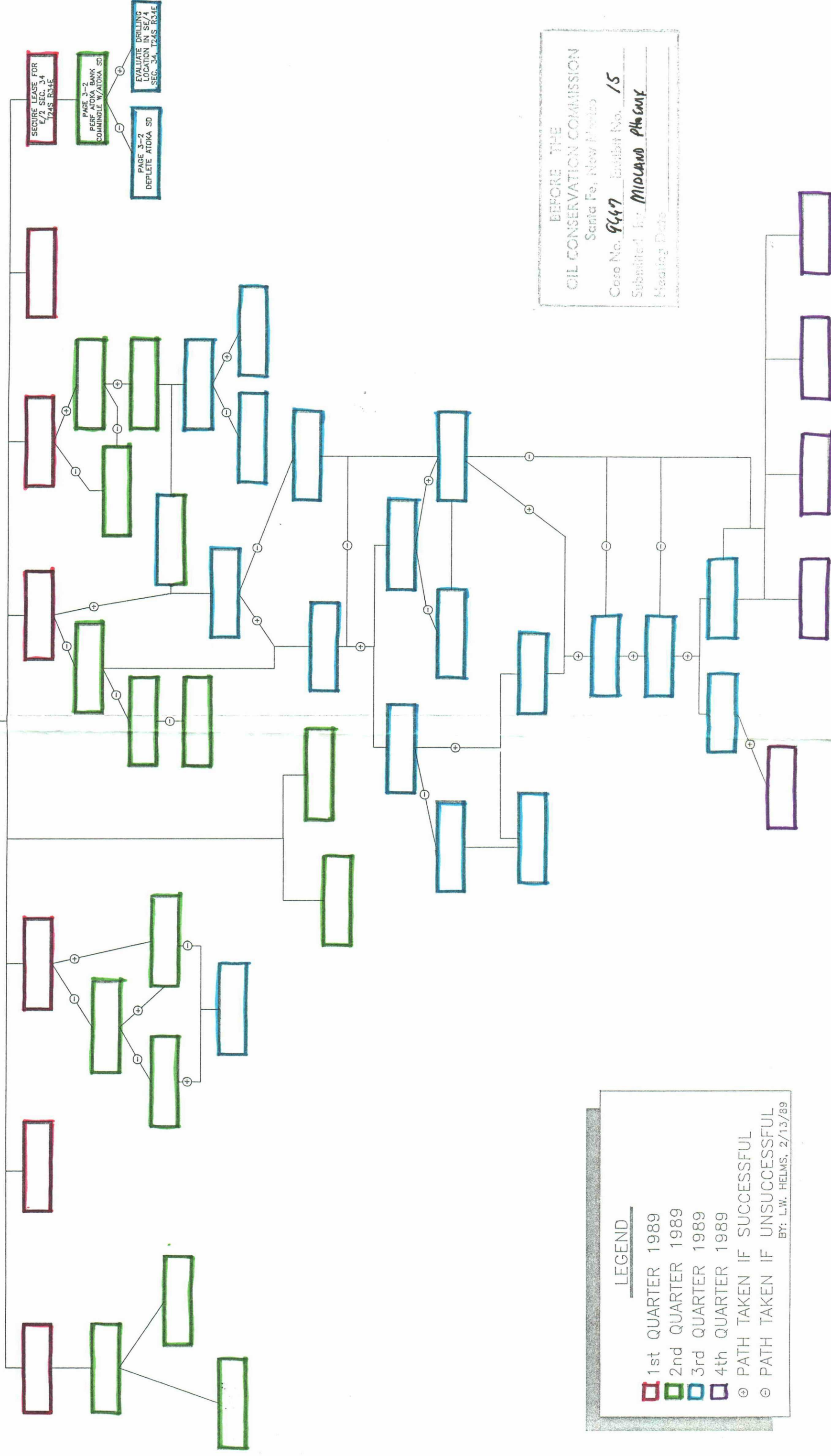


**FINALIZE PITCHFORK
RANCH FIELD STUDY**



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 9447 Exhibit No. 15
Submitted by MIDLAND PHOSPHATE
Hearing Date _____

CASE 9667: (De Novo)

Application of Midland Phoenix Corporation for unorthodox gas well location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit 0) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2. Upon application of Enron Oil and Gas Company, this Case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9669: (De Novo)

Application of Enron Oil & Gas Company for compulsory pooling, unorthodox gas well location, and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for said pool. Applicant further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit 0) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2. Upon application of Enron Oil and Gas Company, this Case will be heard De Novo pursuant to the provisions of Rule 1220.

Dockets Nos. 25-89 and 26-89 are tentatively set for August 23 and September 6, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 9, 1989

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for September, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for September, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9712: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Chappell "5" Well No. 1 located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 12 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant, San Miguel County, New Mexico (which is located approximately 9.25 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9713: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Gihon "31" Well No. 1 located 2970 feet from the South line and 1814 feet from the East line (Unit G) of Section 31, Township 13 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant/Pablo Montoya Land Grant, San Miguel County, New Mexico (which is located approximately 10.5 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9698: (Continued from July 26, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for its Dragonfly State Unit Well No. 2 located 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 31, Township 9 South, Range 27 East, Undesignated Poor Ranch-PrePermian Gas Pool, Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 31 to be dedicated to said well forming a standard 319.16-acre gas spacing and proration unit for said pool. Said well is approximately 4.5 miles north of Mile Post 172.5 on U. S. Highway 380.

CASE 9700: (Continued from July 26, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, 3, and 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 20 South, Range 24 East, forming a standard 319.04-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Strawn Gas Pool, Undesignated Dagger Draw-Atoka Gas Pool, Undesignated North Cemetery-Atoka Gas Pool, Undesignated Cemetery-Morrow Gas Pool, and the Undesignated Hoag Tank-Morrow Gas Pool) and Lots 3 and 4 and the S/2 NW/4 (NW/4 equivalent) of said Section 2 to form a standard 159.64-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Wolfcamp Gas Pool and the Undesignated North Dagger Draw-Upper Pennsylvanian Pool). Both aforementioned units are to be dedicated to a well to be drilled at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 8 miles west by north of Seven Rivers, New Mexico.

CASE 9695: (Reopened and Readvertised)

Application of Yates Energy Corporation for an unorthodox gas well location and a non-standard gas proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South line and 1300 feet from the West line (Unit M) of Section 18, Township 9 South, Range 27 East, Poor Ranch-PrePermian Gas Pool, Lots 1 through 4 and the E/2 W/2 of said Section 18 to be dedicated to the well forming a non-standard 325.04-acre gas spacing and proration unit. Said location is approximately 6 miles south-southwest of the Campbell Railroad Switch.

- CASE 9714: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow Formation underlying Lots 1 through 5, the SE/4 NW/4, and the S/2 NE/4 (N/2 equivalent) of Section 6, Township 20 South, Range 34 East, forming a standard 322.03-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated Teas-Pennsylvanian Gas Pool), said unit to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located on the north side of U.S. Highway 62/180 at Mile Post No. 76.
- CASE 9715: Application of Benson-Montin-Greer Drilling Corporation for a horizontal directional drilling pilot project, special operating rules therefor, and a non-standard oil proration unit, West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a horizontal directional drilling pilot project in Sections 15 and 16, Township 25 North, Range 1 West, West Puerto Chiquito-Mancos Oil Pool, Canada Ojitos Unit Area. The applicant proposes to utilize its C.O.U. (A16) Well No. 8 located 850 feet from the North line and 1030 feet from the East line (Unit A) of said Section 16 by kicking off from the vertical wellbore in an easterly direction and then drilling horizontally in the Mancos formation for approximately 2000 feet bottoming said wellbore in the adjoining Section 15, whereby it is proposed that both Sections 15 and 16 will be dedicated to the well forming a non-standard 1280-acre oil spacing and proration unit for said pool. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal extent of the wellbore and special allowable considerations. This area is located approximately 15 miles north by east of Regina, New Mexico.
- CASE 9703: (Continued from July 26, 1989, Examiner Hearing.)
- Application of Meridian Oil, Inc. for exemption from the New Mexico Natural Gas Pricing Act (NMPA), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the exemption from the NMPA of certain infill wells in the Basin-Dakota and Blanco-Mesaverde Pools as provided in Section 62-7-5 NMSA, 1978. A list of wells for which exemptions are being sought may be obtained by contacting the Santa Fe office of the Oil Conservation Division.
- CASE 9706: (Continued from July 26, 1989, Examiner Hearing.)
- Application of Bahlburg Exploration for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 900 feet from the South line and 50 feet from the West line (Unit M) of Section 25, Township 13 South, Range 37 East, Undesignated King-Devonian Pool, the SW/4 SW/4 of said Section 25 to be dedicated to said well forming a standard 40-acre oil spacing and proration unit. Said well location is approximately 11.5 miles southeast by east of Tatum, New Mexico.
- CASE 9716: Application of Oryx Energy Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location to test the Morrow Formation at a point 1980 feet from the South line and 990 feet from the East line (Unit I) of Section 9, Township 20 South, Range 33 East, Undesignated Teas Pennsylvanian Gas Pool, the S/2 of said Section 9 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool. Said well location is approximately one mile north of Mile Post No. 72 on U.S. Highway 62/180.
- CASE 9717: Application of Nassau Resources for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Pictured Cliffs formation or to a depth of 3,270 feet, whichever is deeper, underlying the E/2 of Section 15, Township 32 North, Range 4 West, forming a standard 320-acre, more or less, gas spacing and proration unit for any and all pools and/or formations developed on 320-acre spacing (which presently includes but is not necessarily limited to the Basin-Fruitland Coal Gas Pool), said unit to be dedicated to its Carracas Unit 15-B Well No. 7 to be drilled on a standard coal gas well location 1650 feet from the North line and 1850 feet from the East line (Unit G) of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 1 mile southwest of Mile Corner No. 230 located on the New Mexico/Colorado Stateline.
- CASE 9718: Application of Meridian Oil Inc. for the vertical contraction and redesignation of an existing Delaware Oil Pool and for a new pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to contract the vertical limits of the Parkway-Delaware Pool by excluding the upper portion of the Delaware formation identified as the "B" Sand interval and to redesignate said pool as the Parkway-Delaware "A" Sand Pool or the Parkway-Lower Delaware Pool. Applicant further seeks the concomitant creation of a new oil pool for Upper Delaware production designated as the Parkway-Delaware "B" Sand Pool or Parkway-Upper Delaware Pool with its horizontal limits to include all of Section 35, Township 19 South, Range 29 East. The applicant also requests that the effective date for such an order issued in this matter be June 16, 1989. The Parkway-Delaware Pool presently comprises all of Section 35 and the NW/4 of Section 36, Township 19 South, Range 29 East, which is located approximately 26 miles southeast by east of Artesia, New Mexico.

CASE 9709: (Continued from July 26, 1989, Examiner Hearing.)

Application of Pacific Enterprises Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying Lots 1 thru 5, the SE/4 NW/4, and the S/2 NE/4 (N/2 equivalent) of Section 6, Township 20 South, Range 34 East, forming a 322.03-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated Teas-Pennsylvanian Gas Pool). Applicant also seeks an order pooling all mineral interests from the surface to the top of the Wolfcamp formation underlying Lots 3, 4, and 5, and the SE/4 NW/4 (NW/4 equivalent) of said Section 6, forming a 162.03-acre gas spacing and proration unit for any all formations and/or pools developed on 160-acre spacing. Both units are to be dedicated to a single well to be drilled at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 1/2 mile north of Mile Post No. 76 on U.S. Highway 62/180.

CASE 9719: (This Case will be dismissed.)

Application of Mallon Oil Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Brushy Draw-Delaware Pool through the perforated interval from approximately 5593 feet to 5636 feet in its Amoco Federal Well No. 1 located 1665 feet from the South line and 330 feet from the East line (Unit I) of Section 27, Township 26 South, Range 29 East, which is located approximately 3/4 of a mile north of Mile Corner No. 53 located on the Texas/New Mexico Stateline.

CASE 9720: Application of Steve Sell for directional drilling, an unorthodox gas well location, non-standard gas proration unit, and to amend Order No. R-8928, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8928 (which authorized the applicant to directionally drill its Shafer Federal Com. Well No. 1 from a surface location 1327 feet from the South line and 1145 feet from the West line (Unit L) of Section 35, Township 21 South, Range 24 East, to a bottomhole unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and Undesignated Indian Basin-Morrow Gas Pool being no closer than 1600 feet from the South line and 800 feet from the West line of Section 35, all of Section 35 to be dedicated to the well forming a 654.47-acre gas proration unit for both pools) by allowing the Shafer Federal Com Well No. 1 to be plugged back to the vertical portion of the wellbore, kicking-off in an east-southeasterly direction, and directionally drilling to a new unorthodox bottomhole location to a depth sufficient to test the Morrow formation within 200 feet of a point 900 feet from the South line and 2500 feet from the East line (Unit O) of said Section 35. Applicant further requests that this well be properly classified as a wildcat well in the Pennsylvanian formations and subject to the Statewide General Rules for such a test. The subject well is to be dedicated to Lots 1 through 6 and the W/2 SW/4 of said Section 35 forming a non-standard 334.47-acre gas spacing and proration unit. This well is located approximately 14 miles west of Carlsbad, New Mexico.

CASE 9721: Application of Marathon Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Pool and Basin-Dakota Pool within the wellbore of its Jicarilla Apache Well No. 13E located 1850 feet from the North line and 930 feet from the West line (Unit E) of Section 33, Township 26 North, Range 5 West. Said well is located approximately 11 miles west of the Southern Union Gas Company Ojito Camp.

CASE 9722: Application of Marathon Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Pool and Basin-Dakota Pool within the wellbore of its Jicarilla Apache Well No. 14E located 1850 feet from the North line and 1685 feet from the West line (Unit F) of Section 34, Township 26 North, Range 5 West. Said well is located approximately 9.5 miles west of the Southern Union Gas Company Ojito Camp.

CASE 9723: Application of Beach Exploration, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location for its Exxon "A" Federal Well No. 3 to be drilled 2410 feet from the North line and 1932 feet from the West line (Unit F) of Section 18, Township 16 South, Range 29 East, Undesignated High Lonesome-Queen Pool, the SE/4 NW/4 of said Section 18 to be dedicated to said well. The proposed well site is located approximately 10.5 miles northwest of Loco Hills, New Mexico.

CASE 8668: (Reopened) (Continued from July 26, 1989, Examiner Hearing.)

In the matter of Case No. 8668 being reopened upon application of Howard Olsen to reconsider the provisions of Division Order No. R-8031, issued in said Case No. 8668 and dated September 27, 1985, which granted the application of Doyle Hartman to compulsorily pool all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 SE/4 (Unit P) of Section 23, Township 25 South, Range 37 East, forming a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon. Said well is located approximately 4 miles east of Jal, New Mexico.

CASE 8769: (Reopened) (Continued from July 26, 1989, Examiner Hearing.)

In the matter of Case No. 8769 being reopened upon application of Howard Olsen to reconsider the provisions of Division Order No. R-8091, issued in said Case No. 8769 and dated December 6, 1985, which granted the application of Doyle Hartman to compulsorily pool all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 NE/4 (Unit H) of Section 26, Township 25 South, Range 37 East, forming a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon. Said well is located approximately 4 miles east of Jal, New Mexico.

CASE 9707: (Continued from July 26, 1989, Examiner Hearing.)

Application of Meridian Oil, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location for its Heizer Well No. 100 to be drilled 1430 feet from the North line and 2250 feet from the East line (Unit G) of Section 15, Township 32 North, Range 10 West, Basin-Fruitland Coal (Gas) Pool, Lots 1, 2, 3, and 4 and the W/2 E/2 (E/2 equivalent) of said Section 15 to be dedicated to said well forming a standard 311.43-acre gas spacing and proration unit for said pool. Said location is approximately 1 mile south of the Colorado/New Mexico Stateline on U.S. Highway 550.

Docket 24-89

DOCKET: COMMISSION HEARING - THURSDAY - AUGUST 17, 1989

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 9611: (De Novo) (Continued from July 20, 1989, Commission Hearing.)

Application of The Petroleum Corporation of Delaware for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 1, Township 20 South, Range 29 East, Undesignated East Burton Flat-Morrow Gas Pool, the S/2 of said Section 1 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool. Said location is approximately 3.5 miles west of the Eddy Potash Inc. Mine and Refinery. Upon application of The Petroleum Corporation of Delaware, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9617: (De Novo) (Continued from July 20, 1989, Commission Hearing.)

Application of Curry and Thornton for an unorthodox oil well location and a non-standard proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1980 feet from the South line and 2475 feet from the West line (Unit K) of Section 9, Township 14 South, Range 29 East, Undesignated North King Camp-Devonian Pool, the E/2 W/2 of said Section 9 to be dedicated to a well forming a non-standard 160-acre oil spacing and proration unit for said pool. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company and Curry and Thornton, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9670: (De Novo)

Application of Stevens Operating Corporation to amend Division Order No. R-8917, directional drilling and an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8917 to allow for re-entry of the currently plugged and abandoned Philtex Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp-Devonian Pool, in lieu of drilling a new well at the unorthodox location approved by said order. Applicant further seeks approval to directionally drill said Philtex Honolulu Federal Well No. 1 to a depth of approximately 9894 feet, and to bottom said well at an unorthodox bottomhole location 500 feet west of a point 1980 feet from the South line and 2475 feet from the West line of said Section 9. A 160-acre non-standard proration unit consisting of the E/2 W/2 of said Section 9 (Approved By Order No. R-8917) is to be dedicated to the above described well. Said location is approximately 17 miles east of Hagerman, New Mexico. Upon application of Santa Fe Exploration Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9697: (Continued from July 12, 1989, Examiner Hearing.)

Application of Santa Fe Exploration Company for amendment of the special rules and regulations for the North King Camp-Devonian Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Rule 6 of the Special Rules and Regulations for the North King Camp-Devonian Pool as promulgated by Division Order No. R-8806 by establishing a special depth bracket allowable of 350 barrels of oil per day for the pool (pursuant to General Rule 505[d]). Said pool presently comprises the SE/4 of Section 9, Township 14 South, Range 29 East and is located approximately 17 miles east of Hagerman, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
AN UNORTHODOX GAS WELL LOCATION AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

CASE NOS 9667 AND 9669
ORDER NO. R-8959

IN THE MATTER OF THE APPLICATION
OF ENRON OIL AND GAS COMPANY FOR
COMPULSORY POOLING, UNORTHODOX GAS
WELL LOCATION AND NON-STANDARD GAS
PRORATION UNIT, LEA COUNTY, NEW MEXICO

RECEIVED

JUL 21 1989

OIL CONSERVATION DIVISION

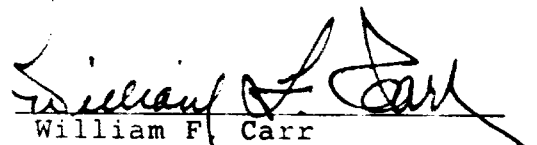
**APPLICATION OF ENRON OIL AND GAS COMPANY
FOR A DE NOVO HEARING**

COMES NOW Enron Oil and Gas Company, by and through its undersigned attorneys, Campbell & Black, P.A., and pursuant to Section 70-2-13 N.M.S.A., 1978 states that it is a party adversely affected by the Division Order R-8959 entered on July 17, 1989 in Case Nos. 9667 and 9669 (Exhibit "A") and accordingly requests that this case be set for a *De Novo* hearing before the New Mexico Oil Conservation Commission.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By:



William F. Carr
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR ENRON OIL & GAS
COMPANY

EXHIBIT "A"

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 NOS. 9667 and 9669
ORDER NO. R-8959

APPLICATION OF MIDLAND PHOENIX
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

APPLICATION OF ENRON OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
UNORTHODOX GAS WELL LOCATION AND
NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, and on May 24, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of July, 1989, 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 in Case 9667, Midland Phoenix Corporation, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for both pools. Said unit is proposed to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(3) The applicant in Case 9669, Enron Oil & Gas Company, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool. The applicant in this matter further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34 forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(4) Each applicant, Midland Phoenix Corporation and Enron Oil and Gas Company, seeks to be named the operator of the unit each seeks to have pooled. Also each applicant has the right to drill and both propose to drill a well upon their respective units, as described above, to a depth sufficient to test the Atoka and Morrow formations.

(5) Case Nos. 9667 and 9669 were consolidated for purpose of hearing and should be consolidated for purpose of issuing an order inasmuch as the cases involve certain common acreage and the granting of one application would necessarily require the concomitant denial of the other.

(6) During the proceedings, Midland Phoenix Corporation requested that its portion of the application requesting an unorthodox gas well location be dismissed inasmuch as they are now proposing to drill at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(7) There are interest owners in both proposed proration units who have not agreed to pool their interests.

(8) Both Robert E. Landreth and Leon Jeffcoat, Trustee, working interest owners underlying the spacing units in each of the cases, appeared through their attorney, at the consolidated hearing of the two applications, but stated no position.

(9) The geological evidence presented at the hearing by both applicants was in conflict as to whether the NE/4 of said Section 34 was potentially productive of hydrocarbons in both the Atoka and Morrow formations.

(10) The geological evidence presented by the Midland Phoenix Corporation indicates that a gas well drilled at a standard location 1980 feet from the South and East lines of said Section 34 and dedicated to a standard 320-acre gas spacing and proration unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from certain intervals within the Atoka and Morrow formations.

(11) Enron Oil and Gas Company presently owns and operates the Pitchfork 34 Federal Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 34 which has produced from the Pitchfork Ranch-Atoka Gas Pool since September 1983 and has dedicated to it the W/2 of said Section 34.

(12) Approval of the Enron application would dedicate the SE/4 of said Section 34 in the Atoka zone whereby the entire section would have two wells with only 480 acres participating in the Atoka zone, whereas the Midland Phoenix application would fully develop the section for the Atoka.

(13) Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section 34 would depart from standard 320-acre configuration of proration and spacing units in the area, would violate the correlative rights of mineral interest owners in said NE/4, would result in economic waste because it would not be economical to drill a well for a non-standard spacing and proration unit comprised of the NE/4 of said Section 34, and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

(14) The application of Enron Oil and Gas Company is not in the best interests of the prevention of waste or the protection of correlative rights and will impair orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

(15) The application of Enron Oil and Gas Company in Case No. 9669 should therefore be denied.

(16) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pools, the application of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit should be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(17) Midland Phoenix Corporation should be designated the operator of the subject well and unit as described above.

(18) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(19) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(20) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(21) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(22) \$5500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(23) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(24) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1989 the order pooling said unit should become null and void and of no further effect whatsoever.

(25) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(26) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Enron Oil and Gas Company in Case No. 9669 for an order pooling all mineral interests in the Undesignated Pitchfork Ranch Morrow Gas Pool underlying the S/2 of Section 34, Township 24 south, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool and the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool, both aforementioned units to be dedicated to a single well to be drilled at a location which is standard for the proposed Morrow unit and unorthodox for the proposed Atoka unit, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34, is hereby denied.

(2) All mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1989, Ordering Paragraph No. (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (2) of this order should not be rescinded.

(3) Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.


(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case Nos. 9667 and 9669
Order No. R-8959
Page No. 8

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

July 21, 1989

RECEIVED **HAND DELIVERED**

William J. LeMay
Director, Oil Conservation Div.
NM Dept. Energy, Minerals
& Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

JUL 21 1989

OIL CONSERVATION DIVISION

Re: **Case No. 9667; Application of Midland Phoenix Corp. for an orthodox gas well location and compulsory pooling, Lea County, New Mexico Case 9669**

Application of Enron Oil & Gas Company for Compulsory Pooling, Unorthodox Gas Well Location and Non-standard Gas Proration Unit, Lea County, New Mexico

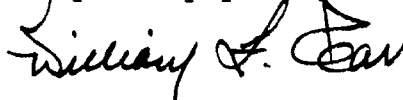
Dear Mr. Lemay:

Enclosed is the Application of Enron Oil & Gas Company for Hearing **De Novo** in the above-referenced case. Enron requests that this matter be set for hearing before the full Oil Conservation Commission at the earliest possible date.

By copy of this letter I am advising counsel for Midland Phoenix Corporation of this application.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr

WFC:ep
encls.

cc: (w/encls.)
Earnest L. Padilla, Esq.
Frank E. Estep

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
AN UNORTHODOX GAS WELL LOCATION AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

JUL 21 1989

OIL CONSERVATION DIVISION

CASE NOS. 9667 AND 9669
ORDER NO. R-8959

IN THE MATTER OF THE APPLICATION
OF ENRON OIL AND GAS COMPANY FOR
COMPULSORY POOLING, UNORTHODOX GAS
WELL LOCATION AND NON-STANDARD GAS
PRORATION UNIT, LEA COUNTY, NEW MEXICO

**APPLICATION OF ENRON OIL AND GAS COMPANY
FOR A DE NOVO HEARING**

COMES NOW Enron Oil and Gas Company, by and through its undersigned attorneys, Campbell & Black, P.A., and pursuant to Section 70-2-13 N.M.S.A., 1978 states that it is a party adversely affected by the Division Order R-8959 entered on July 17, 1989 in Case Nos. 9667 and 9669 (Exhibit "A") and accordingly requests that this case be set for a **De Novo** hearing before the New Mexico Oil Conservation Commission.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

William F. Carr
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR ENRON OIL & GAS
COMPANY

EXHIBIT "A"

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 NOS. 9667 and 9669
ORDER NO. R-8959

APPLICATION OF MIDLAND PHOENIX
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

APPLICATION OF ENRON OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
UNORTHODOX GAS WELL LOCATION AND
NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, and on May 24, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of July, 1989, 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 in Case 9667, Midland Phoenix Corporation, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for both pools. Said unit is proposed to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(3) The applicant in Case 9669, Enron Oil & Gas Company, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool. The applicant in this matter further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34 forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(4) Each applicant, Midland Phoenix Corporation and Enron Oil and Gas Company, seeks to be named the operator of the unit each seeks to have pooled. Also each applicant has the right to drill and both propose to drill a well upon their respective units, as described above, to a depth sufficient to test the Atoka and Morrow formations.

(5) Case Nos. 9667 and 9669 were consolidated for purpose of hearing and should be consolidated for purpose of issuing an order inasmuch as the cases involve certain common acreage and the granting of one application would necessarily require the concomitant denial of the other.

(6) During the proceedings, Midland Phoenix Corporation requested that its portion of the application requesting an unorthodox gas well location be dismissed inasmuch as they are now proposing to drill at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(7) There are interest owners in both proposed proration units who have not agreed to pool their interests.

(8) Both Robert E. Landreth and Leon Jeffecoate, Trustee, working interest owners underlying the spacing units in each of the cases, appeared through their attorney, at the consolidated hearing of the two applications, but stated no position.

(9) The geological evidence presented at the hearing by both applicants was in conflict as to whether the NE/4 of said Section 34 was potentially productive of hydrocarbons in both the Atoka and Morrow formations.

(10) The geological evidence presented by the Midland Phoenix Corporation indicates that a gas well drilled at a standard location 1980 feet from the South and East lines of said Section 34 and dedicated to a standard 320-acre gas spacing and proration unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from certain intervals within the Atoka and Morrow formations.

(11) Enron Oil and Gas Company presently owns and operates the Pitchfork 34 Federal Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 34 which has produced from the Pitchfork Ranch-Atoka Gas Pool since September 1983 and has dedicated to it the W/2 of said Section 34.

(12) Approval of the Enron application would dedicate the SE/4 of said Section 34 in the Atoka zone whereby the entire section would have two wells with only 480 acres participating in the Atoka zone, whereas the Midland Phoenix application would fully develop the section for the Atoka.

(13) Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section 34 would depart from standard 320-acre configuration of proration and spacing units in the area, would violate the correlative rights of mineral interest owners in said NE/4, would result in economic waste because it would not be economical to drill a well for a non-standard spacing and proration unit comprised of the NE/4 of said Section 34, and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

(14) The application of Enron Oil and Gas Company is not in the best interests of the prevention of waste or the protection of correlative rights and will impair orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

(15) The application of Enron Oil and Gas Company in Case No. 9669 should therefore be denied.

(16) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pools, the application of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit should be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(17) Midland Phoenix Corporation should be designated the operator of the subject well and unit as described above.

(18) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(19) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(20) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(21) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(22) \$5500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(23) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(24) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1989 the order pooling said unit should become null and void and of no further effect whatsoever.

(25) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(26) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Enron Oil and Gas Company in Case No. 9669 for an order pooling all mineral interests in the Undesignated Pitchfork Ranch Morrow Gas Pool underlying the S/2 of Section 34, Township 24 south, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool and the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool, both aforementioned units to be dedicated to a single well to be drilled at a location which is standard for the proposed Morrow unit and unorthodox for the proposed Atoka unit, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34, is hereby denied.

(2) All mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1989, Ordering Paragraph No. (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (2) of this order should not be rescinded.

(3) Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

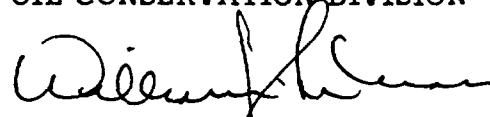
(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case Nos. 9667 and 9669
Order No. R-8959
Page No. 8

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

WILLIAM J. LEMAY
Director

S E A L

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

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
AN UNORTHODOX GAS WELL LOCATION AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

RECEIVED

JUL 2 1989

OIL CONSERVATION DIVISION

CASE NOS. 9667 AND 9669
ORDER NO. R-8959

IN THE MATTER OF THE APPLICATION
OF ENRON OIL AND GAS COMPANY FOR
COMPULSORY POOLING, UNORTHODOX GAS
WELL LOCATION AND NON-STANDARD GAS
PRORATION UNIT, LEA COUNTY, NEW MEXICO

**APPLICATION OF ENRON OIL AND GAS COMPANY
FOR A DE NOVO HEARING**

COMES NOW Enron Oil and Gas Company, by and through its undersigned attorneys, Campbell & Black, P.A., and pursuant to Section 70-2-13 N.M.S.A., 1978 states that it is a party adversely affected by the Division Order R-8959 entered on July 17, 1989 in Case Nos. 9667 and 9669 (Exhibit "A") and accordingly requests that this case be set for a *De Novo* hearing before the New Mexico Oil Conservation Commission.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

William F. Carr
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR ENRON OIL & GAS
COMPANY

EXHIBIT "A"

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 NOS. 9667 and 9669
ORDER NO. R-8959

APPLICATION OF MIDLAND PHOENIX
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

APPLICATION OF ENRON OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
UNORTHODOX GAS WELL LOCATION AND
NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, and on May 24, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of July, 1989, 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 in Case 9667, Midland Phoenix Corporation, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for both pools. Said unit is proposed to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(3) The applicant in Case 9669, Enron Oil & Gas Company, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool. The applicant in this matter further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34 forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(4) Each applicant, Midland Phoenix Corporation and Enron Oil and Gas Company, seeks to be named the operator of the unit each seeks to have pooled. Also each applicant has the right to drill and both propose to drill a well upon their respective units, as described above, to a depth sufficient to test the Atoka and Morrow formations.

(5) Case Nos. 9667 and 9669 were consolidated for purpose of hearing and should be consolidated for purpose of issuing an order inasmuch as the cases involve certain common acreage and the granting of one application would necessarily require the concomitant denial of the other.

(6) During the proceedings, Midland Phoenix Corporation requested that its portion of the application requesting an unorthodox gas well location be dismissed inasmuch as they are now proposing to drill at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(7) There are interest owners in both proposed proration units who have not agreed to pool their interests.

(8) Both Robert E. Landreth and Leon Jeffcoat, Trustee, working interest owners underlying the spacing units in each of the cases, appeared through their attorney, at the consolidated hearing of the two applications, but stated no position.

(9) The geological evidence presented at the hearing by both applicants was in conflict as to whether the NE/4 of said Section 34 was potentially productive of hydrocarbons in both the Atoka and Morrow formations.

(10) The geological evidence presented by the Midland Phoenix Corporation indicates that a gas well drilled at a standard location 1980 feet from the South and East lines of said Section 34 and dedicated to a standard 320-acre gas spacing and proration unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from certain intervals within the Atoka and Morrow formations.

(11) Enron Oil and Gas Company presently owns and operates the Pitchfork 34 Federal Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 34 which has produced from the Pitchfork Ranch-Atoka Gas Pool since September 1983 and has dedicated to it the W/2 of said Section 34.

(12) Approval of the Enron application would dedicate the SE/4 of said Section 34 in the Atoka zone whereby the entire section would have two wells with only 480 acres participating in the Atoka zone, whereas the Midland Phoenix application would fully develop the section for the Atoka.

(13) Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section 34 would depart from standard 320-acre configuration of proration and spacing units in the area, would violate the correlative rights of mineral interest owners in said NE/4, would result in economic waste because it would not be economical to drill a well for a non-standard spacing and proration unit comprised of the NE/4 of said Section 34, and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

(14) The application of Enron Oil and Gas Company is not in the best interests of the prevention of waste or the protection of correlative rights and will impair orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

(15) The application of Enron Oil and Gas Company in Case No. 9669 should therefore be denied.

(16) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pools, the application of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit should be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(17) Midland Phoenix Corporation should be designated the operator of the subject well and unit as described above.

(18) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(19) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(20) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(21) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(22) \$5500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(23) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(24) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1989 the order pooling said unit should become null and void and of no further effect whatsoever.

(25) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(26) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Enron Oil and Gas Company in Case No. 9669 for an order pooling all mineral interests in the Undesignated Pitchfork Ranch Morrow Gas Pool underlying the S/2 of Section 34, Township 24 south, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool and the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool, both aforementioned units to be dedicated to a single well to be drilled at a location which is standard for the proposed Morrow unit and unorthodox for the proposed Atoka unit, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34, is hereby denied.

(2) All mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1989, Ordering Paragraph No. (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (2) of this order should not be rescinded.

(3) Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.


(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. A long, thin vertical line extends downwards from the signature, passing through the printed name and title.

WILLIAM J. LEMAY
Director

S E A L