

FOR RECORD ONLY

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. 12278
ORDER NO. R-11335

**APPLICATION OF PRIDE ENERGY COMPANY FOR A DIVISION ORDER
RESCINDING APPROVAL OF A CHANGE OF OPERATOR, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18, 1999, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 29th day of February, 2000, 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 this case and its subject matter.
- (2) The applicant, Pride Energy Company ("Pride"), seeks an order rescinding the Oil Conservation Division District I (Hobbs Office) Supervisor's October 5, 1999 approval of a Form C-104 (*Request for Allowable and Authorization to Transport*) approving a change of operator from Pride to E.G.L. Resources, Inc. ("EGL") for the ARCO State Well No. 1 (API No. 30-025-27321), located at a standard oil well location 330 feet from the South line and 900 feet from the East line (Unit P) of Section 16, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico.
- (3) The ARCO State Well No. 1 was initially drilled by Blanks Energy Corporation in late 1981 to a total depth of 11,665 feet and in March, 1982, was completed in the South Vacuum-Wolfcamp Pool. The SE/4 SE/4 (Unit P) of Section 16 was dedicated to the well thereby forming a standard 40-acre oil spacing and proration unit.

(4) From May 15, 1998, to October 5, 1999, Pride was the Division's designated operator of this well and 40-acre unit.

(5) EGL entered an appearance and presented testimony in this case in opposition to Pride's application for hearing.

(6) The evidence presented in this case shows that:

- (a) both Pride and EGL are working interest owners in the ARCO State Well No. 1;
- (b) the operation of the ARCO State Well No. 1 is governed by an A.A.P.L. Form 610-1977 Model Form Operating Agreement (the "Agreement"), dated February 20, 1980; and
- (c) Pride and EGL disagree as to the change of operator and other provisions of the Agreement.

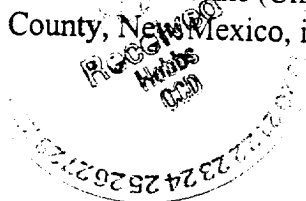
(7) At the time EGL approached the supervisor of the Division's district office with its request to approve the Form C-104 changing the operator of the ARCO State Well No. 1, there was no evidence indicating other working interest owners disagreed.

(8) The Oil Conservation Division is not the proper forum to adjudicate the terms of the Agreement or the rights of the parties to that Agreement.

(9) The application of Pride for an order rescinding the District Supervisor's October 5, 1999 approval of the Form C-104 should be granted.

IT IS THEREFORE ORDERED THAT:

(1) The application of Pride Energy Company for an order rescinding the Oil Conservation Division District I (Hobbs Office) Supervisor's October 5, 1999 approval of a Form C-104 (*Request for Allowable and Authorization to Transport*) approving a change of operator from Pride to EGL for the ARCO State Well No. 1 (API No. 30-025-27321), located at a standard oil well location 330 feet from the South line and 900 feet from the East line (Unit P) of Section 16, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, is hereby granted.



Case No. 12278
Order No. R-11335
Page 3

(2) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL