

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

**CASE 12622
(De Novo)**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, LLC
FOR TWO ALTERNATIVE UNORTHODOX WELL
LOCATIONS AND A NON-STANDARD PRORATION UNIT,
LEA COUNTY, NEW MEXICO.**

**CASE 12908-A
(Severed and Reopened)**

**APPLICATION OF THE OIL CONSERVATION DIVISION
FOR AN ORDER CREATING, CONTRACTING CERTAIN
POOLS IN LEA COUNTY
LEA COUNTY, NEW MEXICO.**

OIL CONSERVATION DIVISION
SEP 3 11 3:53

**REDROCK OPERATING LTD., CC.'S
MOTION TO
STRIKE AND OBJECTIONS
TO CERTAIN
NEARBURG EXPLORATION COMPANY, LLC.'S EXHIBITS**

Comes now Redrock Operating Ltd, Co. ("Redrock") by and through its attorneys, Kellahin & Kellahin, and objects to certain Nearburg Exploration Company, LLC and Nearburg Operating Company's Exhibits (collectively "Nearburg") and moves the Commission to Strike the following exhibits:

(1) Portions of Nearburg's proposed Exhibit #2:

(a) Nearburg's Chronology is argumentive;

(b) based upon hearsay in violation of Rule 801 NMRE;

- (c) is replete with extraneous matters;
- (d) discusses privileged settlement matters
in violation of Rule 408 NMRE; and
- (e) contains matters beyond the jurisdiction of the Commission.

(2) Nearburg's proposed Exhibit #12:

- (a) a Title Opinion concerning title which is irrelevant
and
- (b) beyond the jurisdiction of the Commission

(3) Nearburg's proposed Exhibits 13:

- (a) a letter concerning a Title Opinion which is
irrelevant and
- (b) beyond the jurisdiction of the Commission

(4) Nearburg's proposed Exhibits 23:

- (a) an assignment concerning title which is irrelevant
and
- (b) beyond the jurisdiction of the Commission

RELEVANT FACTS

There are three (3) critical issues in these cases:

(a) How did Nearburg get itself in this mess and what if anything should the Commission do;

(b) the Pool boundary:

- (i) to protect the Gas Storage Unit; and
- (ii) separate it from the Morrow production to the East.

(c) The proper 320-acre gas proration and spacing unit for the Nearburg Grama Ridge 34 Well No. 1 in the NE/4 of Section 34:

- (i) should it be only the 160-acres consisting of the NE/4 of Section 34;
- (ii) or should it be the standard 320-acre spacing unit consisting of the E/2 of Section 34

I ARGUMENT

In an effort to overcome the fact that the Division **denied** Nearburg's request for two 160-acre non-standard proration and spacing unit, and unless stopped, Nearburg may attempt any of the following;

- (a) to unduly influence the Commission,
- (b) attempt to prejudice the Commission against Redrock;

- (c) misdirect the Commission attention away from Nearburg's failure to abide by Division's rules for the permitting of its well;
- (d) ask this Commission to interpret or construe contracts;
- (e) ask the Commission to render decisions beyond the jurisdiction of the Commission.

All of these issues and associated legal opinions are irrelevant and inadmissible on any of the issues properly before the Commission concerning approval of 2 non-standard spacing units and a change in pool boundaries which may adversely affect correlative rights.

Settlement is protected and cannot be used by one party against another and is not relevant to the decision of the Commission on the merits. The Commission actively encourages settlement and the fact that Redrock and Nearburg each accuse the other of dealing in bad faith or causing delay is not relevant to the Commission. All Nearburg is doing is attempting to cloud the fact it wants the Commission to allow Nearburg to cover up its mistakes. See Rule 408 New Mexico Rules of Evidence.

Matter's involving discovery are always not matters which should be used to try and influence or distract the Commission from the technical issues in these cases. **See Rule 403 New Mexico Rules of Evidence**

Nearburg has admitted that Redrock has a 10% ORR in the S/2 of Section 34 given it a 5% ORR for a unit consisting of the E/2 of Section 34 and that issue is not in dispute.

CONCLUSION

Wherefore, Redrock request that the Commission grant Redrock's motion striking certain Nearburg exhibits 12, 13, 23 and those portions of Exhibit 2 which are indicated by check mark on attached (1) to this motion.


Respectfully submitted,

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin

CERTIFICATE OF SERVICE

I hereby certify that a copy of this motion was mailed to all counsel of record this 23rd day of September, 2002.


W. Thomas Kellahin

GRAMA RIDGE 34 STATE WELL #1

Chronology

- 1/13/99: Prior lease (#K-03592) owned by Apache Corporation is cancelled by the State of New Mexico. Title failure from non payment of rental. This lease covered the N/2 of Section 34-21/34, Lea County, New Mexico. **TAB 1.**
- 12/21/99: New Oil and Gas Lease is offered by the State of New Mexico, without stipulation, on the December 1999 SLO sale. Lease is acquired by a representative of GWDC and assigned to GWDC. Lease is effective 1/1/00. **TAB 2.**
- 2/28/00: Received approved APD from the OCD on a N/2 Section 34 spacing unit. **TAB 3.**
- 3/1/00: LG&E added the Grama Ridge 34 State #1 well under the existing gas contract.
- 3/3/00: Purchase of the prospect from Great Western Drilling Company.
- 3/7/00: Well Spuds.
- 5/4/00: Received position letter from the SLO. The subsequent and current lease is independent of the unit agreement. **TAB 4.**
- 6/9/00: Completed well: Morrow perforated 6/10/00. Flowed 2,010 MCFG and 45 B/O with 5300# FTP on a 6/64th choke; estimated that the BH flowing pressure is 6,790#.
- 6/19/00: Received approved Request for Allowable and Authorization to Transport from the OCD. **TAB 5.**
- 6/22/00: Received approval from the OCD for test allowable. **TAB 6.**
- 6/27/00: Filed completion report with the OCD. **TAB 7.**
- 7/00: Notified in a telephone conversation from the OCD that the N/2 spacing unit crossed two (2) pool boundary lines.



BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 12622 Exhibit No. 2
Submitted by:
NEARBURG EXPLORATION COMPANY, L.L.C.
Special Commission Hearing: September 10,
2002

- 7/21/00: New Mexico SLO issues a letter advising that our lease is a valid Oil and Gas lease but subject to LG&E's rights to store gas in the unitized formation in the W/2 of Section 34 and the E/2 of Section 33. **TAB 8.**
- 12/13/00: NEC files an Administrative Application for the formation of two non-standard gas spacing units in the E/2 of Section 34-21/34. Notices of waiver are sent out to all affected parties. **TAB 9.**
- 1/8/01: NEC receives a waiver from EOG for the formation of the two non-standard spacing units in the E/2 of Section 34. **TAB 10.**
- 1/9/01: Notices sent to ORRI owners.
- 1/10/01: Received a letter from the SLO objecting to our request for a waiver to our application for the 160-acre non standard spacing unit. **TAB 11.**
- 1/23/01: Received a letter from the SLO reversing its prior objection to a waiver for the formation of NEC non-standard spacing units. **TAB 12.**
- 1/29/01: Notice letter sent to Redrock Operating Ltd. **TAB 13.**
- 2/01: NEC is advised by telephone that Redrock Operating will not execute the waiver for the two nonstandard spacing units in the E/2 of Section 34-21/34. **TAB 14.**
- 2/15/01: OCD advises that it has received an objection to NEC's application for two non-standard units and is setting the application for hearing for the 3/22/01. **TAB 15.**
- ✓ 4/27/01: Received a subpoena from Tom Kellahin (Red Rock Operating) for production of information.
- ✓ 5/14/01: NEC furnishes information pursuant to the subpoena.
- ✓ 6/11/01-6/21/01: Settlement efforts continue.
- ✓ 6/26/01: Advised by Bill Carr that the OCD wants the case heard on June 28 or the well shut in.

- ✓ 6/28/01: Examiner hearing on application of Nearburg Exploration Company for the creation of two non-standard spacing units in Section 34. Examiner Stogner called the attorneys together after the hearing and indicated that he wanted the parties to try to settle the case. He has scheduled a meeting on July 19th to see if the parties are able to settle. If the case is not settled he will call the case again on the July 27th docket and shut in the well until an order is entered in this case.
- ✓ 7/26/01: Attempts to settle were unsuccessful.
- ✓ 7/27/01: The Oil Conservation Division case was re-opened. The examiner was advised we were attempting to set up a settlement meeting but Kellahin indicated that a settlement was not probable. Mr. Stogner ordered the well shut-in.
- ✓ 8/1-8/20: Settlement efforts continue.
- 8/19/01: Discussion with EOG concerning possible sale or acreage trade.
- 11/15/01: Received a letter from the SLO requesting NPC advise them concerning whether we intend to do any additional drilling on the S/2 of Section 34.
- 11/19/01: Filed notice of our intent to plug the Llano 34 State Com #1 well.
- 12/8/01: Mailed maps and write-ups to the SLO concerning further drilling in the S/2 of Section 34.
- 5/23/02: Oil Conservation Division Order No. R-11768 entered denying NEC application for two Non-standard spacing units in Section 34. **TAB 16.**
- ✓ 6/6/02: Paul Kautz in Hobbs advised that he is up to speed on the geology for a pool boundary change and does not need any information from NEC. If boundary changed, it would be on a motion made by the OCD.
- 6/22/02: Filed De Novo application for the 160-acre non-spacing unit application.
- ✓ 6/23/02: Raptor makes application for a continuance of the De Novo hearing from the scheduled July 19 hearing date to August 30, 2002.

- ✓ 8/7/02: Attorney for Redrock called regarding a nomenclature hearing.
- ✓ 8/9/02: Redrock filed a motion to dismiss or reopen the nomenclature hearing.
- ✓ 8/13/02: NEC filed a response to Redrock's motion to dismiss or reopen the nomenclature hearing. Agreed to consolidate the nonstandard spacing unit case and the nomenclature case and request Commission hearing.
- ✓ 8/13/02: NEC filed Joint Motion with Redrock to consolidate cases before the Commission.