

DOCKET: EXAMINER HEARING - THURSDAY - JULY 28, 2005

8:15 A.M. - 1220 South St. Francis

Santa Fe, New Mexico

Docket Nos. 24-05 and 25-05 are tentatively set for August 11, 2005 and August 25, 2005. Applications for hearing must be filed at least 23 days in advance of hearing date. OCD Rule 1208.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Friday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Friday before the hearing, the hearing may be continued or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant's request. The following cases will be heard by an Examiner.

CASE 13525: *Application of Edge Petroleum Exploration Company for compulsory pooling, Eddy County, New Mexico.* Applicant seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying the N/2 of Section 29, Township 20 South, Range 30 East, to form a 320-acre gas spacing and proration unit for all formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Golden Lane-Strawn Gas Pool and Undesignated Dos Hermanos-Morrow Gas Pool. The unit is to be dedicated to a well to be drilled from a surface location 2520 feet from the north line and 1130 feet from the west line of Section 28, Township 20 South, Range 30 East, to an orthodox bottomhole location 710 feet from the north line and 1700 feet from the east line of Section 29. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Edge Petroleum Operating Company as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 16-1/2 miles northeast of Carlsbad, New Mexico.

CASE 13526: *Application of Chesapeake Operating, Inc. for approval of a Unit Agreement, Lea County, New Mexico.* Applicant seeks approval of the South Chavlea State Exploratory Unit from the surface to the base of the Pennsylvanian formations in area comprising 2,249.40 acres, more or less, of State of New Mexico lands in Sections 19, 30, Township 12 South, Range 32 East and Sections 24, 25 of Township 12 South, Range 31 East. This application will be presented by affidavit. This unit is located approximately 4 miles east of Mescalero Springs, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

CASE 13527: *Application of NorthStar Operating Company for approval of a Unit Agreement, Lea County, New Mexico.* Applicant seeks approval of the NorthStar Operating Company East Denton Unit from the surface to the base of the Devonian formation in an area comprising 160 acres of fee lands in the E/2 NE/4 and W/2 NW/4 of Section 8 of Township 15 South, Range 38 East, which is located approximately 15 miles east of Lovington, New Mexico.

CASE 13528: *Application of NorthStar Operating Company for an unorthodox gas well location, Lea County, New Mexico.* Applicant seeks approval of an unorthodox well location in the Wolfcamp and Devonian formations, for its Fort Well No. 1 to be drilled at an unorthodox well location 2100 feet from the North line and 2500 feet from the East line of Section 8, Township 15 South, Range 38 East. Said well is located approximately 15 miles east of Lovington, New Mexico.

CASE 13529: *Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico.* Applicant seeks approval of the Stadium State Exploratory Unit from the surface to the top of the Pre-Cambrian formation in an area comprising 960 acres of State of New Mexico lands in Sections 15 and 16 in Township 12 South, Range 26 East, which is located approximately 6 miles north of Dexter, New Mexico.

CASE 13478: *Continued from June 30, 2005, Examiner Hearing*
Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation under the following acreage in Section 25, Township 21 South, Range 26 East: the N/2 to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently includes but is not necessarily limited to the Burton Flat-Morrow Gas Pool, the Crozier Bluff-Atoka Gas Pool, and the Northeast Happy Valley-Strawn Gas Pool; and the NE/4 to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent. These spacing and proration units are to be dedicated to the Louise "AYT" Well No. 2 located 990 feet from the North line and 1550 feet from the East line of Section 25 which Yates proposes to drill at a standard location in the Morrow formation. Also to be considered will be the cost of drilling and completion of said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, designation of applicant as

operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1/2 mile north of Carlsbad, New Mexico.

CASE 13530: *Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.*

Applicant seeks an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated South Vacuum-McKee Gas Pool. This unit is to be dedicated to the South Vacuum 22 Well No. 1, to be drilled at a standard location 660 feet from the South line and 1650 feet from the West line in the SW/4 SE/4 (Unit O) of said Section 22 to test the McKee formation at a depth of approximately 15,000 feet. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 19 miles northwest of Hobbs and 4 miles southwest of Buckeye, New Mexico.

CASE 13494: *Continued from June 30, 2005, Examiner Hearing*

Application of Texland Petroleum, L.P. for a Compliance Order against Latigo Petroleum, Inc. voiding of Administrative Order DHC-3086, compulsory pooling, change of operator and other relief, Lea County, New Mexico.

Applicant seeks a Compliance Order, including fines, against Latigo Petroleum, Inc. ("Latigo") including an order to void and revoke Administrative Order DHC-3086, and to require Latigo to immediately shut-in its Conoco State Well No. 3 (API No. 30-025-35961) located in Unit J of Section 33, Township 18 South, Range 38 East, until such time as: (i) a standard 160-acre gas spacing unit consisting of the SE/4 of this section, is dedicated to this well in the Tubb formation, Hobbs-Tubb Gas Pool, (ii) the production proceeds from this well in the Tubb and Drinkard formations are reallocated and paid to the owners in these spacing units from the date of first production, and (iii) paid the fines for violations of the Oil and Gas Act. Section 70-2-31 NMSA 1978. Further, applicant seeks a compulsory pooling order including provisions for designation of the applicant as the operator and the removal of Latigo as the operator. The well is located approximately 7 miles West of Hobbs, New Mexico.