

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



April 28, 1988

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
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Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9331
ORDER NO. R-8644

Applicant:

Phillips Petroleum Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD

Other William F. Carr

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

April 4, 1988

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

Telephone 982-4285
Area Code 505

RECEIVED

APR 5 1988

OIL CONSERVATION DIVISION

Mr. David R. Catanach
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Application of Phillips Petroleum Co.
for approval of a 160-acre non-standard
gas proration unit and unorthodox well
location

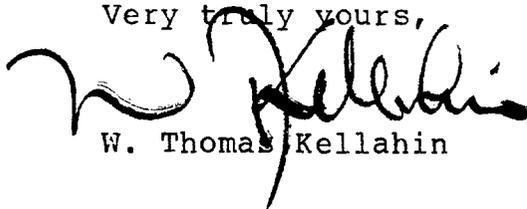
Dear Mr. Catanach:

At the hearing of the referenced case held on March 16, 1988 you requested confirmation that Amerada Hess, the working interest owner in the N/2SW/4 of Section 22, T17S, R35E, NMPM, Lea County, New Mexico, would voluntarily agree to the participation of its acreage so that the proposed non-standard spacing and proration unit requested by Phillips Petroleum Company could be formed.

I have enclosed a copy of a letter dated March 16, 1988 from Amerada Hess to Phillippe Petroleum which confirms the foregoing and direct your attention to paragraph 4 of the letter.

Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

WTK:ca

cc: William Mueller, (Phillips-Odessa)
William F. Carr, Esq.

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

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Jason Kellahin

Of Counsel

March 28, 1988

RECEIVED

MAR 29 1988

Oil Conservation Division

Mr. David R. Catanach
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Application of Phillips Petroleum Co.
for approval of a 160-acre non-standard
gas proration unit and unorthodox well
location

Dear Mr. Catanach:

On March 16, 1988, I presented to you the above
referenced application which was docketed as Division
Case 9331.

This case was opposed by Arco which sought, among
other things, a penalty to be applied to the subject
well's deliverability without regard to the production
from any of the other wells in the pool.

We mentioned at the hearing that the Commission in
the past had balanced the correlative rights of the
interest owners in the pool in this type of case by
applying an acreage reduction factor for ratable take
determination and implementation by the gas purchaser.
We urge you to apply such a reduction factor in the
subject case. I have enclosed a copy of Commission Order
R-3418 which is the precedent to which I referred at the
hearing.

Should you desire me to do so I will be happy to
submit a proposed order for entry in this case.

Very truly yours,



W. Thomas Kellahin

WTK:ca

cc: William Mueller, (Phillips-Odessa)
William F. Carr, Esq.

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. 3750
Order No. R-3418

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 24, 1968,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 29th day of May, 1968, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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 the applicant, Pan American Petroleum Corporation,
seeks authority to drill its State "AZ" Well No. 4 at an unortho-
dox gas well location in the West Ranger Lake-Devonian Gas Pool
990 feet from the North line and 990 feet from the East line of
Section 34, Township 12 South, Range 34 East, NMPM, Lea County,
New Mexico, to be dedicated to a standard unit comprising the
E/2 of said Section 34.

(3) That a standard location for the subject well would
require the well to be located not closer than 660 feet to the
nearest side boundary of the dedicated tract nor closer than 1980
feet to the nearest end boundary nor closer than 330 feet to any
quarter-quarter section or subdivision inner boundary.

(4) That the evidence indicates that the subject pool is an
active water-drive reservoir.

(5) That the evidence indicates that a well located up-structure at the proposed non-standard location in said Section 34 should recover more gas than a well located a a standard location.

(6) That the correlative rights of some offset operators will be impaired if the entire E/2 of said Section 34 is dedicated to the subject well.

(7) That to offset the advantage to be gained over offset operators by the drilling of a well at the proposed non-standard location, the acreage to be dedicated to the subject well should be reduced by 18.75 percent.

(8) That approval of the proposed unorthodox location will not violate correlative rights and will afford the applicant the opportunity to produce its just and equitable share of the gas in the West Ranger Lake-Devonian Gas Pool, 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 otherwise prevent waste, provided no more than 260 acres is dedicated to the subject well.

IT IS THEREFORE ORDERED:

(1) That the applicant, Pan American Petroleum Corporation, is hereby authorized to drill its State "AZ" Well No. 4 at an unorthodox gas well location in the West Ranger Lake-Devonian Gas Pool 990 feet from the North line and 990 feet from the East line of Section 34, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico;

PROVIDED HOWEVER, that no more than 260 acres shall be dedicated to said well, being the NE/4, N/2 SE/4, and the N/2 N/2 S/2 SE/4 of said Section 34.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

S E A L

GUYTON B. HAYS, Member

esr/

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

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. AG-29-5

SUPPLEMENTARY GAS PRORATION ORDER FOR THE MONTH
OF MAY, 1968

The Commission held public hearing at Hobbs, New Mexico, on April 17, 1968, at 9 o'clock a.m., pursuant to legal notice, for the purpose of setting the allowable production of gas from the following thirteen gas pools in Lea, Eddy, and Roosevelt Counties, New Mexico, for the month of May, 1968.

Atoka-Pennsylvanian, Bagley-Lower Pennsylvanian, Bagley-Upper Pennsylvanian, Blinebry, Crosby-Devonian, Eumont, Indian Basin-Morrow, Indian Basin-Upper Pennsylvanian, Jalmat, Justis, Monument McKee-Ellenburger, Todd-Lower San Andres, and Tubb.

NOW, on this 18th day of April, 1968, the Commission, a quorum being present, having considered the supplementary nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) That the total nomination of purchasers of gas produced from the above-listed thirteen gas pools for the month of May, 1968, is 19,842,968 MCF. The individual pool nominations, which total 19,842,968 MCF, are as follows:

Atoka-Pennsylvanian	1,240,000 MCF
Bagley-Lower Pennsylvanian	82,600 MCF
Bagley-Upper Pennsylvanian	38,100 MCF
Blinebry	1,283,754 MCF
Crosby-Devonian	206,000 MCF
Eumont	5,009,271 MCF
Indian Basin-Morrow	669,977 MCF
Indian Basin-Upper Pennsylvanian	6,059,886 MCF
Jalmat	3,060,578 MCF ✓
Justis	198,100 MCF
Monument McKee-Ellenburger	223,680 MCF
Todd-Lower San Andres	52,000 MCF
Tubb	1,719,022 MCF

(2) That the potential producing capacity of all gas wells in the thirteen gas pools listed above is in excess of the nominations of purchasers of gas, and in order to prevent waste and protect correlative rights, the production of gas from the above-listed thirteen gas pools should be limited, allocated, and distributed during the month of May, 1968.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the thirteen gas pools listed above, can produce a total of 19,842,968 MCF without causing waste during the month of May, 1968, and an allocation based upon such production would be reasonable and would protect correlative rights.

ORDER NO. AG-29-5

IT IS THEREFORE ORDERED:

(1) That for the month of May, 1968, the allowable production to be assigned the thirteen allocated gas pools in Lea, Eddy, and Roosevelt Counties, New Mexico, is as follows:

Atoka-Pennsylvanian	1,240,000 MCF
Bagley-Lower Pennsylvanian	82,600 MCF
Bagley-Upper Pennsylvanian	38,100 MCF
Blinsbry	1,283,754 MCF
Crosby-Devonian	206,000 MCF
Eumont	5,009,271 MCF
Indian Basin-Morrow	669,977 MCF
Indian Basin-Upper Pennsylvanian	6,059,886 MCF
Jalmat	3,060,578 MCF
Justis	198,100 MCF
Monument Mckee-Ellenburger	223,680 MCF
Todd-Lower San Andres	52,000 MCF
Tubb	1,719,022 MCF

(2) That the allocation hereby set for the month of May, 1968, in the thirteen allocated pools in Lea, Eddy, and Roosevelt Counties, New Mexico, shall be in accordance with the Commission Rules, Regulations, and Orders.

(3) That a proration schedule, duly prepared by the Commission and thereafter adopted for the month of May, 1968, is hereto attached and made a part hereof; it distributes and allocates the allowable production among the gas wells in the thirteen gas pools listed above for the period stated, in accordance with the Commission Rules, Regulations, and Orders.

The foregoing order shall remain effective until further order of the Commission.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

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

S E A L

199/

OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

3/16/88

Dave

Perry Peirce just called
and asked that you read
into the record his
letter that was sent in from
~~him~~ him.

M.S.

RECEIVED

AMERADA HESS CORPORATION

FEDERAL EXPRESS

JAN. SECTION
PHILLIPS PETROLEUM CO.
ODDESSA, TEXAS
1200 MILAM 7TH FLOOR
HOUSTON, TEXAS 77002-5681
713-658-9770

March 16, 1988

Phillips Petroleum Company
ATTN: Frank Hulse
4001 Penbrook
Odessa, Texas 79762

RE: Lease #NM-667
N/2SW/4 of Section 22, T17S-R35E
Lea County, New Mexico

Gentlemen:

Pursuant to our numerous phone conversations and meeting of March 14, 1988, Amerada Hess Corporation (AHC) hereby agrees to farmout the referenced acreage to Phillips Petroleum Company subject to the following:

- 1) On or before 90 days from the date of a formal agreement Phillips will commence actual drilling operations for a test well to be located in the W/2 of the NW/4 of Section 22, T17S-R35E. Said well will be drilled to a depth of 12,100' or to a depth sufficient to test the Morrow formation.
- 2) Completion of the test well as a commercial producer will earn Phillips 100% of AHC's interest in the proration unit established for said well from the surface of the earth down to 100' below the total depth drilled.
- 3) During payout of the test well AHC will retain an overriding royalty interest being the difference between 25% and lease burdens. After payout of the test well AHC will have the option to convert its overriding royalty interest to a 50% working interest. Both the overriding royalty interest and "back-in" working interest will be proportionately reduced.
- 4) Execution by AHC of the formal farmout agreement is contingent upon Phillips receiving approval from the New Mexico Oil Conservation Commission for a substandard proration unit for the test well consisting of the W/2NW/4 and N/2SW/4 of Section 22, T17S-R35E. In addition, Phillips must receive approval for said well to be located at an unorthodox location.

Please acknowledge your acceptance and approval of the above stated terms by executing both copies of this letter agreement and return one copy to my attention. I will then prepare and forward to your attention the formal agreement.

Mr. Frank Hulse
February 16, 1988
Page 2

Please do not hesitate to contact me should you have any questions.

Sincerely,

AMERADA HESS CORPORATION



Henry J. Hansen
Senior Landman

AGREED TO AND ACCEPTED this _____
day of _____, 1988.

PHILLIPS PETROLEUM COMPANY

BY: _____

HJH:rms(032L)

Enclosure