

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 5, 1987

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy
and Minerals
State Land Office Building
Santa Fe, New Mexico 87503

Re: Case No. 9036

Dear Mr. LeMay:

This letter is written to express the concerns of Phillips Petroleum Company in connection with the length of time that the above-referenced matter has been pending. Phillips Petroleum filed its application in Case 9036 seeking a non-standard oil proration unit and an unorthodox oil well location in Lea County, New Mexico.

The case was filed in order to secure a necessary and sufficient oil well location to develop its interest in the reserves underlying the Southeast Quarter of the Southwest Quarter of Section 4, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico. This case came on for hearing at 8:15 a.m. on November 19, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

Phillips Petroleum Company sought to drill their well at the location requested in the application in order to recover their just and fair share of the reserves underlying their lease in the Shipp-Strawn Pool and to prevent drainage of the reserves underlying its property by the Exxon EX State No. 2 Well (which has been drilled in the SW/4 SE/4 of Section 4, Township 17

RECEIVED

FEB 5 1987

OIL CONSERVATION DIVISION

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OCT 29 1986

OIL CONSERVATION DIVISION

October 29, 1986

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HAND DELIVERED

R. L. Stamets, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

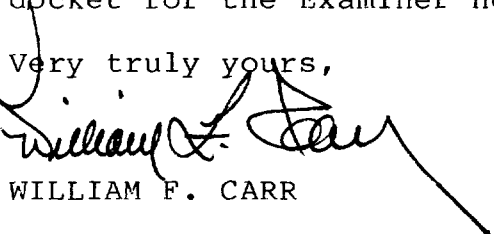
Case 9036

Re: Application of Phillips Petroleum Company for
a Nonstandard Spacing Unit and an Unorthodox
Well Location, Lea County, New Mexico.

Dear Mr. Stamets:

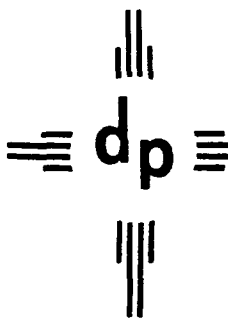
Enclosed in triplicate is the Application of Phillips
Petroleum Company in the above-referenced matter. Phillips
Petroleum respectfully requests that this matter be placed on the
docket for the Examiner hearings scheduled on November 19, 1986.

Very truly yours,


WILLIAM F. CARR

WFC/ab
Enclosures

cc w/enclosure: Phillips Petroleum Company



dugan production corp.

January 2, 1987

TO: WORKING INTEREST OWNERS & INTERESTED PARTIES
GAVILAN MANCOS POOL & ADJACENT AREAS
Rio Arriba County, New Mexico

Gentlemen:

Attached for your information is a copy of a letter dated December 22, 1986 from the New Mexico Oil Conservation Division (NMOCD) in which the Commission requests that the Gavilan Mancos Pool Study Committees meet with them at 9:00 A.M. on January 14, 1987 in order to "be certain that the committee is on track and to be assured that each party's interests were being addressed". This letter is to advise you that the Engineering and Geologic Study Committees plan to meet as requested by the NMOCD at 9:00 A.M. on January 14, 1987 at the Commission's office in Santa Fe, New Mexico.

We do not view this as a meeting that would require general interest owner participation, however, we do feel that you should be advised of activities of the Gavilan Mancos Study Committee.

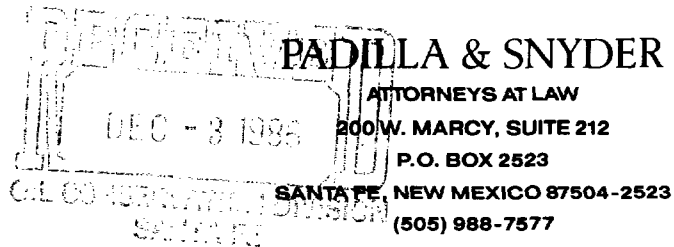
Sincerely,

Richard E. Fraley
Co-Chairman

John D. Roe
Committee Member

JDR/cg

attach.



December 2, 1986

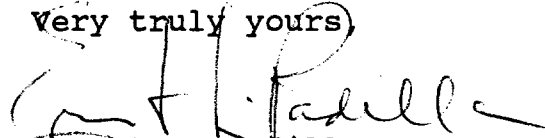
David R. Catanach
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

Re: Case 9036

Dear Mr. Catanach:

In accordance with your instructions at the hearing of the above-referenced case, enclosed please find the proposed order of Barbara Fasken.

Very truly yours,



Ernest L. Padilla

ELP:kkrr

c: James Groce w/enclosure
W. Thomas Kellahin, Esq. w/enclosure
Peter N. Ives, Esq. w/enclosure
James Bruce, Esq. w/enclosure

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



February 6, 1987

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2038
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5300

Mr. Peter Ives
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9036
ORDER NO. R-3389

Applicant:

Phillips Petroleum Company

Dear Sir:

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

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other James Bruce, Ernest L. Padilla, Tom Kellahin

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December 18, 1986

HAND-DELIVERED

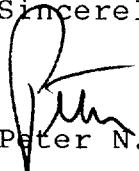
Hearing Examiner
David Catanach
Oil Conservation Division
State Land Office Building
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Re: Phillips Petroleum Company's Proposed Order of the
Division In Case No. 9036

Dear Mr. Catanach:

Enclosed please find the proposed form of Order prepared by Phillips Petroleum Company in Case No. 9036 pursuant to your request. If you need any additional information, please contact me.

Sincerely,

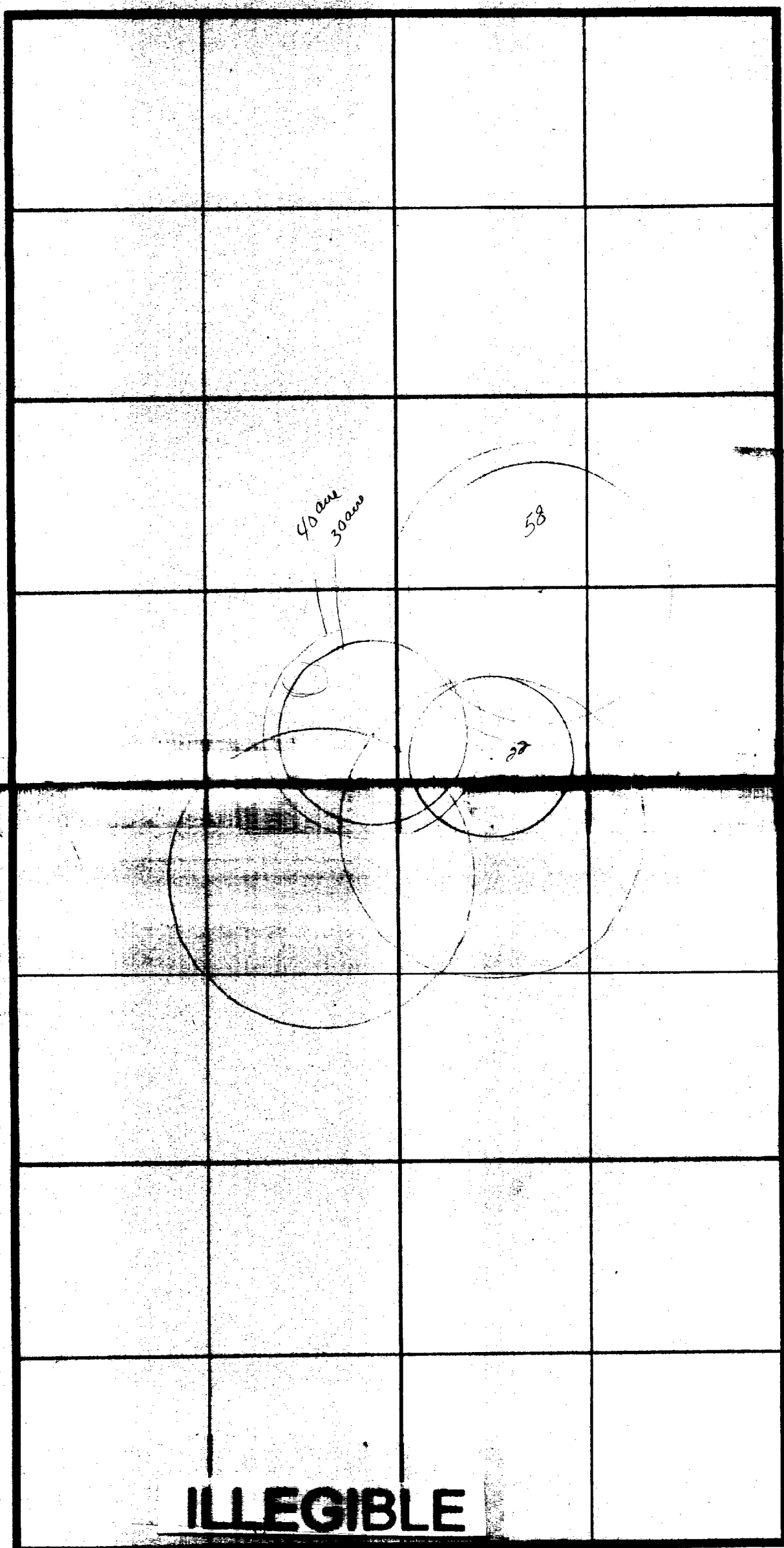


Peter N. Ives

PNI/ko

Enclosure

cc: George Terry
Counsel of Record



(SAN LUIS-MESAVERDE POOL - Cont'd.)

(2) That for allowable purposes, the 40-acre proportional factor for pools in the 0-5000 foot depth range shall apply to the said San Luis-Mesaverde Oil Pool.

(3) That special rules and regulations for the said San Luis-Mesaverde Oil Pool be and the same are hereby promulgated as hereinafter set forth.

**SPECIAL RULES AND REGULATIONS FOR THE
SAN LUIS-MESAVERDE OIL POOL**

RULE 1. Each well drilled in the San Luis-Mesaverde Oil Pool shall be located no nearer than 150 feet to the outer boundary of the quarter-quarter section on which it is located and shall be located no nearer than 300 feet to the nearest well producing from the same common source of supply; provided, however, that offset wells to the discovery well which are drilled in the NW/4 SE/4 of Section 21 may be located nearer than 300 feet to the discovery well.

RULE 2. No 40-acre proration unit in said San Luis-Mesaverde Oil Pool shall produce in excess of the 40-acre top unit allowable for wells in the 0-5000 foot depth in Northwest New Mexico, regardless of the number of wells drilled on such 40-acre proration unit.

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

**SHIPP-STRAWN POOL
Lea County, New Mexico**

Order No. R-8062-A, Creating and Adopting Temporary Operating Rules for the Shipp-Strawn Pool, Lea County, New Mexico, January 21, 1986.

Application of the Oil Conservation Division on its Own Motion to Amend Division Order No. R-8062 and to Contract the Horizontal Limits of the East Lovington-Pennsylvanian Pool, Lea County, New Mexico.

CASE NO. 8790
Order No. R-8062-A

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8 a.m. on December 18, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of January, 1986, 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) Division Order No. R-8062 issued on October 31, 1985, in Case No. 8696 classified, created and designated the Shipp-Strawn Pool, promulgated temporary special rules and regulations therefor, and assigned an oil discovery allowable to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line (Unit I) of Section 4, Township 17 South, Range 37 East, NMPM, all in Lea County, New Mexico.

(3) In the present case, the New Mexico Oil Conservation Division (Division) on its own motion seeks the following amendments to Division Order No. R-8062:

(a) correction of the oil discovery allowable assigned to Pennzoil Company Viersen Well No. 1;

(b) amendment of the horizontal limits of the pool;

(c) revision of the well location provisions of the Special Pool Rules to require well locations to be no further than 150 feet from the center of a governmental quarter-quarter section or lot; and

(d) deletion of the limitation imposed on the pool restricting the applicability of the Special Pool Rules to the area within the pool boundaries.

(4) The Division further seeks to contract the horizontal limits of the East Lovington-Pennsylvanian Pool by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) The evidence presented in this case indicated that:

(a) The NW/4 NW/4 of said Section 4 is more properly classified as being in the Shipp-Strawn Pool than the East Lovington-Pennsylvanian Pool;

(b) there is insufficient evidence at this time to include more than the N/2 and SE/4 of said Section 4 within the boundaries of said Shipp-Strawn Pool;

(c) the special rules for the Shipp-Strawn Pool should not be limited to that area only within the boundaries of said pool but should apply also within one mile thereof; and,

(d) rules requiring well locations within 150 feet of the center of the quarter-quarter section would better serve to protect the correlative rights of the owners within said pool.

(6) The evidence presented at this hearing also demonstrated that the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line of said Section 4, was improperly calculated and should be reduced to 55,595 barrels of oil total.

(7) An order entered amending said discovery allowable, revising said pool boundaries as described above, and incorporating the above described changes in special pool rules will better protect correlative rights and will not result in waste.

(8) The effective date of this order should be January 21, 1986.

IT IS THEREFORE ORDERED THAT:

(1) The East Lovington-Pennsylvanian Pool as heretofore defined and described is hereby contracted by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The horizontal limits of the Shipp-Strawn Pool, as heretofore defined and described in Lea County, New Mexico, are hereby amended to include therein the following described area only:

**TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 4: N/2 and SE/4**

(SHIPP-STRAWN POOL - Cont'd.)

(3) The temporary Special Rules and Regulations for the Shipp-Strawn Pool are hereby amended to read in their entirety as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SHIPP-STRAWN POOL

RULE 1. Each well completed or recompleted in the Shipp-Strawn Pool or in the Strawn formation within one mile of the Shipp-Strawn Pool, and not nearer to or within the limits of another designated Strawn pool shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well completed or recompleted in the Shipp-Strawn Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2, or W/2 of a single governmental quarter section; provided, however, nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. For good cause shown, the Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Shipp-Strawn Pool as the acreage in such non-standard unit bears to 80 acres.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 445 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres."

IT IS FURTHER ORDERED THAT:

(4) The location of any well permitted, in drilling to, or completed in the Strawn formation within the boundaries of the Shipp-Strawn Pool prior to January 21, 1986, which location was orthodox under pool rules existing prior to that time and which location is now unorthodox, is hereby approved.

(5) The locations of any other wells presently permitted in, drilling to, or completed in the currently defined Shipp-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District office of the Division in writing of the name and location of the well on or before April 1, 1986.

(6) The amount of the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1 located 2130 feet from the South line and 660 feet from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, as set out in Division Order No. R-8062 is hereby amended to a total of 55,595 barrels of oil to be produced at a rate not to exceed 76 barrels per day in accordance with Division General Rule 509.

(7) The effective date of this order and of the pool and pool rule changes included herein shall be January 21, 1986.

(8) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), existing wells in the Shipp-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Shipp-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(9) This case shall be reopened at an examiner hearing in November, 1986, at which time the operators in the subject pool may appear and show cause why the Shipp-Strawn Pool should not be developed on 40-acre proration units.

(10) 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.