

DOCKET: EXAMINER HEARING - THURSDAY – OCTOBER 26, 2006**8:15 A.M. - 1220 South St. Francis****Santa Fe, New Mexico**

Docket Nos. 36-06 and 37-06 are tentatively set for November 9, 2006 and November 30, 2006. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 1211.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday 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 Thursday 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 NO. 13793: Continued from the October 12, 2006 Examiner Hearing.

Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests to the Basin Fruitland Coal-Gas Pool underlying the W/2 of Section 18, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool. This unit is to be dedicated to its KLOG "18" Well No. 2 to be drilled at a standard gas well location in the SW/4 NW/4 (Unit E) of this section for production from the Basin Fruitland Coal Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 1/2 mile Southeast from the center of Kirkland, New Mexico. In the absence of objection, this matter will be taken under advisement.

CASE NO. 13794: Continued from the October 12, 2006 Examiner Hearing.

Application of Peoples Energy Production – Texas L.P. for an unorthodox well location and an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to simultaneously produce the following three Mesaverde wells located in the same quarter section (SE/4) on a standard 322.24 spacing and proration unit comprised of the E/2 of Section 26, Township 32 North, Range 9 West, NMPM:

- A. The Gardner Well No. 5A (API No. 30-045-30280) drilled as a vertical well at a location 787 feet from the South line and 1625 feet from the East line (Unit O);
- B. The Gardner Well No. 12 (API No. 30-045-33630) directionally drilled from a surface location 700 feet from the South line and 1665 feet from the East line of Section 26 to an unorthodox bottomhole location 2024 feet from the South line and 2453 feet from the East line (Unit J); and
- C. The Gardner Well No. 14 (API No. 30-045-33631) directionally drilled from a surface location 795 feet from the South line and 1600 feet from the East line of Section 26 to a bottomhole location 2300 feet from the South line and 774 feet from the East line (Unit I) of the Section 26.

Applicant also seeks approval of the unorthodox bottomhole location of the Gardner Well No. 12.

Said wells are located approximately 18 miles northeast of Aztec, New Mexico.

CASE NO: 13797: Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in Section 22, Township 11 South, Range 31 East, NMPM, and in the following manner: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to the Manry-Elliott Well No. 2, to be drilled at an orthodox location in the SE/4 NE/4 Section 22. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 6 miles west-southwest of Caprock, New Mexico. IN THE ABSENCE OF OBJECTION THIS MATTER BE TAKEN UNDER ADVISEMENT

CASE NO. 13798: Application of Mewbourne Oil Company 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 underlying the following described acreage in Section 27, Township 22 South, Range 26 East, NMPM, and in the following manner: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Southeast Carlsbad-Wolfcamp Gas Pool, Undesignated Northeast Sheep Draw-Strawn Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, and Happy Valley-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit

for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Happy Valley-Delaware Pool and Undesignated Southeast Happy Valley-Bone Spring Pool. The unit is to be dedicated to the proposed Runaway "27" Fed. Com. Well No. 1, to be drilled at an orthodox location in the SW/4 SE/4 of Section 27. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 4-1/2 miles south-southwest of Carlsbad, New Mexico.

CASE NO. 13780: Continued from the October 12, 2006 Examiner Hearing.

Application of Unit Petroleum Company for compulsory pooling and approval of a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 17, Township 20 South, Range 36 East, NMPM, and in the following manner: The N/2 to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320 acre spacing within that vertical extent; the N/2 to form a non-standard 320-acre gas spacing and proration unit in the North Osudo-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160 acre spacing within that vertical extent; and the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Monument 17 Well No. 1, to be drilled in the NE/4 NE/4 of Section 17. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well, as well as approval of the non-standard gas well unit. The well units are located approximately 7 miles southwest of Monument, New Mexico.

CASE NO. 13785: Continued from the September 28, 2006 Examiner Hearing.

Application of Ridgeway Arizona Oil Corporation for approval of a unit agreement, Catron County, New Mexico. Applicant seeks approval of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, comprising 89,574.12 acres of federal, state, and fee lands described as follows:

Township 2 North, Range 20 West, N.M.P.M.
Sections 30-32: All

Township 2 North, Range 21 West, N.M.P.M.
Section 9: All
Sections 14-16: All
Sections 21-28: All
Sections 33-36: All

Township 1 North, Range 20 West, N.M.P.M.
Sections 4-9: All
Sections 16-21: All
Section 26: S½
Section 27: S½
Sections 28-35: All

Township 1 North, Range 21 West, N.M.P.M.
Sections 1-4: All
Sections 9-16: All
Sections 21-28: All
Sections 33-36: All

Township 1 South, Range 20 West, N.M.P.M.
Sections 2-10: All
Sections 16-21: All
Sections 28-33: All

Township 1 South, Range 21 West, N.M.P.M.
Sections 1-4: All
Sections 9-16: All
Sections 21-28: All
Sections 33-36: All

Township 2 South, Range 20 West, N.M.P.M.
Sections 5-8: All