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March 27, 1991

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Mr. Michael E. Stogner
Oil Conservation Division
State Land Office Building
Santa Fe, NM

Re: Case No. 10265

Dear Mr. Stogner:

At the conclusion of the March 21 hearing, you asked that I submit to you a draft of a proposed Order to be entered in the captioned case. The original and copy of such a proposed Order are handed to you with this letter.

Very truly yours,

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

By: Paul A. Cooter

PAC/bwh

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OIL CONSERVATION DIVISION
NEW MEXICO

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION
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PM 12 30

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

CASE NO. 10265
Order No. R-8332-A

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21, 1991,
at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on the _____ day of March, 1991, 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
hereof.

(2) The applicant, Northwest Pipeline Corporation, seeks
clarification of Order No. R-8332, which Order pooled certain
interests in the Gavilan-Mancos Oil Pool underlying the S/2 of
Section 24, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba
County, New Mexico, forming a standard 320 acre proration unit
dedicated to the Rucker Lake Well No. 2, located 1450 feet from the
South line and 1520 feet from the West line of said Section 24.

(3) Subsequent thereto, Mountain States Natural Gas
Corporation, a non-consenting working interest owner, asserted that
it was entitled to share in the production from the Rucker Lake
Well No. 2 from the date of first production. Northwest Pipeline
Corporation believes that Mountain States Natural Gas Corporation
was entitled to share in the production from that well from March

*Mesa Grande
Reservoir, Inc.*

Division dated November 4, 1986,

*oil
spacing
and*

*(Unit) at a previously approved unadvised
oil well
location
(Division
Administrative
Order
NSL-1785,*

1, 1984, the effective date of the Division's Order No. R-7407 establishing the Special Rules and Regulations for the Gavilan-Mancos Oil Pool.

(4) In addition, that non-consenting working interest owner questioned whether or not Northwest Pipeline Corporation acted properly by accounting to the operator, Mesa Grande Resources, Inc., for said non-consenting working interest owner's share of income received from the sale of production from the Rucker Lake Well No. 2, reasonable well costs actually incurred by Northwest Pipeline Corporation in the drilling and completion of that well and the actual expenditures required for operating that well from March 1, 1984, and paying said non-consenting working interest owner's share of production, less those costs and expenses, to the operator for further disbursement in accordance with the Division's Order No. R-8332.

(5) In Order No. R-8332, the Division expressly retained jurisdiction for entry of such further orders as it might deem necessary.

IT IS THEREFORE ORDERED THAT:

(1) No non-consenting working interest owner was entitled to share in the proceeds of production from the Rucker Lake Well No. 2 prior to March 1, 1984.

(2) Northwest Pipeline Corporation was entitled to deduct the non-consenting working interest owner's share of drilling and completion costs of the Rucker Lake Well No. 2 and the non-consenting working interest owner's share of actual expenditures required for operating that well attributable to such non-consenting working interest owner on and after March 1, 1984 from any sums held in suspense by Northwest Pipeline Corporation for the benefit of any non-consenting working interest owner.

(3) Northwest Pipeline Corporation acted properly and in accordance with the Division's Order No. R-8332 by accounting to and paying the operator, Mesa Grande Resources, Inc., for Mountain States Natural Gas Corporation's share of such income, less its proportionate part of the costs and expenses attributable thereto.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY,
Director

OIL CONSERVATION DIVISION
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED
MAR 27 PM 12 30

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

CASE NO. 10265
Order No. R-8332-A

APPLICATION OF NORTHWEST PIPELINE
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TO COMPULSORY POOLING, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

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This cause came on for hearing at 8:15 a.m. on March 21, 1991, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on the _____ day of March, 1991, 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 hereof.

(2) The applicant, Northwest Pipeline Corporation, seeks clarification of Order No. R-8332, which Order pooled certain interests in the Gavilan-Mancos Oil Pool underlying the S/2 of Section 24, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, forming a standard 320 acre proration unit dedicated to the Rucker Lake Well No. 2, located 1450 feet from the South line and 1520 feet from the West line of said Section 24.

(3) Subsequent thereto, Mountain States Natural Gas Corporation, a non-consenting working interest owner, asserted that it was entitled to share in the production from the Rucker Lake Well No. 2 from the date of first production. Northwest Pipeline Corporation believes that Mountain States Natural Gas Corporation was entitled to share in the production from that well from March

1, 1984, the effective date of the Division's Order No. R-7407 establishing the Special Rules and Regulations for the Gavilan-Mancos Oil Pool.

(4) In addition, that non-consenting working interest owner questioned whether or not Northwest Pipeline Corporation acted properly by accounting to the operator, Mesa Grande Resources, Inc., for said non-consenting working interest owner's share of income received from the sale of production from the Rucker Lake Well No. 2, reasonable well costs actually incurred by Northwest Pipeline Corporation in the drilling and completion of that well and the actual expenditures required for operating that well from March 1, 1984, and paying said non-consenting working interest owner's share of production, less those costs and expenses, to the operator for further disbursement in accordance with the Division's Order No. R-8332.

(5) In Order No. R-8332, the Division expressly retained jurisdiction for entry of such further orders as it might deem necessary.

IT IS THEREFORE ORDERED THAT:

(1) No non-consenting working interest owner was entitled to share in the proceeds of production from the Rucker Lake Well No. 2 prior to March 1, 1984.

(2) Northwest Pipeline Corporation was entitled to deduct the non-consenting working interest owner's share of drilling and completion costs of the Rucker Lake Well No. 2 and the non-consenting working interest owner's share of actual expenditures required for operating that well attributable to such non-consenting working interest owner on and after March 1, 1984 from any sums held in suspense by Northwest Pipeline Corporation for the benefit of any non-consenting working interest owner.

(3) Northwest Pipeline Corporation acted properly and in accordance with the Division's Order No. R-8332 by accounting to and paying the operator, Mesa Grande Resources, Inc., for Mountain States Natural Gas Corporation's share of such income, less its proportionate part of the costs and expenses attributable thereto.

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

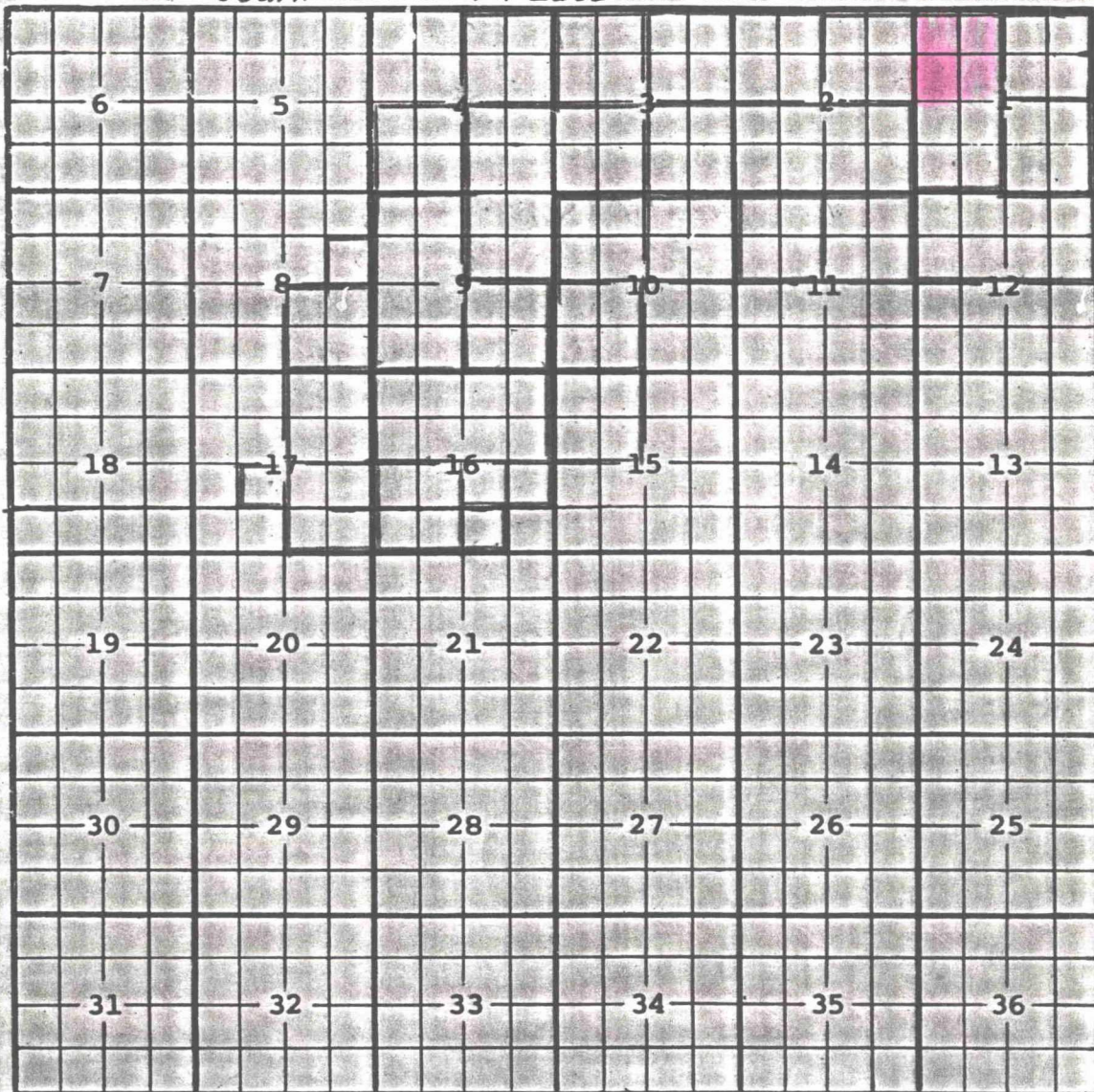
Done at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY,
Director

COUNTY EddyPOOL Empire - AboTOWNSHIP 18 SouthRANGE 27 East

NMPM

Description: $\frac{NW}{4}$ Sec. 11 (R-1179, 2-70-58)Ext: $\frac{NE}{4}$ Sec. 10; $\frac{NE}{4}$ Sec. 11 (R-1238, 9-1-58) - $\frac{S}{2}$ Sec. 2; $\frac{SE}{4}$ Sec. 3 (R-1312, 1-1-59)- $\frac{NW}{4}$ Sec. 2; $\frac{NE}{4}$ Sec. 3; $\frac{NW}{4}$ Sec. 10 (R-1355, 4-1-59) - $\frac{W}{2}$ Sec. 1; $\frac{NE}{4}$ Sec. 2;- $\frac{SW}{4}$ Sec. 3; $\frac{SE}{4}$ Sec. 4; $\frac{NE}{4}$ Sec. 9 (R-1397, 6-1-59) - $\frac{NE}{4}$ Sec. 1; $\frac{NW}{4}$ Sec. 3; $\frac{SE}{4}$ Sec. 9;- $\frac{N}{2}$ Sec. 12 (R-1466, 9-1-59) - $\frac{SE}{4}$ Sec. 1 (R-1509, 11-1-59) - $\frac{SW}{4}$ Sec. 10 (R-1559, 1-1-60)- $\frac{W}{2}$ Sec. 9 (R-1633, 4-1-60) - $\frac{NE}{4}$ Sec. 4; $\frac{SW}{4}$ Sec. 4; $\frac{N}{2}$ Sec. 16 (R-1681, 6-1-60)- $\frac{NW}{4}$ Sec. 15 (R-1749, 9-1-60) - $\frac{SE}{4}$ Sec. 8; $\frac{SW}{4}$ Sec. 16 (R-1840, 1-1-61)- $\frac{NE}{4}$ Sec. 17 (R-1907, 4-1-61) - $\frac{SE}{4}$ Sec. 17 (R-2062, 10-1-61) - $\frac{NE}{4}$ Sec. 17 (R-2139, 1-1-62)- $\frac{NW}{4}$ Sec. 16 (R-2187, 3-1-62) - $\frac{SE}{4}$ Sec. 8; $\frac{NE}{4}$ Sec. 16 (R-2241, 6-1-62)- $\frac{SW}{4}$ Sec. 16 (R-3979, 7-1-70)

spacing unit
The newly ~~formed~~ ^{formed} 320-acre ^{spacing unit} under the
provisions of Sections 70-2-17 and 18
NMSA 1978.

(6) Prior to March 1, 1984 the Gallup Formation
was spaced on 40 acre units and the NE $\frac{1}{4}$, SW $\frac{1}{4}$ of
said Section 24 was controlled 100 percent

by Northwest Pipeline Corporation. Therefore no
~~other~~ other parties were entitled to share in the
production from said well before the first day
of March 1984.

~~(7) Said Order No. R-8332~~

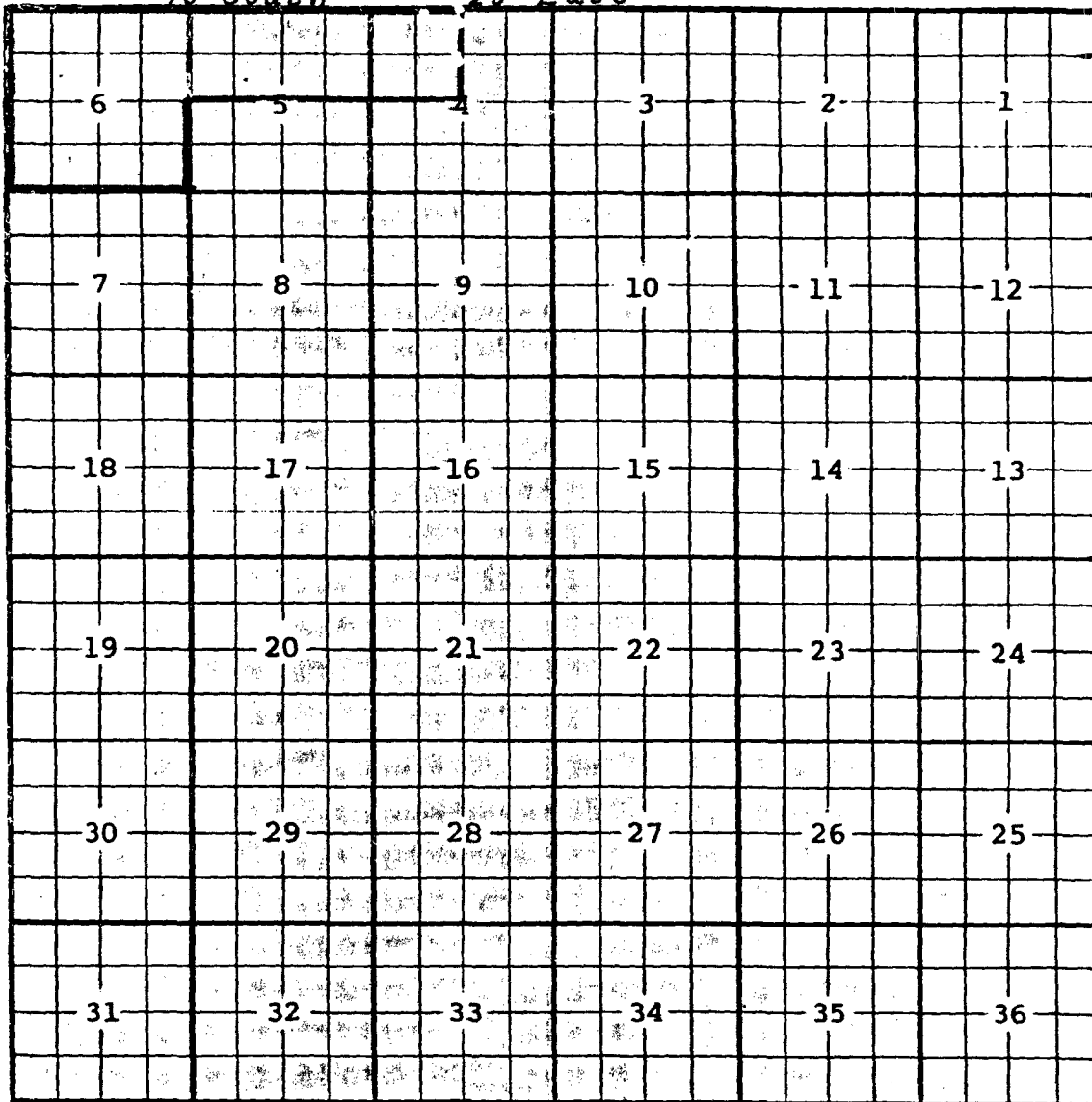
(11) Recatory Paragraph No. 5 on page 4 of
said Order No. R-8332 provides an opportunity
for any non-consenting interest owner affected
by said order an opportunity to object to
the actual well costs ^{attributable to him}. No such objection was
filed ~~by him~~ with the Division ~~by him~~
within the prescribed time by any party.

(12) Jurisdiction of this cause is retained for the
entry of such further findings of championship
as may be necessary.

DONE

COUNTY Eddy POOL Empire - Abo

TOWNSHIP 18-South RANGE 28-East NMPM



Ext: ^{NW}/₄ Sec. 6, (R-1559, 1-1-60). - ^{NW}/₄ Sec. 4; ^N/₂ Sec. 5; ^{NE}/₄ _{SW}/₄ Sec. 6, (R-1633, 4-1-60). - ^{SE}/₄ Sec. 6, (R-1700, 7-1-60).

For

(6) Division Order No. R-8332 also provided the following:

- 1) designated Mesa Grande Resources, Inc. operator of the subject well and unit; (Declaratory Paragraph No. (2))
- 2) dismissed that portion of the application for a charge for the risk involved in the drilling of the subject well; (Declaratory Paragraph No. (7))
- 3) authorized the operator to recover all drilling and completion costs attributable to said well from any and all nonconsenting working interest owners; and,
- 4) authorized the operator to recover its share of all costs of operations and overhead charges (\$475.42 per month while drilling and producing) since March 1, 1984.

Findings Paragraph Nos. (3), (10), (11), (12), (13) and Declaratory Paragraph Nos. (3), (4), (5), (6))

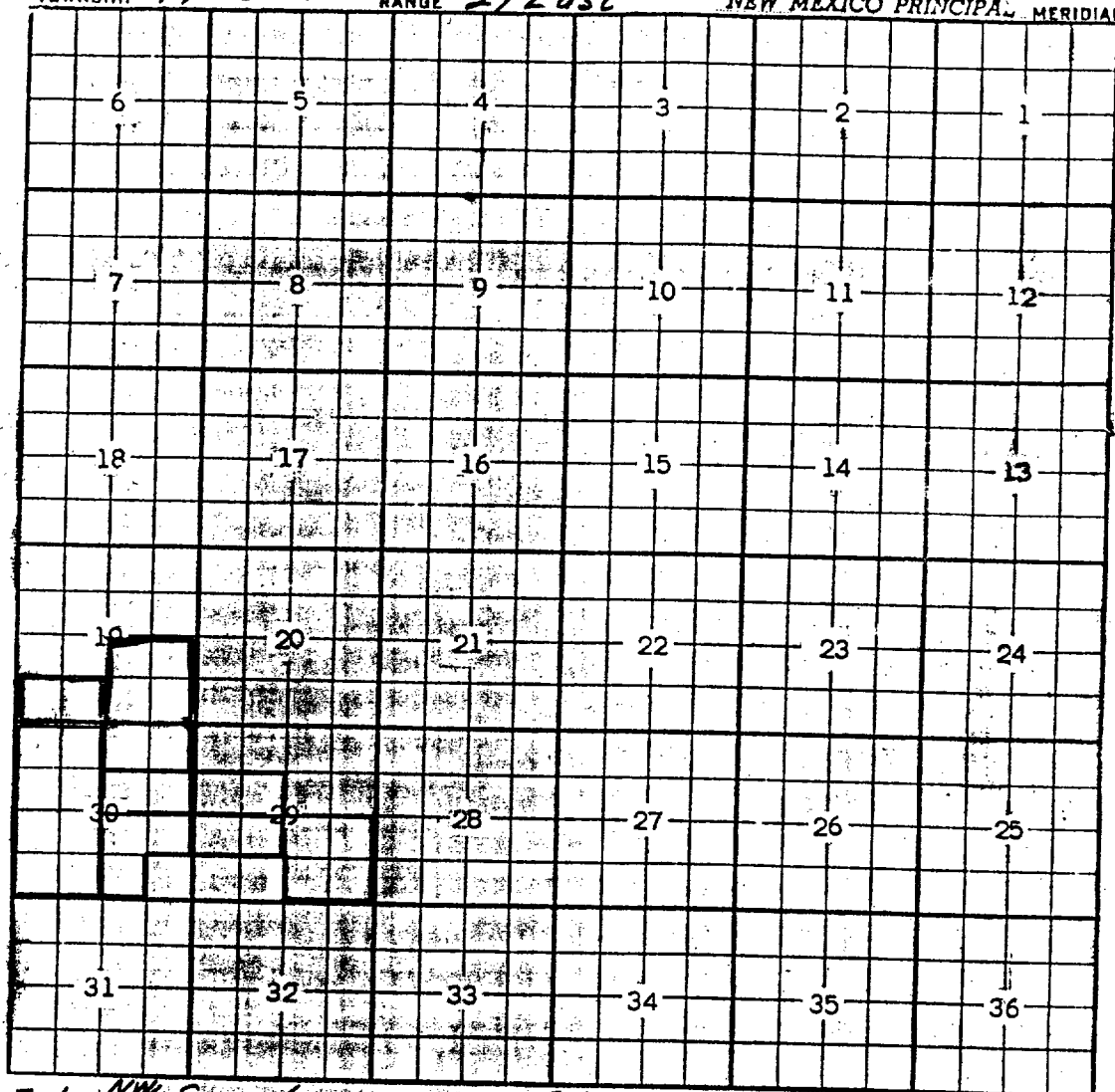
7 (4) ~~The applicant~~ Northwest Pipeline ^{oil well} Corporation, drilled the Rucker Lake Well No. 2 at a standard location in the NE/4 SW/4 of said Section 24 and completed the same to the Gallup Formation, with a total depth of approximately 8,155 feet on August 25, 1983 and 40 acres was dedicated as the standard spacing or proration unit for that well at that time.

8 (5) Subsequent thereto, the Division entered Order No. R-7407 effective March 1, 1984 establishing the Gavilan-Mancos Oil Pool and the Special Rules and Regulations, including a provision establishing the standard spacing or proration unit as 320 acres.

(7) Only after March 1, 1984 was it necessary for the operator of said Rucker Lake Well No. 1 to file with the Division an application to pool any and all ~~non~~ non-consenting parties ~~under~~ in

County EddyPool Empire - AboTOWNSHIP 17 SouthRANGE 29 East

NEW MEXICO PRINCIPAL MERIDIAN



Ext: NW $\frac{1}{4}$ Sec. 30 (R-1107, 4-1-61) - SW $\frac{1}{4}$ Sec. 30 (R-1981, 6-1-61)

- W $\frac{1}{2}$ SE $\frac{1}{4}$ & NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 30 (R-2139, 1-1-62) - N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 29, $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 30 (R-2187, 3-1-62).

SE $\frac{1}{4}$ & $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 29, (R-2313, 10-1-62). Ext: $\frac{1}{2}$ SW $\frac{1}{4}$ sec 19

(R-6912, 3-5-82)

Ext: Sec. 19 SE $\frac{1}{4}$ Sec. 30 N $\frac{1}{2}$ NE $\frac{1}{4}$ (R-7114 - 10-19-82)

COUNTY EddyPOOL Empire - AboTOWNSHIP 17 SouthRANGE 28 East

NMPM

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Ext: $\frac{S}{4}$ Sec 31; $\frac{S}{4}$ Sec 32 (R-1633, 4-1-60) - $\frac{SW}{4}$ Sec 33 (R-1652, 5-1-60)
 - $\frac{NW}{4}$ $\frac{SE}{4}$ Sec 33; $\frac{S}{4}$ Sec 34 (R-1681, 6-1-60) - $\frac{SW}{4}$ Sec 27; $\frac{N}{4}$ Sec 34; $\frac{NW}{4}$ Sec 35 (R-1700, 7-1-60)
 - $\frac{SW}{4}$ Sec 25; $\frac{S}{4}$ Sec 26; $\frac{SE}{4}$ Sec 27; $\frac{NW}{4}$ Sec 31; $\frac{NE}{4}$ Sec 33; $\frac{NE}{4}$ $\frac{SW}{4}$ Sec 35 (R-1749, 9-1-60)
 - $\frac{SE}{4}$ Sec 25; $\frac{N}{4}$ Sec 32 (R-1797, 11-1-60) - $\frac{S}{4}$ $\frac{NE}{4}$ Sec 26; $\frac{SE}{4}$ Sec 28 (R-1840, 1-1-61)
 - $\frac{NE}{4}$ Sec 25 (R-1907, 4-1-61) - $\frac{NW}{4}$ $\frac{NW}{4}$ Sec 36 (R-2139, 1-1-62)

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

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

April , 1991

RODEY, DOCKASON, SLOAN
AKIN & ROBB, P.A.
Attorneys at Law
P. O. Box 1357
Santa Fe, New Mexico 87504

RE: CASE NO. 10265
ORDER NO. R-8332-A

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

FD/sl

cc: BLM Farmington Office
Paul Pratt
James Bruce
OCD Aztec Office

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

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

May 8, 1991

RODEY, DICKASON, SLOAN
AKIN & ROBB, P.A.
Attorneys at Law
P. O. Box 1357
Santa Fe, New Mexico 87504

RE: CASE NO. 10265
ORDER NO. R-8332-A-1

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

Sincerely,

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Florene Davidson
OC Staff Specialist

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cc: BLM Farmington Office
Paul Pratt
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OCD Aztec Office