

(17) The Townsend Mississippian North Gas Pool is governed by the spacing and well density requirements of Rule 104.C(2) [19 NMAC 15.C.104.C(2)].

(18) The Arrington APDs conformed to the requirements of Rule 104.C(2), and were properly approved.

(19) After approval of the Arrington APDs, the TMBR/Sharp APDs could not have been approved because:

(a) TMBR/Sharp's proposed Blue Fin "25" Well No. 1 was proposed to be located in NW/4 of Section 25, the same quarter section as Arrington's proposed Triple-Hackle Dragon "25" Well No. 1, in violation of Rule 104.C(2)(b).

(b) TMBR/Sharp's APD for its proposed Blue Fin "25" Well No. 1 proposed a N/2 dedication, whereas the previously approved Arrington APD established a W/2 spacing unit.

(c) The approval of APDs naming TMBR/Sharp as operator for wells proposed to be located in either the W/2 of Section 25 or the E/2 of Section 23, following the approval of the Arrington APDs, would contravene Rule 104.C(2)(c), which requires that any subsequent well drilled in a spacing unit be operated by the operator of the initial well.

(20) TMBR/Sharp did not present any geological or engineering testimony or evidence that the locations it proposed were in any way superior to the locations proposed in the Arrington APDs.

CONCLUSIONS OF LAW:

(21) The Oil Conservation Division has no jurisdiction to determine the validity of any title, or the validity or continuation in force and effect of any oil and gas lease. Exclusive jurisdiction of such matters resides in the courts of the State of New Mexico.

(22) Since the Arrington APDs were filed at a time when no conflicting APDs had been filed affecting the subject units, the APDs conformed to applicable OCD Rules, and Arrington has demonstrated at least a colorable claim of title that would confer upon it a right to drill its proposed wells, no basis exists to reverse or overrule the action of the District Supervisor in approving the Arrington APDs.