

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

January 3, 1996

Texaco Exploration and Production, Inc.
Attn: Darrell J. Carriger
P. O. Box 730
Hobbs, New Mexico 88241-0730

Re: *Administrative application for the creation of a non-standard 200-acre gas spacing and proration unit to comprise the NE/4 SW/4 and SE/4 of Section 24, Township 25 South, Range 37 East, NMPM, Justis-Glorieta (Prorated) Gas Pool, Lea County, New Mexico. Said unit to be dedicated to the existing A. B. Coats "C" Well No. 27 (API No. 30-025-21428) located at an unorthodox gas well location 1650' FS & WL (Unit K) of said Section 24.*

Dear Mr. Carriger:

It has been determined subsequent to our initial evaluation of your application dated December 14, 1995 (received by the Division on December 18, 1995) that there may exist a greater potential for correlative rights violation than indicated in your application. Additional discussion on a few points will therefore be necessary before the Division can process this filing any further.

Our records indicate that both the NW/4 SW/4 (Unit L) and the SW/4 SW/4 (Unit M) of said Section 24 are "Fee" minerals, the SE/4 SW/4 (Unit N) of said Section 24 is "Federal" minerals, and the acreage to be included in the proposed 200-acre non-standard gas spacing and proration unit is also "Federal" minerals. Further, the entire S/2 of the Section was dedicated to form a standard 320-acre gas spacing and proration unit for Justis-Glorieta Gas Pool production from 1958 to 1969 to Texaco's A. B. Coats "C" Well No. 13 also in Unit "K". Why can't this proration unit be reformed or recomunitized for the subject well? Has there been a diligent effort on Texaco's part to communitize this acreage again? How is the "Fee" lessees interest being protected by the formation of this non-standard unit, especially since the well is only 330 feet away from this property line?

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Texaco's proposal, as presented in the subject application, appears to violate those parties correlative rights just by the fact that they are being cut-out of a standard unit, however you stated in your application that correlative rights will be protected, please explain. You also stated in this application that this proposal will be in the best interest of conservation and will allow for more complete recovery of Glorieta gas reserves from the subject acreage, please offer a detailed explanation since neither is really self-explanatory and since your application made no mention whatsoever of what appears to be some very critical data about the original Justis-Glorieta Gas well in the same quarter-quarter section.

Sincerely,



Michael E. Stogner
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
William J. LeMay, Director - OCD, Santa Fe