

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:) CASE NO. 12,978
)
 APPLICATION OF APPLICATION OF XTO)
 ENERGY, INC., FOR A NONSTANDARD GAS WELL)
 LOCATION AND SIMULTANEOUS DEDICATION,)
 SAN JUAN COUNTY, NEW MEXICO)
)

OFFICIAL EXHIBIT FILEEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 19th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 19th, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)

(505) 982-2151 (FAX)

jamesbruc@aol.com

November 27, 2002

Hand Delivered

Lori Wrotenbery
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. _____; Application of XTO Energy Inc. for a non-standard gas well location and simultaneous dedication, San Juan County, New Mexico (set for the December 19, 2002 hearing)

Dawson "A" Well No. 1G; W½ S4-27N-8W

Dear Ms. Wrotenbery:

By this letter, XTO Energy Inc. ("XTO") requests that the above case be referred back to the administrative docket for approval.

The case involves a well to be drilled at an unorthodox location to test the Mesaverde and Dakota formations. XTO filed an application for an unorthodox location in December 2001, but the application was denied by the Division because it would be the third well on the unit, which was not allowed by the rules for the Basin-Dakota Gas Pool. XTO re-applied in March 2002, but the application was again denied by the Division. See Exhibit A. Exhibit A states that the matter must go to hearing for approval. Due to a change in the rules for the Basin-Dakota Gas Pool, and additional matters discussed below, XTO again applied for administrative approval in October 2002. However, because the Division had previously required the matter to be set for hearing, the Division informed XTO that the matter would be set for the December 19th docket. See Exhibit B.

XTO believes that it can satisfy the objections set forth in Exhibit A, as discussed below:

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT (_____)

1. Item 4: The Division asked why the wellpad for the abandoned Conoco Graham "B" WN Fed. Well No. 7, depicted on **Exhibit C**, could not be used. XTO has since drilled its Dawson "A" Well No. 1F at that location. **See Exhibit D.** Therefore, at this time only the SW¼ of Section 4 is available for another Mesaverde/Dakota well.
2. Item 3: The Division asked why the flat area in the NE¼SW¼ of Section 4 could not be used for the wellsite. That area could be used, but an orthodox location in that quarter-quarter section would place the well only a few hundred feet from the existing Dawson "A" Well No. 1. For engineering/drainage reasons XTO desires to maximize the distance between the proposed well and the Dawson "A" Well No. 1. Moving the well to the NW¼SW¼ of Section 4 achieves that objective.

As to the SW¼SW¼, the topography shows that there is not a flat, orthodox location in that quarter-quarter section. And again, XTO desires to move away from the existing well in the SE¼SW¼.

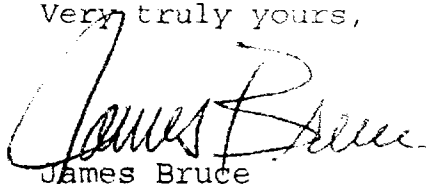
If a well is placed in the NW¼SW¼, Exhibit 4 shows that there is an area of substantial relief east of the existing road, so the well must be placed west of the road. Exhibit 4 also shows that locating the well at the proposed location places it (a) in a flat area, and (b) next to the existing road, thus minimizing additional surface disturbance.

3. Item 5: As to protecting correlative rights, the Division has now determined that infill drilling is necessary in the Mesaverde and Dakota to recover all reserves, so the fourth well is necessary for XTO to recover its reserves and provide a return to the interest owners in the well unit.

For the foregoing reasons, XTO requests that the above application be processed administratively, and that upon approval of the unorthodox location, the hearing be dismissed.

Thank you for your consideration of this matter.

Very truly yours,



James Bruce

Attorney for XTO Energy Inc.



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

March 6, 2002

Lori Wrotenbery

Director

Oil Conservation Division

XTO Energy, Inc.
810 Houston Street
Fort Worth, Texas 76102-6298

Attention: George A. Cox

Re: Administrative application of XTO Energy, Inc. (administrative application No. pKRV0-204552732) for exceptions to the well location requirements provided within the: (i) "Special Rules and Regulations for the Basin-Dakota Pool," as promulgated by Division Order No. R-10987-B (2), issued in Case No. 12745 on January 29, 2002; and (ii) "Special Rules and Regulations for the Blanco-Mesaverde Pool," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 on February 1, 1999, to drill its Dawson "A" Well No. 1-F as a third Mesaverde/Dakota gas well at an unorthodox location 1500 feet from the South line and 475 feet from the West line (Unit L) of Section 4, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, within existing 321.33-acre stand-up gas spacing and proration units ("GPU") in both intervals comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 4.

Dear Mr. Cox:

I, along with the Division's Aztec district office, have reviewed the subject application and the records of the New Mexico Oil Conservation Division ("Division") concerning this matter, please be advised that:

- (1) under the rules currently governing both pools, operators are given an area containing 116.39 acres to locate a well at a location considered to be orthodox within a standard 320-acre GPU;
- (2) as stated in your application, the reason for locating this infill Mesaverde/Dakota gas well is "due to the existing topography";
- (3) from what little information provided in your application, there appear to be areas within the GPU between the two existing Blanco-Mesaverde/Basin-Dakota wells in Lot 4 and the SE/4 SW/4 (Unit N) of Section 4 to accommodate a third well at a standard location without encroaching the lease boundary; along the proposed road to the northeast in the SW/4 NW/4, SE/4 NW/4 or NW/4 SW/4 of Section 4 or in the flat area in the NE/4 SW/4 of Section 4 just north of the Dawson "A" Well No. 1 in Unit "N";
- (4) no explanation was given as to why the existing well pad for Conoco, Inc.'s Graham "B" WN Federal Well No. 7 (API No. 30-045-20406), located 1840 feet from the North line and 1740 feet from the West line (Unit F) of Section 4, could not be utilized to twin the subject Dakota/Mesaverde well;

EXHIBIT

A

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, New Mexico 87505
Phone: (505) 476-3440 * Fax (505) 476-3462 * <http://www.enmrd.state.nm.us>

- (5) you stated that this additional well would protect correlative rights, but did not elaborate; the offset acreage to the west has only one well in each pool, both of which appear to be at legal locations within the assigned unit, while the proposed Dawson "A" Well No. 1-F would be a third well that is less than the required distance from the property; and
- (6) a previous application for your Dawson "A" Well No. 1-B (*application reference No. pKRV0-133938089*) to be drilled at the same location was denied by the Division on December 26, 2001 (see copy of letter attached) because the application was filed prior to the release of Division Order No. R-10987-B (2).

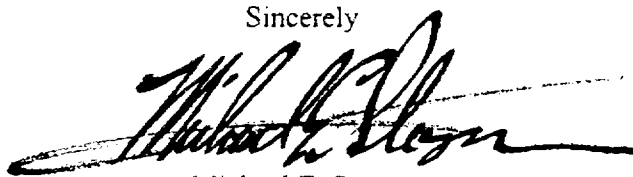
This application is hereby **denied** and is being returned to you at this time.

As a reminder our pool rules are serious matters for the purpose of orderly development of New Mexico's valuable oil and gas resources. It is very easy to get into a mode of thinking that considers these rules as minor inconveniences and applications for exceptions as "open and shut" issues. Since one of the main objectives of the recent amendments to all location requirements in the San Juan Basin [see Division Rule 104 and Division Orders No. R-10987-A and R-8768-B (2)] were to grant operators increased flexibility in locating wells and to decrease the number of applications for unorthodox locations, all future location exceptions will require substantial justification, *i.e.*, unusual circumstances.

Since the proposed unorthodox location has now been denied twice, any further pursuit of an unorthodox in either pool shall require a hearing before a duly appointed examiner.

Thank you for your understanding, cooperation, and continued support in making this newly improved portion of New Mexico's conservation rules a meaningful success.

Sincerely



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management - Farmington
Kathy Valdes, NMOCD – Santa Fe

ILLEGIBLE



Jones, William V. <WVJones@state.nm.us> on 11/19/2002 11:29:23 AM

To: "George Cox@XTOEnergy.com" <George_Cox@XTOEnergy.com>
cc:
Subject: FW: Hearing Date

George,
here is the ad for a hearing on this location exception. Florene said it will be on the December 19 docket unless you desire otherwise.

After talking with M. Stegner about this and reading the letter, this was the only option I have. Thanks for being ethical enough to send the letter to me.

Mike and hopefully David will be handling these in the future. In general we are telling people to call Richard Breany for questions about almost everything, since he is our supervisor.

Regards,
Will Jones

> -----Original Message-----
> From: Jones, William V
> Sent: Tuesday, November 19, 2002 10:18 AM
> To: Valdes, Kathy
> Subject: Hearing Date
>
> Hey Kathy:
> <<XTO-Dawson_A_1G Add.doc>>



- XTO-Dawson_A_1G Add.doc



W/2 Sec 4, T27N, R08W
321.33 Acres
Fed Lease #NM - 05791

Existing road

Proposed location
for XTO Energy Inc.
Dawson "A" #1G

XTO Energy Inc.
Dawson "A" #1M

XTO Energy Inc.
Dawson "A" #1F
(abandoned well pad
Conoco Graham "B" WN Fed #7)

XTO Energy Inc.
Dawson "A" #1

CANON

XTO Energy Inc.

Topographical Quad Map for Sec 4, T27N, R08W

Proposed location for Dawson "A" #1G

10/3/02

Bumberg No. 5208

EXHIBIT

C

Hollis
Pass

Fresno

Canyon

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
811 South First, Artesia, NM 87210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

WELL API NO. 30-045-31123
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMNM05791
7. Lease Name or Unit Agreement Name: DAWSON A
8. Well No. #1F
9. Pool name or Wildcat BASIN DAKOTA / BLANCO MESAVERDE

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN, OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator XTO Energy Inc.	
3. Address of Operator 2700 Farmington Ave., Bldg. K. Ste 1 Farmington, NM 87401	
4. Well Location Unit Letter <u>F</u> : <u>1865</u> feet from the <u>NORTH</u> line and <u>1565</u> feet from the <u>WEST</u> line Section <u>04</u> Township <u>27N</u> Range <u>08W</u> NMPM County <u>SAN JUAN</u>	
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 6345' GR	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☒

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐

OTHER: ☐

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

XTO Energy Inc. plans to downhole commingle this well in the following manner:

1. Perforate, acidize & frac the Basin Dakota from approximately 6,850' - 7,100'.
2. Set a composite bridge plug @ 5,500'.
3. Perforate, acidize & frac the Blanco Mesaverde from approximately 4,100' - 4,900'.
4. TTH & drill out CBP @ 5,500'.
5. Turn well to sales.

DHC 923AZ

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Darrin Steed TITLE OPERATIONS ENGINEER DATE 9/27/02

Type or print name DARRIN STEED Telephone No. 505-324-1090

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY CHIEF OF BUREAU DATE OCT 22 2002

Conditions of approval, if any:

