURTHER, the applicant seeks approval of this well at the above-described unorthodox gas well location within a 135.20-acre gas spacing and proration unit within the West Kutz-Pictured Cliffs Pool comprising Lots 1 and 2 and the S/2 SE/4 of irregular Section 12. IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT."

Amoco Production Company
August 15, 2001
Page 2

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Aztec
Kathy Valdes - OCD, Santa Fe
William F. Carr, Legal Counsel for Amoco Production Company - Santa Fe
W. Thomas Kellahin, Legal Counsel for Lewis B. Burleson, Inc. - Santa Fe
Ms. Mary Corley, Amoco Production Company - Houston