

**RECEIVED**

AUG 31 1992

OIL CONSERVATION DIV.  
SANTA FE

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

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 10546

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION AND FOR SIMULTANEOUS  
DEDICATION, LEA COUNTY, NEW MEXICO

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by PHILLIPS  
PETROLEUM COMPANY as required by the Oil Conservation  
Division.

APPEARANCE OF PARTIES

PARTICIPANT

ATTORNEY

PHILLIPS PETROLEUM  
COMPANY  
4001 Penbrook, Ste 401  
Odessa, TX 79762  
ATTN: Elizabeth Harris

W. Thomas Kellahin  
KELLAHIN & KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

OPPOSITION OR OTHER PARTY

ATTORNEY

SEE OPPOSITION FILING, IF ANY

**STATEMENT OF CASE**

APPLICANT

Phillips Petroleum Company seeks approval of an unorthodox gas well location to be drilled within a fifty-foot radius of a point 2450 feet from the North line and 960 feet from the East line (Unit H) of Section 2, Township 12 South, Range 34 East, South Four Lakes Unit, Four Lakes-Devonian Pool. Further, applicant seek an exception to Division General Rule 104.C(2) to allow the existing 160.14-acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2 NW/4 (NW/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes Devonian Gas Pool to said well and to the South Four Lakes Unit Well No. 8 located at a standard gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of said Section 2.

OPPOSITION OR OTHER PARTY

SEE OPPOSITION FILING

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Scott Balke Geologist	30 Min.	7-9 Exhibits

OPPOSITION

WITNESSES	EST. TIME	EXHIBITS
SEE OPPOSITION FILING		

Pre-Hearing Statement  
Case No. 10546  
Page 3

**PROCEDURAL MATTERS**

None.

KELLAHIN and KELLAHIN

By: 

W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285  
ATTORNEYS FOR PHILLIPS  
PETROLEUM COMPANY

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

January 28, 1986

REQUEST FOR SHUT-IN OPINION  
ON WELL BEING DRILLED

PRODUCTION DEPARTMENT  
SOUTHWEST/ROCKY MOUNTAIN DIVISION

Mr. P. C. Carlin  
Houston, Texas

ATTENTION: Mr. L. A. Milano, Jr.

Please furnish advice regarding possible shut-in royalty obligations in the event that the following well is completed successfully and shut-in.

NAME OF THE WELL (UNIT): South Four Lakes Unit 1 #8

OPERATOR: Exxon Corporation EXXON WORKING INTEREST: 63.6231%

MINERAL LEASE OR OTHER PROPERTY NUMBER(S) AFFECTED: 116586, 125496, 135496, 137670, 219769

DATE OF COMMENCEMENT OF DRILLING: January 16, 1986

ESTIMATED COMPLETION DATE: March 11, 1986

FORMATION IN WHICH WELL IS PROJECTED TO BE COMPLETED: Devonian, Penn

PROJECTED AS AN OIL OR GAS WELL: Gas (Devonian Upper); Oil (Devonian Lower & Penn)

LOCATION OF WELL: 660' FNL 990' FEL of Section 2; T-12S; R-34E

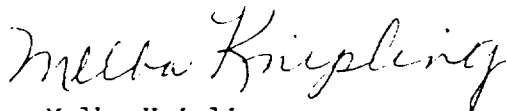
COUNTY: Lea STATE: New Mexico

UNIT INFORMATION, INCLUDING ANY LIMITATION AS TO DEPTH, PARTICULAR FORMATION(S) AND TYPE OF HYDROCARBONS: 160 acre proration unit, Devonian; 80 acre proration unit, Penn

ESTIMATED SHUT-IN PERIOD: Unknown

GAS CONTRACT INFORMATION: Contract No. 2800 - Warren Petroleum Company

If you need more information, please call Ron Korner, ext. 685-4409. Please furnish continuous operations information.

  
Melba Knipling

MCK:kjf

Distribution: Mr. D. L. Doughty      Mr. J. A. Vance  
                  Ms. M. W. Goin                      Attn: Mr. S. S. Matzke  
                  Mr. H. W. Hugly  
                  Mr. B. J. Ingram  
                  Mr. H. C. Martens  
                  Mr. Judd Miller, Jr.

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)

October 6, 1992

Michael Stogner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Room 219  
Santa Fe, New Mexico 87501

**HAND DELIVERED**

RE: Application of Phillips  
Petroleum Company for an  
Unorthodox Gas Well Location  
and for Simultaneous Dedication,  
Lea County, New Mexico, NMOCD  
Case No. 10546

Dear Mr. Stogner:

Please find enclosed the Revised Phillips  
Petroleum Company's Proposed Order of the Division in  
the above-referenced case. This order is also on the  
enclosed floppy disk for your use.

Changes have been made to Finding Paragraphs (5)  
and (10) and Order Paragraph (3) regarding the  
classification of the pool as an oil pool.

If you have questions or if I can be of further  
assistance, please call.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

WTK/jcl  
Enclosures  
xc: Elizabeth Harris, Esq.

lrr1002.038

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. 10546  
Order No. R-

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION AND FOR SIMULTANEOUS DEDICATION,  
LEA COUNTY, NEW MEXICO

**REVISED**  
**PHILLIPS PETROLEUM COMPANY'S**  
**PROPOSED ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on  
September 3, 1992, at Santa Fe, New Mexico, before  
Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of September, 1992, the  
Division Director, having considered the testimony, the  
record, and the recommendations of the Examiner, and  
being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as  
required by law, the Division has jurisdiction of this  
cause and the subject matter thereof.

(2) The applicant, Phillips Petroleum Company,  
seeks approval of an unorthodox gas well location for  
its South Four Lakes Well No. 13 to be drilled within a  
fifty foot radius of a point 960 feet FEL and 2450 feet

Case No. 10546  
Order No. R-  
Page 2

FNL (Unit H) Section 2, T12S, R34E, South Four Lakes Unit, Four Lakes-Devonian Gas Pool, Eddy County New Mexico and an exception to Division General Rule 104.C(2) to allow the existing 160.14 acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2NE/4 (NE/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes-Devonian Gas Pool to the proposed well and to the South Four Lakes Well No. 8 located at a standard gas well location in Unit A of said Section 2.

(3) The proposed South Four Lakes Unit Well No. 13 will be located within the current boundaries of the Four Lakes-Devonian Gas Pool which was created by Order R-928 dated December 13, 1956 and was reclassified as a gas pool by Order R-1371 issued April 17, 1959.

(4) Applicant's engineering and geologic evidence provides substantial evidence that this pool has always been an oil pool, continues to be an oil pool and should not have been classified as a gas pool in 1959.

(5) Applicant seeks approval of this application as a temporary solution and within 6 months of completion of the South Four Lakes Unit Well No 13. will notify the Division concerning whether the pool should be classified as a gas pool or an oil pool, and the need, if any, for any special rules.

(6) Under the existing classification of this pool as a gas pool, the Division General Rule 104-C II(a) require 160-acre spacing and proration units and require standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 3120 feet to any existing pool well.

(7) The proposed South Four Lakes Unit Well No 13 would be at unorthodox location and will require an exception to General Rule 104.

(8) A well at the proposed unorthodox location should penetrate productive intervals of the Devonian formation at a more favorable geologic point than a well drilled at standard location in the proposed spacing unit thereby increasing the likelihood of obtaining commercial production.

(9) The South Four Lakes Unit Well No. 13 will be dedicated to a 160-acre gas spacing unit which currently is dedicated to the South Four Lakes Unit Well No. 8.

(10) Applicant seeks approval to simultaneously dedicate the South Four Lakes Unit Wells Nos. 8 and 13 to the same spacing unit and have the option to produce both wells continuously and concurrently.

(11) The South Four Lakes Unit Well No. 8 is only capable of very marginal production, is draining only a limited area of this 160 acre spacing unit, cannot be deepened due to mechanical problems and is separated by a sealing fault from that portion of the spacing in which the South Four Lakes Well No 13 will be located.

(12) The South Four Lakes Unit Well No 13 which will provide an efficient means to recover oil from the reservoir which might not otherwise be recovered.

(13) The 160 spacing unit for South Four Lakes Unit Wells Nos. 8 and 13 and each of the 160 acre spacing units offsetting that spacing unit are all within the South Four Lakes Unit which has common working interest and royalty owners.

(14) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Phillips Petroleum Company, is hereby authorized to drill its South Four Lakes Well No. 13 within a fifty foot radius of a point 960 feet FEL and 2450 feet FNL (Unit H) Section 2, T12S, R34E, South Four Lakes Unit, Four Lakes-Devonian Gas Pool, Eddy County New Mexico.

(2) The applicant is further granted an exception to Division General Rule 104.C(2) to allow the existing 160.14 acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2NE/4 (NE/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes-Devonian Gas Pool to the proposed well and to the South Four Lakes Well No. 8 located at a standard gas well location in Unit A of said Section 2.

(3) Within six (6) months of completion of the South Four Lakes Unit Well No. 13, the applicant will provide data to the Division so that the Division can consider reclassifying the subject pool from a gas pool to an oil pool.

(4) 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,.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

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

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

JASON KELLAHIN (RETIRED 1991)

September 29, 1992

Michael Stogner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Room 219  
Santa Fe, New Mexico 87501

HAND DELIVERED

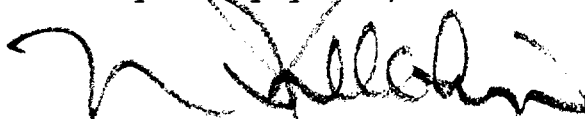
RE: Application of Phillips  
Petroleum Company for an  
Unorthodox Gas Well Location  
and for Simultaneous Dedication,  
Lea County, New Mexico, NMOCD  
Case No. 10546

Dear Mr. Stogner:

Please find enclosed Phillips Petroleum Company's  
Proposed Order of the Division in the above-referenced  
case. This order is also on the enclosed floppy disk  
for your use.

If you have questions or if I can be of further  
assistance, please call.

Very truly yours,



W. Thomas Kellahin

WTK/jcl  
Enclosures  
xc: Elizabeth Harris, Esq.

ltr925.038

*Assigned:  
Reviewed by 10/6/92 letter from  
Kellahin.  
M.S.*

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. 10546  
Order No. R-

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION AND FOR SIMULTANEOUS DEDICATION,  
LEA COUNTY, NEW MEXICO

**PHILLIPS PETROLEUM COMPANY'S**  
**PROPOSED ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on  
September 3, 1992, at Santa Fe, New Mexico, before  
Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of September, 1992, the  
Division Director, having considered the testimony, the  
record, and the recommendations of the Examiner, and  
being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as  
required by law, the Division has jurisdiction of this  
cause and the subject matter thereof.

(2) The applicant, Phillips Petroleum Company,  
seeks approval of an unorthodox gas well location for  
its South Four Lakes Well No. 13 to be drilled within a  
fifty foot radius of a point 960 feet FEL and 2450 feet  
FNL (Unit H) Section 2, T12S, R34E, South Four Lakes

Unit, Four Lakes-Devonian Gas Pool, Eddy County New Mexico and an exception to Division General Rule 104.C(2) to allow the existing 160.14 acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2NE/4 (NE/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes-Devonian Gas Pool to the proposed well and to the South Four Lakes Well No. 8 located at a standard gas well location in Unit A of said Section 2.

(3) The proposed South Four Lakes Unit Well No. 13 will be located within the current boundaries of the Four Lakes-Devonian Gas Pool which was created by Order R-928 dated December 13, 1956 and was reclassified as a gas pool by Order R-1371 issued April 17, 1959.

(4) Applicant's engineering and geologic evidence provides substantial evidence that this pool has always been an oil pool, continues to be an oil pool and should not have been classified as a gas pool in 1959.

(5) Applicant seeks approval of this application as a temporary solution and within 6 months of completion of the South Four Lakes Unit Well No 13. will apply to the Division to have this pool reclassified as an oil pool to be operated in accordance with special rules and regulations including appropriate well spacing and a special gas-oil ratio to be proposed by the applicant.

(6) Under the existing classification of this pool as a gas pool, the Division General Rule 104-C II(a) require 160-acre spacing and proration units and require standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 3120 feet to any existing pool well.

(7) The proposed South Four Lakes Unit Well No 13 would be at unorthodox location and will require an exception to General Rule 104.

(8) A well at the proposed unorthodox location should penetrate productive intervals of the Devonian formation at a more favorable geologic point than a well drilled at standard location in the proposed spacing unit thereby increasing the likelihood of obtaining commercial production.

(9) The South Four Lakes Unit Well No. 13 will be dedicated to a 160-acre gas spacing unit which currently is dedicated to the South Four Lakes Unit Well No. 8.

(10) Applicant seeks approval to simultaneously dedicate the South Four Lakes Unit Wells Nos. 8 and 13 to the same spacing unit and have the option to produce both wells continuously and concurrently, or in the alternative, to produce said wells alternately.

(11) The South Four Lakes Unit Well No. 8 is only capable of very marginal production, is draining only a limited area of this 160 acre spacing unit, cannot be deepened due to mechanical problems and is separated by a sealing fault from that portion of the spacing in which the South Four Lakes Well No 13 will be located.

(12) The South Four Lakes Unit Well No 13 which will provide an efficient means to recover oil from the reservoir which might not otherwise be recovered.

(13) The 160 spacing unit for South Four Lakes Unit Wells Nos. 8 and 13 and each of the 160 acre spacing units offsetting that spacing unit are all within the South Four Lakes Unit which has common working interest and royalty owners.

(14) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Phillips Petroleum Company, is hereby authorized to drill its South Four Lakes Well No. 13 within a fifty foot radius of a point 960 feet FEL and 2450 feet FNL (Unit H) Section 2, T12S, R34E, South Four Lakes Unit, Four Lakes-Devonian Gas Pool, Eddy County New Mexico.

(2) The applicant is further granted an exception to Division General Rule 104.C(2) to allow the existing 160.14 acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2NE/4 (NE/4 equivalent) of said Section 2 to be simultaneously dedicated in the Four Lakes-Devonian Gas Pool to the proposed well and to the South Four Lakes Well No. 8 located at a standard gas well location in Unit A of said Section 2.

(3) Within six (6) months of completion of the South Four Lakes Unit Well No. 13, the applicant shall apply to the Division for the reclassification of the subject pool from a gas pool to an oil pool with appropriate special rules and regulations; or in the alternative to show cause why the gas well classification for the pool should be continued.

(4) 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,.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*  
KAREN AUBREY†

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

†ALSO ADMITTED IN ARIZONA

JASON KELLAHIN (RETIRED 1991)

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

August 11, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Santa Fe, New Mexico 87504

HAND DELIVERED

Re: First Amended Application of  
Phillips Petroleum Company  
for Two Unorthodox Gas Well  
Locations and Simultaneous  
Dedication, Four Lakes Devonian  
Gas Pool, Lea County, New Mexico

10546

RECEIVED

AUG 11 1992

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Phillips Petroleum Company, I have received Mr. Stogner's letter of August 3, 1992 concerning the original application filed on July 28, 1992. In response to his letter, I have the following information:

(1) The South Four Lakes Unit Well No. 14, NW/4 of Section 1, T12S, R34E:

Mr. Stogner's research shows that the South Four Lakes Unit Well No. 3 within this same 160 acres appears to be dedicated to the pool. Phillips' records shows that the Unit Well No. 3 has been depleted and plugged out of this pool. We will undertake a review of OCD files to make sure that your records correctly reflect the proper status of this well. Because of the foregoing, the original application for Unit Well No. 14 does not conflict with Memorandums dated July 27, 1986 and August 3, 1990.

(2) The South Four Lakes Unit Well No. 13, NE/4 of Section 2, T12S, R34E:

Mr. William J. LeMay  
August 11, 1992  
Page 2

Mr. Stogner is correct concerning the fact that this 160 acre spacing unit still has the Unit Well No. 8 in a producing status in this pool. The well is capable of very marginal production of gas in the pool. Phillips had anticipated that it would plug this well and replace it with the Unit Well No. 13. However, until depleted and abandoned, it will create the need for simultaneous dedication of two gas wells in the same spacing unit in a non-prorated gas pool. The enclosed first amended application addresses this issue and describes our request for simultaneous dedication as to this spacing unit.

We appreciate Mr. Stogner bringing these matters to our attention. While both Phillips and I make every effort to properly describe our requests in these applications, we occasionally need to clarify or correct our applications.

If there are any questions about the amended application, please call me before the August 11th deadline for the September 3rd docket so we can attempt to get this properly docketed for that hearing date.

Please find enclosed our First Amended Application for Two Unorthodox Gas Well Locations, including the option for Simultaneous Dedication of the Unit Wells No. 8 and No. 13 which we request be set for hearing on the next available Examiner's docket now scheduled for August 20, 1992.

By separate notice letter, including the First Amended Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examiner witnesses either in support of or in opposition to the Application.

Mr. William J. LeMay  
August 11, 1992  
Page 3

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Elizabeth A. Harris, Esq.

Phillips Petroleum Company

**BY CERTIFIED MAIL - RETURN RECEIPT:**

All parties shown on Exhibit A of Application

appt807.038

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

W. THOMAS KELLAHIN\*  
KAREN AUBREY†

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

†ALSO ADMITTED IN ARIZONA

SANTA FE, NEW MEXICO 87504-2265

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JASON KELLAHIN (RETIRED 1991)

August 11, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Santa Fe, New Mexico 87504

HAND DELIVERED

Re: First Amended Application of  
Phillips Petroleum Company  
for Two Unorthodox Gas Well  
Locations and Simultaneous  
Dedication, Four Lakes Devonian  
Gas Pool, Lea County, New Mexico

10546  
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(2) The South Four Lakes Unit Well No. 13, NE/4 of Section 2, T12S, R34E:

Mr. William J. LeMay  
August 11, 1992  
Page 2

Mr. Stogner is correct concerning the fact that this 160 acre spacing unit still has the Unit Well No. 8 in a producing status in this pool. The well is capable of very marginal production of gas in the pool. Phillips had anticipated that it would plug this well and replace it with the Unit Well No. 13. However, until depleted and abandoned, it will create the need for simultaneous dedication of two gas wells in the same spacing unit in a non-prorated gas pool. The enclosed first amended application addresses this issue and describes our request for simultaneous dedication as to this spacing unit.

We appreciate Mr. Stogner bringing these matters to our attention. While both Phillips and I make every effort to properly describe our requests in these applications, we occasionally need to clarify or correct our applications.

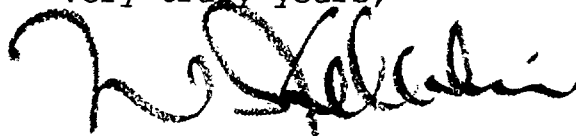
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By separate notice letter, including the First Amended Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examiner witnesses either in support of or in opposition to the Application.

Mr. William J. LeMay  
August 11, 1992  
Page 3

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. Thomas Kellahin

WTK/jcl  
Enclosure

cc: Elizabeth A. Harris, Esq.  
Phillips Petroleum Company

**BY CERTIFIED MAIL - RETURN RECEIPT:**

All parties shown on Exhibit A of Application

appt807.038

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

IN THE MATTER OF THE APPLICATION  
OF PHILLIPS PETROLEUM COMPANY FOR  
APPROVAL OF TWO UNORTHODOX GAS WELL  
LOCATIONS, SIMULTANEOUS DEDICATION,  
FOUR LAKES DEVONIAN GAS POOL,  
LEA COUNTY, NEW MEXICO

RECEIVED  
AUG 11 1992  
OIL CONSERVATION DIVISION

CASE: 10546

**FIRST AMENDED APPLICATION**

Comes now PHILLIPS PETROLEUM COMPANY, by its attorneys, KELLAHIN, KELLAHIN & AUBREY, and applies to the New Mexico Oil Conservation Division for approval of two unorthodox gas well locations, and simultaneous dedication, in the Four Lakes-Devonian Gas Pool, Lea County New Mexico, with each well to be drilled within a fifty foot radius of the following described sites all within Township 12 South, Range 34 East, NMPM, Lea County, New Mexico:

(1) South Four Lakes Well No. 13: 960 feet FEL and 2450 feet FNL (Unit H) Section 2, the 160 acres comprising the NE/4 to be simultaneously dedicated to South Four Lakes Well Nos 8 and 13; and

(2) South Four Lakes Well No. 14: 330 feet FWL

and 2300 feet FNL (Unit E) Section 1, the 160 acres comprising the NW/4 is to be dedicated to said well.

In support thereof, Applicant states:

1. Applicant, Phillips Petroleum Company, is the operator of the South Four Lakes Unit which consists of NW/4 of Section 1, all of Section 2 T12S, R34E, and the W/2 of Section 36 and all of Section 35, T11S, R34E, NMPM, Lea County New Mexico.

2. Applicant proposes to test for production by locating the subject wells as described above.

3. The proposed wells will be located within the current boundaries of the Four Lakes-Devonian Gas Pool.

4. The subject pool was created by Order R-928 dated December 13, 1956 and was reclassified as a gas pool by Order R-1371 issued April 17, 1959.

5. The Division General Rule 104-C II(a) require 160-acre spacing and proration units and require standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 3120 feet to any existing pool well.

6. The proposed wells would be at unorthodox

locations and will require exceptions to General Rule 104.

7. Wells at the proposed unorthodox locations should penetrate productive intervals of the Devonian formation at more favorable geologic points than wells drilled at standard locations in the proposed spacing units thereby increasing the likelihood of obtaining commercial production.

8. The South Four Lakes Unit Well No. 14 will be dedicated to a 160-acre gas spacing unit which formerly but does not now have located within that unit another well capable of producing gas from this pool.

9. Previously, the South Four Lakes Unit Well No. 3 was dedicated to this unit, but it has been plugged and abandoned in this pool.

10. The South Four Lakes Unit Well No. 13 will be dedicated to a 160-acre gas spacing unit which currently is dedicated to the South Four Lakes Unit Well No. 8.

11. Applicant seeks approval to simultaneously dedicate the South Four Lakes Unit Wells Nos. 8 and 13

to the same spacing unit and have the option to produce both wells continuously and concurrently, or in the alternative, to produce said wells alternately.

12. The South Four Lakes Unit Well No. 8 is only capable of very marginal production, is draining only a limited area of this 160 acre spacing unit, and needs to be supplemented by the drilling of South Four Lakes Unit Well No 13 which will provide an efficient means to recover gas from the reservoir which might not otherwise be recovered.

13. The 160 spacing unit for South Four Lakes Unit Wells Nos. 8 and 13 and each of the 160 acre spacing units offsetting that spacing unit are all within the South Four Lakes Unit which has common working interest and royalty owners.

14. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect

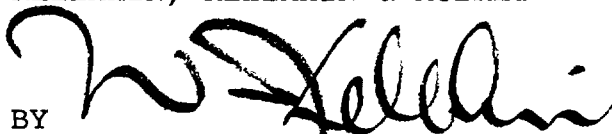
correlative rights.

15. In accordance with Division Rule 1207, Applicant has notified those affected parties towards who the proposed location encroaches, with the names and addresses of those parties set forth on Exhibit A.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

Respectfully submitted:

KELLAHIN, KELLAHIN & AUBREY

BY 

W. Thomas Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

AND

Elizabeth A. Harris, Esq  
Phillips Petroleum Company  
4001 Penbrook, Suite 401  
Odessa, Texas 79762

ATTORNEYS FOR APPLICANT

EXHIBIT A

OWNERSHIP IN THE SW/4 OF SECTION 1

Commissioner of Public Lands  
State of New Mexico  
State Land Office Building  
P.O. Box 1148  
Santa Fe, NM 87504



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



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

August 3, 1992

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Phillips Petroleum Company  
c/o W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, NM 87504-2265

*RE: Application of Phillips Petroleum Company for two unorthodox gas well locations, Four Lakes Devonian Gas Pool, Section 1 and 2, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico.*

Dear Mr. Kellahin:

My initial review of your filing dated July 28, 1992 indicates that the application may be insufficient and that an additional exception may be necessary. Oil Conservation Division records show that the two 160-acre gas spacing and proration units for the two proposed wells (the NW/4 equivalent of Section 1 and the NE/4 equivalent of Section 2) are currently in existence and presently have dedicated thereon the following two wells:

- the South Four Lakes Unit Well No. 3; 660' FN & WL (Unit D) of said Section 1 appears to be dedicated to the NW/4 equivalent of said Section 1; and,
- the South Four Lakes Unit Well No. 8; 660' FNL - 990' FEL (Unit A) of said Section 2 appears to be dedicated to the NE/4 equivalent of said Section 2.

The Four Lakes-Devonian Gas Pool is not governed under the provisions of either the General Rules for Prorated Gas Pools in New Mexico, as promulgated by Division Order No. R-8170, as amended, or the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, as promulgated by Division Order No. R-5353, as amended, and is therefore classified as unprorated. Therefore, the spacing rules under General Rule 104.C.(2) apply in this instance and as such, additional stipulations exist when an infill gas well is requested. Division Memorandums dated July 27, 1986 and August 3, 1990 address this matter in more detail (see copies attached).

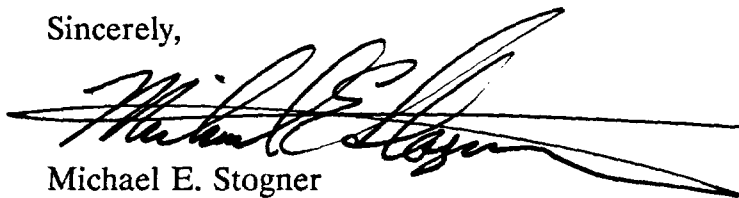
Phillips Petroleum Company  
c/o W. Thomas Kellahin  
August 3, 1992  
Page 2

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Should you wish to produce both wells on each proration unit concurrently, please resubmit this application requesting simultaneous dedication. If not, your application needs to address Phillips intentions in developing these units.

Should you have any questions concerning this matter, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", is written over a horizontal line that extends across the page.

Michael E. Stogner  
Chief Hearing Officer/Engineer

MES/amg

cc: Oil Conservation Division - Hobbs

OIL CONSERVATION DIVISION  
RECEIVED  
'92 JUL 28 AM 4 09

**KELLAHIN, KELLAHIN AND AUBREY**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

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

W. THOMAS KELLAHIN\*  
KAREN AUBREY†

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

†ALSO ADMITTED IN ARIZONA

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

July 28, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Santa Fe, New Mexico 87504

**HAND DELIVERED**

Re: Application of Phillips Petroleum  
Company for Two Unorthodox Gas  
Well Locations, Four Lakes Devonian  
Gas Pool, Lea County, New Mexico

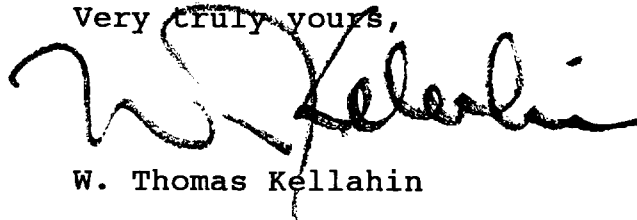
10546

Dear Mr. LeMay:

On behalf of Phillips Petroleum Company, please find enclosed our Application for Two Unorthodox Gas Well Locations for the Four Lakes #13 and #14 wells which we request be set for hearing on the next available Examiner's docket now scheduled for August 20, 1992.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examiner witnesses either in support of or in opposition to the Application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Elizabeth A. Harris, Esq.

Phillips Petroleum Company

**BY CERTIFIED MAIL - RETURN RECEIPT:**

All parties shown on Exhibit A of Application

appt728.038

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

OIL CONSERVATION DIVISION  
RECEIVED  
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JUL 4 09

IN THE MATTER OF THE APPLICATION  
OF PHILLIPS PETROLEUM COMPANY FOR  
APPROVAL OF TWO UNORTHODOX GAS WELL  
LOCATIONS, FOUR LAKES DEVONIAN GAS POOL,  
LEA COUNTY, NEW MEXICO

CASE: 10546

A P P L I C A T I O N

Comes now PHILLIPS PETROLEUM COMPANY, by and through its attorneys, KELLAHIN, KELLAHIN & AUBREY, and applies to the New Mexico Oil Conservation Division for approval of two unorthodox gas well locations in the Four Lakes-Devonian Gas Pool, Lea County New Mexico each to be drilled within a fifty foot radius of the following described sites all within Township 12 South, Range 34 East, NMPM, Lea County, New Mexico:

(1) South Four Lakes Well No. 13: 960 feet FEL and 2450 feet FNL (Unit H) Section 2, the 160 acres comprising the NE/4 to be dedicated to said well;

(2) South Four Lakes Well No. 14: 330 feet FWL and 2300 feet FNL (Unit E) Section 1, the 160 acres comprising the NW/4 is to be dedicated to said well.

Application of Phillips Petroleum Company  
Page 2

In support thereof, Applicant states:

1. Applicant, Phillips Petroleum Company, has the right to drill and test for Devonian production in Sections 1 and 2, T12S, R34E, NMPM, Lea County New Mexico.

2. Applicant proposes to test for production by locating the subject wells as described above.

3. The proposed wells will be located within the current boundaries of the Four Lakes-Devonian Gas Pool.

4. The subject pool was created by Order R-928 dated December 13, 1956 and was reclassified as a gas pool by Order R-1371 issued April 17, 1959.

5. The Division General Rule 104-C II(a) require 160-acre spacing and proration units and require standard well locations to be not closer than 660 feet to any outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line, nor closer than 3120 feet to any existing pool well.

6. The proposed wells would be at unorthodox locations and would require exceptions to General Rule 104.

7. Wells at the proposed unorthodox locations should penetrate productive intervals of the Devonian formation at more favorable geologic points than wells drilled at standard locations in the proposed spacing units thereby increasing the likelihood of obtaining commercial production.

8. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Devonian formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.


9. In accordance with Division Rule 1207, Applicant has notified those affected parties towards who the proposed location encroaches, with the names and addresses of those parties set forth on Exhibit A.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

Respectfully submitted:

KELLAHIN, KELLAHIN & AUBREY

BY

  
W. Thomas Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

Elizabeth A. Harris, Esq  
Phillips Petroleum Company  
4001 Penbrook, Suite 401  
Odessa, Texas 79762

ATTORNEYS FOR APPLICANT

EXHIBIT A

OWNERSHIP IN THE SW/4 OF SECTION 1

Commissioner of Public Lands  
State of New Mexico  
State Land Office Building  
P.O. Box 1148  
Santa Fe, NM 87504

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 1621  
Order No. R-1371

APPLICATION OF HUMBLE OIL & REFINING  
COMPANY FOR AN ORDER RECLASSIFYING THE  
FOUR LAKES-DEVONIAN (OIL) POOL IN LEA  
COUNTY, NEW MEXICO, AS A GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 25, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 17th. day of April, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Humble Oil & Refining Company, the operator of certain wells in the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, seeks the reclassification of said pool from an oil pool to a gas pool.

(3) That while in certain respects the Four Lakes-Devonian (oil) Pool does not possess the characteristics generally attributable to a gas pool, the preponderance of the evidence presented indicates that said pool is a gas pool.

(4) That the said Four Lakes-Devonian (oil) Pool should be reclassified as a gas pool and should be produced in such a manner as to prevent reaching the dew point prematurely.

IT IS THEREFORE ORDERED:

(1) That the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, be and the same is hereby reclassified as a gas pool.

Case No. 1621  
Order No. R-1371

(2) That gas production from the Four Lakes-Devonian Gas Pool in any calendar month shall not exceed five million standard cubic feet of gas times the number of days in the month.

(3) That as of the effective date of this order all gas produced from the said Four Lakes-Devonian Gas Pool shall be put to beneficial use as required by Rule 404 of the Commission Rules and Regulations.

(4) That bottomhole pressure shall be measured after a 48-hour shut-in period during the months of April and October of each year until further order of the Commission and the results of such tests furnished to the Commission.

(5) That jurisdiction of this cause is hereby retained by the Commission for such further order or orders as may seem necessary or convenient for the prevention of waste and/or the protection of correlative rights.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

ir/

COUNTY Lea POOL Four Lakes - Devonian Gas

TOWNSHIP 11 South RANGE 34 East NMFM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext:  $\frac{3}{4}$  Sec. 35 (R-1129, 2-20-58) Reclassified Oil to Gas (R-1371, 4-17-59)

COUNTY Lea POOL Four Lakes - Devonian Gas

TOWNSHIP 12 South RANGE 34 East NMFM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description:  $\frac{NW}{4}$  Sec. 1;  $\frac{NE}{4}$  Sec. 2; (R-928, 12-13-56).

Designation changed from oil to gas (R-1371, 4-17-59).

Ext:  $\frac{SE}{4}$  Sec. 2; (R-1488, 10-1-59).

## (SHIPROCK-GALLUP POOL - Cont'd.)

Applicants shall furnish all operators owning acreage within 330 feet of the proposed location a copy of the application to the Commission and shall stipulate to the Commission that proper notice has been furnished to all such operators. The Secretary-Director may approve the application if, after a period of twenty (20) days, no such operator has objected. The Secretary-Director may grant immediate approval upon receipt of waivers of objection from all such operators.

RULE 3. The slim-hole method of completion may be utilized in the Shiprock-Gallup Oil Pool, provided, however, that the tubing used as a substitute for casing shall be no smaller than 2-3/8 inch OD and no larger than 2-7/8 inch OD and shall be set at least to the top of the productive interval in the well; provided, further, that cement shall be circulated to the surface.

RULE 4. No 40-acre proration unit shall produce in excess of the 40-acre top unit allowable for wells in the 0-5000 foot depth range in Northwest New Mexico.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

FOUR LAKES-DEVONIAN GAS POOL  
(Field Reclassified)  
Lea County, New Mexico

Order No. R-1371, Reclassifying from Oil to Gas the Four Lakes-Devonian Pool, Lea County, New Mexico, April 17, 1959.

Application of Humble Oil & Refining Company for an order reclassifying the Four Lakes-Devonian (Oil) Pool in Lea County, New Mexico, as a Gas Pool.

CASE NO. 1621  
Order No. R-1371

## ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. March 25, 1959, at Santa Fe, New Mexico, before

Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 17th day of April, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

## FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Humble Oil & Refining Company, the operator of certain wells in the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, seeks the reclassification of said pool from an oil pool to a gas pool.

(3) That while in certain respects the Four Lakes-Devonian (oil) Pool does not possess the characteristics generally attributable to a gas pool, the preponderance of the evidence presented indicates that said pool is a gas pool.

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## IT IS THEREFORE ORDERED:

(1) That the Four Lakes-Devonian (oil) Pool in Lea County, New Mexico, be and the same is hereby reclassified as a gas pool.

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(3) That as of the effective date of this order all gas produced from the said Four Lakes-Devonian Gas Pool shall be put to beneficial use as required by Rule 404 of the Commission Rules and Regulations.

(4) That bottomhole pressure shall be measured after a 48-hour shut-in period during the months of April and October of each year until further order of the Commission and the results of such tests furnished to the Commission.

(5) That jurisdiction of this cause is hereby retained by the Commission for such further order or orders as may seem necessary or convenient for the prevention of waste and/or the protection of correlative rights.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

40.15	40.11	40.09	40.05
			*
			Proposed Infill Well



Valley: Astorian Co.  
 Town: Fox River Unit  
 Well No. 8  
 660' NAT - 990' SEA  
 Spud: 11/16/86  
 Four 60's, Brown iron  
 Gas No. 1 (Amphib.)

SECTION 2

TOWNSHIP 12 South

RANGE 34 East

Phillips Petroleum Company  
 Seven Four Lakes Unit  
 Well No. 3  
 500' from well  
 Spud: 7/15/56  
 Four Lakes Division (see)  
 Four Lakes Pennsylvania  
 Dept. Geologists

② <del>46.04</del> 46.04	⑤ 46.02	⑧ 46.02	⑩ 46.00
			
 <p> <i>90° 30' E 1/4</i>  <i>90° 10' E 1/4</i> </p>			



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 277  
STATE LAND OFFICE Bldg.  
SANTA FE, NEW MEXICO  
86627-5807

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unregulated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

dr/

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

GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE NEW MEXICO 87504  
505/827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND  
REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.