

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 THE APPLICATION OF
NORTHWEST PIPELINE CORPORATION
FOR CLARIFICATION OF ITS ORDER
NO. R-8332 RELATING TO COMPULSORY
POOLING, RIO ARriba COUNTY, NEW
MEXICO.

CASE NO. 10265

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Northwest Pipeline Corporation as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Northwest Pipeline Corporation
P. O. Box 8900
Salt Lake City, UT 84108-0900
801/583-8800

ATTORNEY

Paul A. Cooter
Rodey, Dickason, Sloan, Akin &
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STATEMENT OF CASE

Applicant ("Northwest") seeks clarification of Oil Conservation Division Order No. R-8332 dated November 4, 1986. That Order pooled all mineral interests in the Gavilan-Mancos Oil Pool underlying the S/2 Section 24, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, to form a standard 320 acre oil spacing and proration unit dedicated to the Rucker Lake Well No. 2 and designated Mesa Grande Resources, Inc. ("Mesa Grande") the operator.

The Rucker Lake No. 2 Well had originally been drilled by Northwest in the latter part of 1983 and then later sold by Northwest to Mesa Grande effective March 1, 1984. Northwest continued to operate that well, however, through the month of August, 1985.

After the entry of Order No. R-8332 on November 4, 1986, Northwest accounted to Mesa Grande for the proceeds of production attributable to the interest of Mountain States Natural Gas Corporation ("Mountain States") for the months of March, 1984 through August, 1985 (through January, 1987 for gas), deducting

therefrom Mountain States' share of drilling and completion costs for the Rucker Lake No. 2 Well as well as Mountain States' share of operation and maintenance costs for that same time period. Northwest remitted the balance to the operator, Mesa Grande, for accounting to Mountain States.

Mountain States now asserts at this time that (1) Mountain States was entitled to a share of the production from the Rucker Lake No. 2 Well from the date of first production therefrom to March 1, 1984 and (2) Northwest improperly remitted Mountain States' share of the proceeds of production, less its share of (i) the drilling and completion costs and (ii) costs of operation and maintenance for the time period of March, 1984 through August, 1985 to Mesa Grande.

Northwest respectfully submits that such assertions by Mountain States are without merit, and that Order No. R-8332 should be clarified to resolve that the procedure of accounting from Northwest to Mesa Grande was proper and in accordance with Order No. R-8332, and that Mountain States was not entitled to share in the proceeds of production from the Rucker Lake No. 2 Well (nor bear any portion of the operation and maintenance costs attributable thereto) prior to March 1, 1984.

PROPOSED EVIDENCE

WITNESSES	EST. TIME	EXHIBITS
Darrell L. Gillen, Land Coordinator	20 minutes	(1) Letter dated December 5, 1986 to Mesa Grande, with (2) Schedule of revenue, and investment and operation and maintenance charges forwarded therewith, (3) Northwest's Check dated February 25, 1987 payable to the order of Mesa Grande for the amount of \$ 8 5 , 8 5 3 . 1 4 , (4) Northwest's Voucher Cover Sheet for Check No. 61254 to Mountain States for the amount of \$3,806.81, (5) Northwest's Stop Payment Directive for that Check No. 61254 and (6) Northwest's Check No. 63979 to Mountain States for the amount of \$3,806.81, dated December 29, 1988.

Warren Curtis,
Manager of Land
Prorationing

10 minutes

(7) Northwest's letter to
Mountain States and other
interest owners dated
July 12, 1984.

PROCEDURAL MATTERS

None.

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

By 

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