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February 19, 2001

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

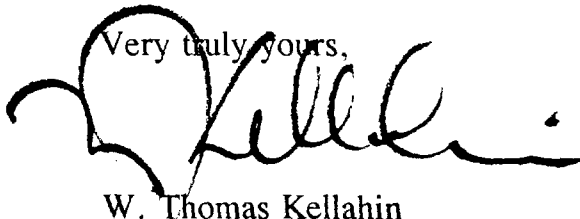
**Re: REQUEST TO STAY ORDER R-11652**  
**NMOCD Case 12587**  
***Application of Sapient Energy Corp.***  
***for an unorthodox well location and non-***  
***standard proration unit or in the alternative***  
***a 160-acre non-standard proration unit***  
***Lea County, New Mexico***

**NMOCD Case 12605**  
***Application of Sapient Energy Corp.***  
***for special pool rules,***  
***Lea County, New Mexico***

Dear Ms. Wrotenbery:

On behalf of Sapient Energy Corp., please find enclosed our request for a Hearing DeNovo of the referenced cases before the New Mexico Oil Conservation Commission. We request that this matter be set for hearing on the November 9th docket.

Very truly yours,



W. Thomas Kellahin

cc: William F. Carr, Esq.  
Attorney for Conoco Inc.  
cc: Sapient Energy Corp.  
Attn: Chuck Perrin

**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 NO. 12587**

**APPLICATION OF SAPIENT ENERGY CORP. FOR AN  
UNORTHODOX GAS WELL LOCATIONS AND (i) TWO  
NON-STANDARD 160-ACRE GAS SPACING UNITS;  
OR IN THE ALTERNATIVE (ii) ONE NON-STANDARD  
160-ACRE GAS SPACING AND PRORATION UNIT,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 12605**

**APPLICATION OF SAPIENT ENERGY CORP.  
FOR SPECIAL POOL RULES,  
LEA COUNTY, NEW MEXICO**

**MOTION OF  
SAPIENT ENERGY CORP.  
FOR STAY OF  
DIVISION ORDER NO. R-11652**

SAPIENT ENERGY CORP. ("Sapient"), through its attorneys, Kellahin & Kellahin, and in accordance with 19 NMAC 15.N.1220.B, hereby moves the Oil Conservation Division and the Oil Conservation Commission for an order staying Oil Conservation Division Order No. R-10731 pending **De Novo** review by the Commission;

**AND IN SUPPORT STATES:**

1. Sapient Energy Corp. had sought approval by the Division:
  - (a) of an unorthodox gas well location for its Bertha J. Barber Well No 12 ("Barber 12 Well") which is located at an unorthodox gas well location 330 feet from the north line and 660 feet from the east line of Section 7, T20S, R37E, Lea County, New Mexico;

(b) to be dedicated to a non-standard 160-acre gas proration and spacing unit consisting of the E/2E/2 this section for production from the West Monument-Tubb Gas Pool **retroactive to the date of first production (September 9, 1999)**;

(c) should the Division approve a non-standard 160-acre spacing and proration unit consisting of the E/2E/2 of Section 7, then the applicant seeks the approval of a second non-standard 160-acre proration and spacing unit consisting of the W/2E/2 of this section;

(d) in the alternative, applicant requests that the Division adopt special rules and regulations for the West Monument-Tubb Gas Pool, including a provision for standard 80-acre spacing units.

2. Conoco Inc., as the owner of a 37.41862% working interest in the W/2NE/4, appeared in opposition to Sapient contending Sapient should be required to form a 160-acre spacing unit consisting of the NE/4 of Section 7 and thereby allowing Conoco to share in 18.70931% of the production from the Barber Well.

3. By Order R-11652, entered effective September 13, 2001, the Division **denied** Sapient's application and, among other things, ordered Sapient to: "...shut-in the Bertha J. Barber Well No. 12 until such time as all production from this well has been appropriately reallocated to all of the mineral interest owners in the standard 160-acre unit comprising the NE/4 of Section 7, either by voluntary agreement of all such owners or by a compulsory pooling order."

4. Sapient has filed for a DeNovo hearing of these cases before the New Mexico Oil Conservation Commission ("Commission") requesting a hearing on November 9, 2001.

5. Sapient seeks a stay of Division Order R-11652 to enable it to continue to produce its Bertha J. Barber Well No. 12 ("Barber Well") pending a final order of the Commission in these matters.

### **SHUT-IN WILL DAMAGE THIS WELL**

6. Prior to the Division order, Sapient had commenced rework operations on the Barber Well including acidizing the Tubb formation in this wellbore. Unless Order R-11652 is stayed, Sapient will be required to shut-in the well and leave fluids and substances in the formation which can jeopardize Sapient's ability to restore this well to production; **See Exhibit 1.**

### **CONOCO'S CORRELATIVE RIGHTS ARE PROTECTED**

7. Conoco's correlative rights will not be impaired by allowing the Barber Well to continue to produced because:

(i) should Conoco ultimately prevail, then it is in Conoco's best interests to not risk reducing the ultimate recovery from the well by shutting it in and risking damaging its ability to produce.

(ii) there is sufficient remaining recoverable gas to be produced by the Barber Well, provided it is not shut-in, that should Conoco ultimately prevail then it can receive its appropriate share of both past and future production;

### **SAPIENT EXPECTS TO PREVAIL AT A HEARING BEFORE THE COMMISSION**

#### **Proportioning:**

8. Among other problems, Division Order R-11652 fails to comply with NMSA (1978) Section which requires:

"A. ..., so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce its just and equitable share of the oil or gas, or both, in the pool, being the amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, **substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool...**" [emphasis added]

B. ...may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well...."

9. The Division denied Sapient's request that the Division adopt rules and regulations for the production of gas from the West Monument-Tubb Gas Pool including a provision for standard 80-acre gas spacing and proration units.

10. Sapient contends that spacing units consisting of 80-acres formed as described in paragraph (8) above satisfy the statutory requirements set forth in Section 70-2-17 NMSA (1978).

**Prior Division approvals:**

11. Sapient relied upon the Division's approvals set forth in paragraph (18) below, and to now require Sapient to obtain further approvals for this well will cause Sapient to be damaged and irreparably harmed.

12. By letter dated October 11, 2000, Chevron USA Production Company filed an administrative application with the Division seeking approval of an unorthodox gas well location for its G. C. Matthews Well No. 12, 330' FSL & 990' FEL Unit P, Section 6, T20S, R37E, to be dedicated to a standard 160-acre gas spacing consisting of the SE/4 of this section for production from the West Monument-Tubb Gas Pool.

13. Chevron sent notification of its application to Falcon Creek Resources, Inc. ("now Sapient Energy Corp.") as the offsetting operator of the Bertha J. Barber Well No. 12 ("the Barber 12 Well"), Unit A of Section 7, T20S, R37E, towards whom the Chevron well will encroach.

14. On August 21, 1999, Cross Timber recompleted the Barber 12 Well from an oil well to a producing gas well in the Tubb gas formation.

15. On January 6, 2000, in Case 12321, the Division issued Order R-11304 which approved the creation of the West Monument-Tubb Gas Pool, designated the E/2 of Section 7 as the acreage for the new pool and **approved** the Barber 12 Well as the discovery well for this pool.

16. On April 1, 2000, Falcon Creek Resources, Inc. ("Falcon Creek") acquired the Bertha J. Barber Well No. 12 from Cross Timbers Operating Company ("Cross Timbers").

17. On July 14, 2000, Sapient Energy Corp. ("Sapient") acquired this well from Falcon Creek.

18. As a result of Chevron's application, Sapient has determined from an examination of the Division files the following:

(a) Cross Timbers filed a C-103 (Sundry Notice) dated August 10, 1999, being a notice of intention to recomplete the Bertha J. Barber Well No. 12 in Tubb formation. **Approved** by Paul Kautz (OCD-Hobbs on September 20, 1999)

(b) Cross Timbers filed a C-105 dated September 9, 1999, being a Tubb gas well recompletion report;

(c) Cross Timbers filed a C-103 (Sundry Notice) dated September 9, 1999, being a report that it had recompleted the Bertha J. Barber Well No. 12 in Tubb formation. **Approved** by Paul Kautz (OCD-Hobbs on September 20, 1999)

(d) Cross Timbers filed a C-102 dated September 9, 1999, showing an unorthodox Tubb gas well location and the dedication of a non-standard 160-acre spacing unit consisting of the E/2E/2 of Section 7;

(e) on September 20, 1999, the Division (OCD-Hobbs) **approved** Cross Timbers' C-103 to recomplete this oil well at an unorthodox gas well location in the Tubb formation with a 160-acre non-standard acreage dedication consisting of the E/2E/2 of Section 7;

(f) on September 20, 1999, the OCD-Hobbs **approved** Cross Timbers' C-104 (allowable request) which shows this well as a Wildcat Tubb gas well.

(g) on April 14, 2000, the OCD-Hobbs **approved** Falcon Creek's C-104 (allowable request) which shows this well to be in the West Monument Tubb Gas Pool.

**retroactivity:**

19. From the date of first production, Cross Timbers, Falcon Creek and now Sapient has paid and distributed proceeds from the Tubb formation production from the Barber 12 Well to the mineral owners in the E/2E/2 of this section.

20. The Division has exceeded its authority to require the retroactive reallocation of production and proceeds from this well including but not limited to the dates preceding the Division's designation of Sapient as the operator of the Barber Well.

**NOTIFICATION**

21. Counsel for Sapient has notified counsel for Conoco Inc. of this request and is and awaiting a response to determine if this motion is opposed.

**CONCLUSION**

22. Sapient has a right to have these issues reviewed **De Novo** by the Commission.

23. A stay of Order R-11652 until and order is entered by the Commisno after the **De Novo** review will protect the rights of the interest owners in this spacing unit and afford them the **De Novo** hearing as guaranteed by the Oil and Gas Act. **See Exhibit 2 attached.**

WHEREFORE, Sapient Energy Corp. request that Oil Conservation Division Order R-11652 be stayed in its entirety pending a **De Novo** review by the Oil Conservation Commission.


Respectfully submitted,



W. Thomas Kellahin  
Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265  
ATTORNEYS FOR SAPIENT ENERGY CORP.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Motion for Stay was hand-delivered  
this 19<sup>th</sup> day of September 2001 to William F. Carr, Esq. attorney for Conoco Inc.

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin



**SAPIENT ENERGY CORP.**8801 S YALE, SUITE 150  
TULSA, OKLAHOMA 74137TELEPHONE 918-488-8988  
FACSIMILE 918-488-8994

September 18, 2001

Mr. Tom Kellahin  
Kellahin and Kellahin  
P.O. Box 2265  
Santa Fe, NM 87504  
Fax: (505) 982-2047**RE: Barber # 12**  
Lea County, New Mexico

Dear Mr. Kellahin,

Pursuant to your request, I am writing a brief summary of the work that was recently performed on the Barber 12 well and to explain why Sapient believes it would be a mistake to shut this well in at this time.

In August Sapient suspected that the Barber 12 well had developing a scale and possible sand fill problem. We moved in a rig in late August to perform a workover to alleviate the suspected problems. After determining that some of the perforations were covered with frac sand we cleaned out the wellbore and removed the sand. We next pumped 2000 gallons of scale treatment plus diverter (rock salt) in an attempt to remove the scale problem. Unfortunately the scale treatment created more problems than it corrected and the well locked up such that it was unable to sustain a flow rate into the gas sales line.

It was initially thought that the diverter may have plugged off the perforations and was not allowing the hydrocarbons to flow into the wellbore. Therefore, fifty barrels of 2% KCl water were pumped in an attempt to dissolve the diverter. This treatment was not successful in establishing production. After running acid solubility tests with the fluid swabbed from the well it was determined that acid should help dissolve the damage and enable the well to clean up. We then pumped a combination of nitrogen gas with 2000 gallons of acid into the formation. After swabbing, the well kicked off flowing again. Since that time, the flow rate of the well has improved each day. It flowed 766 mcf/d yesterday compared to 668 mcf/d only one week ago and is still cleaning up. The attached report shows the detail work that was performed on the well.

Sapient believes that it would be a mistake to shut the well in as long as it is cleaning up and showing improvement. This well has proven its susceptibility to damage by the way it reacted to the first treatment. Shutting the well in now would allow the fluids and precipitates that damaged the well in the first place (and are now gradually coming out of the well as it cleans up) to remain in place and possibly create irreparable harm to the well.

Yours very truly,

Kyle Travis  
President

Encl.



**BJ Barber # 12**  
**Lea County, NM**  
**Sec. 7,T20S,R37E**

**Monument Field**  
**API# 30-025- 05978**

8/23/01-MIRU wireline to tag for fill (sand). Tag fill at 6383'. Perfs at 6364'-67', 6378'-89', 6410'-12, 6419'-25' (25 holes). Bottom 2 ½ sets of perfs covered. Will bail tomorrow. Rig down wire line. MIRU pulling unit. SDFN

Daily Cost-	JSL Wire line	850.00
	EWS	300.00

Daily Total	1150.00	Cum. Cost	1150.00
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8/24/01-Open well. Rig up pump truck and pump 35bbls 2% KCL down tbg to kill well. Unflange well- install BOP- release pkr. Tally out of hole w/ tbg- lay pkr down. TIH w/ notch collar - check valve - 2 joints - check valve - 14 joints - pump - rest tbg. Tag at 6393' (10' deeper than wire line). Pump 20bbls water down csg and clean out to 6466'. The fill was very hard- the last 36' of bailing was easier. TOOH w/ tbg and bailer- lay all tools down (recovered 7 full joints sand.) TIH w/ half of tbg and secure well. SDFN BLWTR- 80bbls.

Note\*\* - found scale in tubing at 5200'. Scale was calcium sulfate- not calcium carbonate as expected from water analysis. Calcium sulfate also found in surface equipment. Changed acid job to deal with calcium sulfate.

Daily Cost-	EWS	2200.00
	Pate	1100.00
	Watson	1550.00 bailer & redress pkr
	Don- Nan	350.00 tbg
	Sup.	500.00

Daily Total	5700.00	Cum. Cost	6850.00
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8/24/01-Well open to flow line 12hrs Tbg- 180psi , Csg- 200psi. Pump 30bbls down well- kill well. TIH w/ rest production string- NDBOP set pkr (model R). Flange well up. Rig up Petroplex- test lines to 4500psi-start job. Pump 1000 gallons X-25 - 500 pounds rock salt w/ 5bbls 10# brine - 1000 gallons X-25 - flushed w/ 20bbls 2% KCL. Tbg loaded after 25bbls- pump job with pressure increasing from 3500psi to 3760psi. and rate dropping from 4bpm to 1.6bpm. Very slight diversion action. ISIP 3520psi - 5min 3169psi - 10min 2794psi - 15min 2406psi. Rig down Petroplex. Leave well shut in. RDMO. BLWTR- 183

#### TBG STRING

2joints	2-3/8 x 61'
pkc	2-3/8 x 7'
SN	2-3/8 x 1'
198 joints	2-3/8 x 6261'

Daily Cost-	EWS	1100.00
	Petroplex	8600.00
	Pate	350.00
	LFT	500.00
	Sup.	250.00

Daily Total	10,800.00	Cum. Cost	17,650.00
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8/27/01- MIRU swab unit. Well shut in 38 hrs.-TBG vacuum- CSG- no pressure. IFL- 4400'

After 1 hr- Fluid level 4800' – recovered 14 barrels all water – vacuum after each run

After 2 hrs – Fluid level 5200'- 13 barrels all water- good gas blow- blackish and gray colored water.

After 3 hrs -- fluid level 5700' – 10 barrels water – good gas blow- same type fluid

After 4 hrs – fluid level 6000'- scattered- 7 barrels water – kicked off flowing.

Well just barely flowing. Made one more swab run- fluid was scattered throughout the tubing - no fluid recovery. Shut in well for 45 minutes- pressure built up to 100 psi.

Opened up down line. Sent crew home. Left flowing.

At 9pm tbg had 50psi flow rate of 80 mcf no fluid

At 11pm tbg had 50psi flow rate of 80 mcf no fluid

At 4am tbg had 80psi flow rate of 100mcf no fluid

At 6am tbg had 85psi flow rate of 150 mcf fluid coming in heads

:39 BLWTR

Daily Cost-	EWS	1000.00
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Daily Total	1000.00	Cum. Cost	18650.00
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8/28/01- Tbg 85psi-flow rate of 155mcf at 7 am. Flowed 2bbls over night- by 9am well not making any fluid or gas. Pick up swab- make run- dry- no fluid in tbg. (Had discussion on possibility that salt diverter was blocking formation.) Wait on truck- hook up to tbg and pump 34bbls 2 % KCL water-hit pressure (tubing volume 24.5 bbls. – casing volume to top perf -.5 bbls – casing volume to bottom perf 1.5 bbls) Rate went from 3bpm to 1bpm at 900psi. After pumping 38bbls- rate 1bpm at 1000psi. With 40bbls gone- rate 1bpm at 1200psi. With 43bbls gone- rate .5bpm at 1500psi. Shut truck down. ISIP 1000psi- 2min on vacuum. Started pumping again- came back on at 1bpm 750psi. With 45bbls gone- rate 1bpm at 1500psi. With 47bbls gone- rate .5bpm at 1700psi. Shut truck down- ISIP 1400psi – 1min 900psi – 2min 500psi – 3min 200psi – 4min vacuum. Started pumping again -came back on at 1bpm 1500psi. With 50bbls gone -rate 1bpm at 1750psi. Shut truck down- ISIP 1600psi – 1min 1400psi – 2min 800psi – 3min 500psi – 4min 250psi – 5min vacuum. Rig truck down. Pick up swab IFL 200'

1<sup>st</sup> hour FL 3700' rec. 15bbls all water no gas

2<sup>nd</sup> hour FL 5000' rec. 11bbls all water no gas

3<sup>rd</sup> hour FL 5600' rec. 6bbls scattered fluid all water show gas

4<sup>th</sup> hour FL dry rec. 3bbls all water show of gas

1<sup>st</sup> hourly run 450' entry rec. 300' fluid all water

2<sup>nd</sup> hourly run 450' entry rec. 300' fluid all water

Leave well open down line SDFN

Note\*\*\* - we have damaged well bore. The damage seems to be about 8 barrels back in the formation. We are discussing issue with Petroplex and Champion Chemicals.

Daily Cost-	EWS	1500.00
	Pate	400.00

Daily Total	1900.00	Cum. Cost	20,550.00
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8/29/01-Tbg- 20psi, Csg- 0psi - IFL 5500' scattered. Recovered 300' fluid. Wait 1 hour-make run- 200' scattered fluid -recovered 60'. Shut well in for 1 hour -tbg built to 450psi- blow down in 20min. Did not bring any fluid. Shut well in for 2hours after 2hrs tubing pressure built up to 665psi. Leave well shut in- RDMO.

Note \*\* - Working on clean up procedure potential re-frac or nitrified acid.

Daily Cost-	EWS	1100.00
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Daily Total	1100.00	Cum. Cost	21,650.00
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8/30/01-SITP- after 26hrs 1100psi- Csg 0psi. Set test tank and lay flow line to tank. Open at 2pm- fast. Blew down in 5min to 10psi. Left open until 5pm- made 2bbls (caught sample-took to Champion) Shut well in.

Daily Cost-	Pate	400.00
	Roberson	200.00

Daily Total	600.00	Cum. Cost	22,250.00
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8/31/01-SITP after 14hrs 1050psi- Csg 0psi. SITP after 20hrs -1060psi. Opened well - flowed 9bbls. After 2hrs went down to blow- shut well in.

9/1/01-SITP after 20hrs 1040psi. Blew down after 2hrs- flowed 4bbls. Pressure dropped to just blow- shut in.

9/2/01- SITP after 24hrs 1060psi. Open well -in 2.5hrs flowed 3bbls. Went down to just blow- shut well in.

9/3/01- SITP after 20hrs 1060psi. Open well -in 2hrs flowed 6bbls. Went down to just blow- shut well in. 118 BLWTR

9/4/01 - SITP after 22hrs 1065psi. Open well down sales line on 20/64 choke. Well produced 8 hrs before it died. Produced 204 mcf. Shut well in at 5:30 pm. Well made no fluid. 118 BLWTR

9/5/01 - SITP after 16 hrs -1070psi. Open well to blow down tank. Recovered 2 barrels of grayish black water with an 8-10% oil cut. Well died in 3 hours. Caught samples of fluid for testing. The water sample is grayish black in color with the same viscosity as water. There are no visible solids in the water. However after three hours settling minute fines settle out in the bottom and along the sides of the sample jar at the oil water contact point. The water sample was divided into equal portions and mixed with 7 ½% HCL acid with 10% methanol and iron control agents and 15 % HCL acid with the same additives. The samples were mixed vigorously and allowed to set 30 minutes. Both samples cleaned up the grayish black water to a clear water and an oil phase. The 7 ½% sample had a 1% to 4% inter-phase between the oil and water. The 15% sample was clean with a very distinct break between the oil and water phases. Both samples had no fines left on the bottoms or the sides of the sample bottles. After some discussion it was decided to go ahead with a 2000 gallon 15% nitrified acid clean up job tomorrow. 116 BLWTR

9/6/01-SITP after 17hrs-1050psi. Open to tank blow down while rigging acid and N2 trucks up. Build high pressure well head to flow back with. Test lines to 6000psi load csg w/ 40bbbls -test to 1000psi (ok). Start down hole: Stage 1- pump 37,500scf n2; Stage 2- pump- 48bbbls 15% acid NEFE BFI with 10% methanol and iron control agents foamed w/ 37,000scf; Stage3- flush w/ 38,000scf. Average pressure 3200psi, average fluid rate 2.5, average N2 rate 2250scf. ISIP- 3700psi 5min- 3148psi- rig down trucks-hook well head up. After 20min tubing pressure -2500psi. Open up on 10/64 choke- after 45min tubing 1450psi. Open choke to 16/64, after 40 minutes tubing pressure -500psi- fluid hit. Open choke to 18/64 - over the next 30minutes the well brought fluid in surges then died. Total fluid flowed back- 7bbbls. MIRU pulling unit-prep swab- IFL 3300'- went to 5000'. Recovered 1800' fluid- well kicked off flowing- tried to make 2<sup>nd</sup> run- got down to 2000' and well flowing harder. Pull swab out- open to tank on 16/64 choke- start flowing at 250psi. 1<sup>st</sup> hr recovered 12bbbls- tbg 125psi. Leave open to tank SDFN 116 BLWTR (From before)+ 52 BLWTR (today)-26 bbbls. swabbed and flowed =142 BLWTR

Daily Cost-	MWS	700.00		
	Petro Plex	n/c		
	BJ Services	3750.00		
	Roberson	300.00		
	Don-Nan	800.00		
Daily Total		5550.00	Cum. Cost	27,800.00

9-7-01 – Well flowed all night to tank. Recovered 31 barrels of load water. Tubing pressure was 95psi on a 26/64 choke. Shut well in for ½ hr to disconnect from frac tank and hook into flow line. Pressure built up to 600 psi. Switched down sales line at 10:00 am. Started on open choke making 2bbis hour with the flow rate of 615mcf- after 2hrs pressure falling- choke back to 28/64. Pressure came back to 125psi still 2bbis hour. 111 BLWTR

Daily Cost- MWS 750.00

Daily Total 750.00 Cum. Cost 28550.00

9/10/01- Well still flowing. RDMO

Daily Cost- MWS 400.00

Daily Total 400.00 Cum. Cost 28,950.00

Date	Oil	H2O	MCF	BLWTR	Comments
9/8/01	1	15	364	96	14 hrs gas sales tbg-110 psi 28/64 choke
9/9/01	1	8	642	88	Tbg-100psi 28/64 choke – opened to 32/64 at 10:00 am
9/10/01	0	5	668	83	Tbg-95 psi 32/64 spot rate 695 mcf/d
9/11/01	1	5	692	78	Tbg-80 psi 32/64 spot rate 721 mcf/d
9/12/01	1	4	714	74	Tbg-80 psi 32/64 spot rate 721 mcf/d
9/13/01	1	4	724	70	Tbg-85psi 32/64 spot rate 720 mcf/d
9/14/01	1	4	729	66	Tbg-95 psi 32/64 spot rate 764 mcf/d
9/15/01	1	4	740	62	Tbg 90 psi 32/64 spot rate 750 mcf/d
9/16/01	2	4	752	58	Tbg 95 psi 32/64 spot rate 765 mcf/d
9/17/01	1	4	766	54	Tbg 90 psi 32/64 spot rate 785 mcf/d

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:

APPLICATION OF SAPIENT ENERGY CORP.  
FOR AN UNORTHODOX GAS WELL LOCATIONS AND  
(i) TWO NON-STANDARD 160-ACRE GAS SPACING UNITS;  
OR IN THE ALTERNATIVE (ii) ONE NON-STANDARD  
160-ACRE GAS SPACING AND PRORATION UNIT,  
LEA COUNTY, NEW MEXICO.

CASE NO. 12587  
Order R-\_\_\_\_\_

APPLICATION OF SAPIENT ENERGY CORP.  
FOR SPECIAL POOL RULES,  
LEA COUNTY, NEW MEXICO

CASE NO. 12605

**ORDER OF THE DIVISION  
STAYING ORDER NO. R-11652**

**BY THE DIVISION:**

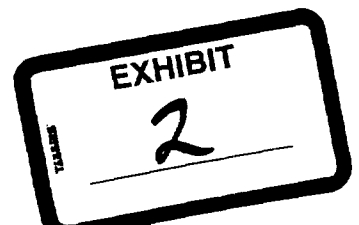
This matter having come before the Division upon the request of Sapient Energy Corp. for a Stay of Division Order R-11652 and the Division Director having considered the request and being fully advised in the premises,

NOW, on this \_\_\_\_ day of September, 2001, the Division Director:

**FINDS THAT:**

(1) Division Order No. R-11652 was entered on September 13, 2001, denying Sapient Energy Corp.'s ("Sapient") applications in these cases.

(2) On September 19, 2001, Sapient filed a request for a DeNovo hearing wit the Oil Conservation Commission, which case is now set for hearing on November 9, 2001.



(3) Sapient has complied with the provision of Division Rule 1220.A and has filed its request for a stay of Division Order R-11652 on September 19, 2001.

(4) It is reasonably probable that if Sapient is required to shut-in the Berth J. Barber Well No. 12 it will cause irreparable harm and will reduce the ultimate recovery from the well.

**IT IS THEREFORE ORDERED THAT:**

(1) Division Order No. R-11652 is hereby stayed in its entirety until the Commission rules on the evidence presented at the DeNovo hearing.

(2) 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

LORI WROTENBERY  
Director

S E A L



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:

APPLICATION OF SAPIENT ENERGY CORPORATION FOR CASE NO. 12587  
AN UNORTHODOX GAS WELL LOCATION AND: (i) TWO  
NON-STANDARD 160-ACRE GAS SPACING UNITS; OR IN  
THE ALTERNATIVE (ii) ONE NON-STANDARD 160-ACRE  
GAS SPACING UNIT AND PRORATION UNIT, LEA COUNTY,  
NEW MEXICO.

APPLICATION OF SAPIENT ENERGY CORPORATION FOR CASE NO. 12605  
SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO.

ORDER NO. R-11652

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for a special hearing at 9:00 a.m. on March 1, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of September, 2001, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of these cases and their subject matter.

(2) In Case No. 12587 the applicant, Sapient Energy Corporation ("Sapient"), seeks approval of an unorthodox Tubb gas well location for its Bertha J. Barber Well No. 12 (API No. 30-025-05978), located 330 feet from the North line and 660 feet from the East line (Unit A) of Section 7, Township 20 South, Range 37 East, NMPM, West Monument-Tubb Gas Pool (96968), Lea County, New Mexico. This well is to be dedicated to a non-standard 160-acre gas spacing unit consisting of either: (i) the E/2 E/2 of Section 7; or in the alternative (ii) the E/2 NE/4 of Section 7 and the W/2 NW/4 of Section 8, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico. In either case, the applicant requests that the assigned spacing unit be made effective retroactive to the date of first

production from the West Monument-Tubb Gas Pool for this well. In addition, should the Division approve a non-standard 160-acre gas spacing unit comprising the E/2 E/2 of Section 7, then the applicant seeks the approval of a second 160-acre gas spacing unit for the West Monument-Tubb Gas Pool consisting of the W/2 E/2 of Section 7.

(3) In **Case No. 12605**, Sapient, in the alternative, seeks the promulgation of special rules for the West Monument-Tubb Gas Pool, including a provision for 80-acre spacing and designated well location requirements.

(4) At the time of the hearing, Division Cases No. 12587 and 12605 were consolidated for the purpose of presenting testimony. Also, because each application addresses the same factual issues and in order to provide a comprehensive decision in these cases, one order should be entered for both cases.

(5) By Order No. R-11304, issued in Case No. 12321 on January 12, 2000, the Division created and defined the West Monument-Tubb Gas Pool for the production of gas from the Tubb formation, based on its discovery by the above-described Bertha J. Barber Well No. 12. The horizontal limits for this pool currently comprise the same acreage originally forming the pool under Order No. R-11304, which include the following described lands in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 7: E/2.

(6) The West Monument-Tubb Gas Pool is an "unprorated gas pool" not subject to Part H of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). The West Monument-Tubb Gas Pool is subject to: (i) Division Rule 104.C (3), which requires standard 160-acre gas spacing units comprising a single governmental quarter section; and (ii) Division Rule 104.D (3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one (see official notice to all operators submitted by the Division Director on October 25, 1999). Producing wells within this pool are allowed to produce at capacity.

(7) Chevron U.S.A. Production Company ("Chevron") is the north offsetting operator with 100% of the Tubb gas rights in the SE/4 of Section 6, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico. Sapient owns 100% of the working interest in the E/2 E/2 of Section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, with the royalty interest being fee. The working interest ownership of the W/2 E/2 of Section 7 is as follows:

Conoco, Inc.	37.41862%
Phillips Petroleum Company	25.00000%
Atlantic Richfield Company	
(ARCO), now BP/Amoco	18.70931%
Chevron	18.70931%
James Burr	0.06511%
Larry Nermyr	0.06511%
Ruth Sutton	0.03255%.

The royalty interest in the W/2 E/2 of Section 7 is Federal.

(8) Both Chevron and Conoco appeared in opposition to the applications of Sapient and requested that the Bertha J. Barber Well No. 12 be shut-in and that Sapient be required to form a standard 160-acre gas spacing unit comprising the NE/4 of Section 7. Neither Chevron nor Conoco opposed the requested unorthodox gas well location for the Bertha J. Barber Well No. 12.

(9) The Bertha J. Barber Well No. 12 was initially drilled by Sinclair Oil & Gas Company in December 1953/January 1954 to a total depth of 5,250 feet and was subsequently completed in the Monument-Paddock Pool at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the NE/4 NE/4 of Section 7. In 1993 ARCO Oil & Gas Company, successor operator to Sinclair Oil & Gas Company, sold this well to Cross Timbers Operating Company ("Cross Timbers"), which in December 1998 recompleted this well by deepening to a depth of 7,530 feet. From January, 1999 to August, 1999 this well produced as an oil well from the Monument-Abo Pool (production interval 6,892 feet to 7,380 feet), at a location considered to be standard for a 40-acre oil spacing and proration unit also comprising the NE/4 NE/4 of Section 7.

(10) As ascertained from the Division's records in Santa Fe, Cross Timbers filed with the Division's district office in Hobbs on August 18, 1999 Division Form C-103 (***Well Location and Acreage Dedication Plat***), as a notice of intent to recomplete this well from the Abo formation to the Tubb formation as an oil well. On September 10, 1999 the following items were submitted to the Hobbs district office of the Division:

- (a) Division Form C-103 (***Sundry Notices and Reports on Wells***), filed as a subsequent report that this well was plugged back and recompleted in the Tubb interval as a gas well; this form was approved on September 20, 1999;

(b) Division Form C-104 (***Request for Allowable and Authorization to Transport***), which indicates the date of first gas delivery from the Tubb interval was **August 21, 1999**; this form was also approved on September 20, 1999;

(c) Division Form C-105 (***Well Completion or Recompletion Report and Log***), which gives specific information concerning this well's recompletion in the Tubb formation; and

(d) Division Form C-102 (***Well Location and Acreage Dedication Plat***), which indicates the 160 acres comprising the E/2 E/2 of Section 7 to be the dedicated acreage in the Tubb formation for the Bertha J. Barber Well No. 12.

(11) The information contained on the forms that were submitted to the Hobbs district office on September 10, 1999 showed the well location to be unorthodox and the assigned acreage as being non-standard. No application for approval of this unorthodox gas well location or the non-standard 160-acre unit comprising the E/2 E/2 of Section 7 was made pursuant to Division rules, nor was notice ever provided to the affected offsetting owners. The interest owners in the W/2 E/2 of Section 7 were denied an opportunity to object at the time the Bertha J. Barber Well No. 12 was recompleted into the Tubb formation as a gas well.

(12) Falcon Creek Resources, Inc. ("Falcon Creek") acquired this well from Cross Timbers on April 1, 2000 and Sapient acquired the well from Falcon Creek on July 14, 2000.

(13) Division Rule 104.B (2) provides that, "*if a well drilled as an oil well is completed as a gas well but does not conform to the applicable gas well location rules, the operator must apply for administrative approval for a non-standard location before the well can produce.*" Division Rule 104.D (2) provides that, "*any well that does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.*" In addition to this rule as it relates to the formation of non-standard units, the instructions found on the reverse side of the Division's Form C-102 provide that production of the well will not be authorized until a

non-standard unit has been approved by the Division.

(14) Sapient and its predecessors have failed to apply for and obtain administrative approval of the unorthodox location for the Bertha J. Barber Well No. 12, in violation of Division Rule 104.B (2), and are illegally producing this well. Further, Sapient and its predecessors have assigned the Bertha J. Barber Well No. 12 an unapproved non-standard 160-acre spacing unit, in violation of Division rules.

(15) Sapient should therefore be ordered to shut-in the Bertha J. Barber Well No. 12 until such time as all production from this well has been appropriately reallocated to all of the mineral interest owners in the standard 160-acre unit comprising the NE/4 of section 7 either by voluntary agreement of all such owners or by a compulsory pooling order.

(16) The geological and technical evidence presented in this matter supports the conclusions established by Division Order No. R-11304 in January, 2000 that the Bertha J. Barber Well No. 12 is producing from a gas reservoir in the Tubb formation that is a separate common source of supply. Further, the evidence supports the conclusion that this well will drain a large area and that 160-acre spacing units are appropriate for the West Monument-Tubb Gas Pool.

(17) The technical evidence presented shows that wells in the West Monument-Tubb Gas Pool are capable of draining in excess of 80 acres and adopting special rules that provide for 80-acre spacing will result in the drilling of unnecessary wells thereby causing waste.

(18) Adoption of special pool rules for the West Monument-Tubb Gas Pool that provide for 80-acre spacing, or the creation of a non-standard spacing unit for the Bertha J. Barber Well No. 12 comprising the E/2 E/2 of Section 7, will result in reserves being drained from offsetting tracts which could only be recovered by the owners of those reserves by the drilling of unnecessary wells.

(19) The requested unorthodox location of the Bertha J. Barber Well No. 12 was not a contention between Sapient and any other party in this matter. The issuance of Division Administrative Order NSL-3752-A, dated August 29, 2001, which authorized Chevron to recomplete its G. C. Matthews Well No. 12 (**API No. 30-025-05953**), located 330 feet from the South line and 990 feet from the East line (Unit P) of Section 6, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, into the Tubb formation serves to offset any advantage of the unorthodox location of the Bertha J. Barber Well No. 12 in accordance with Division Rule 104.F (6).

(20) The unorthodox gas well location of Sapien's Bertha J. Barber Well No. 12 should therefore be approved with the stipulation that a standard 160-acre gas spacing unit comprising the NE/4 of Section 7 be formed retroactive to the date of first production.

(21) The application of Sapien in Case No. 12587 for approval of two non-standard 160-acre gas spacing units in the E/2 of Section 7 should be denied. Further, the application of Sapien in Case No. 12605 for the adoption of special pool rules for the West Monument-Tubb Gas Pool to include 80-acre gas well spacing should also be denied.

(22) The allocation of past and future production from the Bertha J. Barber Well No. 12 to the unauthorized 160-acre unit comprising the E/2 E/2 of Section 7 is a violation of Division Rules 104.B (2), 104.C (3), and 104.D (2). A standard 160-acre gas spacing unit comprising the NE/4 of Section 7 is the proper spacing unit for the Bertha J. Barber Well No. 12. Production should be allocated to such unit retroactive to the date of first production from the West Monument-Tubb Gas Pool.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Sapien Energy Corporation ("Sapien") in **Case No. 12587** for an unorthodox gas well location in the West Monument-Tubb Gas Pool (**96968**) for its Bertha J. Barber Well No. 12 (**API No. 30-025-05978**), located 330 feet from the North line and 660 feet from the East line (Unit A) of Section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico is hereby **approved**.

(2) The NE/4 of Section 7 is hereby dedicated to this well to form a standard 160-acre gas spacing unit for gas production from the West Monument-Tubb Gas Pool.

**PROVIDED HOWEVER THAT:**

(3) Approval of the aforementioned unorthodox gas well location for the standard 160-acre unit shall be made retroactive to the date of first production from the Bertha J. Barber Well No. 12 (August 21, 1999).

(4) Sapien is hereby ordered to shut-in the Bertha J. Barber Well No. 12 until such time as all production from this well has been appropriately reallocated to all of the mineral interest owners in the standard 160-acre unit comprising the NE/4 of Section 7, either by voluntary agreement of all such owners or by a compulsory pooling order.

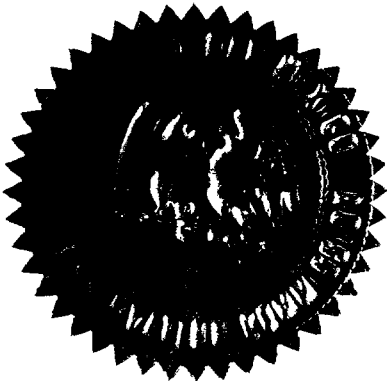
**IT IS FURTHER ORDERED THAT:**

(5) Sapien's application in **Case No. 12587** for the above-described Bertha J. Barber Well No. 12 to be dedicated to a non-standard 160-acre gas spacing and proration unit consisting of either: (i) the E/2 E/2 of Section 7; or in the alternative (ii) the E/2 NE/4 of Section 7 and the W/2 NW/4 of Section 8, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby **denied**.

(6) The application of Sapien in **Case No. 12605** for the promulgation of special rules for the West Monument-Tubb Gas Pool, including a provision for 80-acre spacing and designated well location requirements, is hereby **denied**.

(7) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Lori Wrotenbery*  
LORI WROTENBERY  
Director