

CASE 12196: Continued from June 24, 1999, Examiner Hearing.

Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 charge for risk involved in drilling the well. The proposed 40-acre unit is located approximately 1 mile north of U. S. Highway 62-180 at mile marker No. 77.

CASE 12181: Continued from June 24, 1999, Examiner Hearing.

Application of David H. Arrington Oil and Gas, Inc. for an unorthodox location and for an exception to Division Rule 104.D(3) for simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to all applicable well location set-back requirements governing any and all formations and/or pools from the surface to the base of the Mississippian formation for its Mayfly "14" State Com. Well No. 1 to be drilled 330 feet from the North and West lines (Unit D) of Section 14, Township 16 South, Range 35 East, to be dedicated to the following described spacing and proration units: (i) the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, which presently include the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated Shoe Bar-Atoka Gas Pool, Townsend-Morrow Gas Pool, and Undesignated North Townsend-Mississippian Gas Pool; and (ii) the NW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing, which presently include the Undesignated North Shoe Bar-Wolfcamp Pool and the Undesignated Shoe Bar-Strawn Pool. The applicant further seeks an exception to Division Rule 104.D(3) to continuously and concurrently produce gas from the Townsend-Morrow Gas Pool from the above-described Mayfly "14" State Com. Well No. 1 and from the existing Mark L. Shidler, Inc. operated Monsanto State Com. Well No. 1 (API No. 30-025-24895) located at a standard gas well location 1980 feet from the South and West lines (Unit K) of Section 14, and for the simultaneous dedication of both wells to the existing 320-acre gas spacing and proration unit comprising the W/2 of Section 14. **Further, the applicant at the time of the hearing shall designate a common operator for both of these Morrow gas wells and this 320-acre unit within the Townsend-Morrow Gas Pool.** The proposed well location is approximately five miles south of Lovington, New Mexico.

CASE 12080: Continued from June 16, 1999, Examiner Hearing.

Application of David H. Arrington Oil and Gas, Inc. for amendment of Division Order No. R-11028, Lea County, New Mexico. Applicant seeks an order amending Order No. R-11028 to pool all mineral interests from the surface to the base of the Lower Mississippian formation, underlying Lots 11 through 14 and the SW/4 for all formations developed on 320-acre spacing including the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Hume-Morrow Gas Pool and the Undesignated Townsend-Morrow Gas Pool, the SW/4 for all formations developed on 160-acre spacing, the N/2 SW/4 for all formations developed on 80-acre spacing including but not limited to the Undesignated Big Dog-Strawn Pool, and the NE/4 SW/4 for all formations developed on 40-acre spacing including the Undesignated Northwest Townsend-Abo Pool, Townsend-Permo Upper Pennsylvanian Pool and the Undesignated Townsend-Strawn Pool, all in Section 3, Township 16 South, Range 35 East. Applicant proposes to dedicate these pooled units to its Parachute Hopper Well No. 1 to be drilled at a standard gas well location in the NE/4 SW/4 of Section 3. 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 the operator of the well and a charge for risk involved in drilling the well. The area is located approximately 5 miles west of Lovington, New Mexico.

CASE 12086: Consolidated – Continued from June 10, 1999, Examiner Hearing.

Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

Examiner Hearing – July 8, 1999
Docket No. 20-99
Page 4 of 5

CASE 12086: Consolidated - Continued from June 10, 1999, Examiner Hearing.

Application of Energen Resources Corporation for allowable reduction and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and Snyder "C" Well No. 4, and the Snyder "EC" Com Well No. 1, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

CASE 12213: In the matter of the hearing called by the Oil Conservation Division for an order creating and extending certain pools in Eddy County, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the East James Ranch-Bone Spring Pool. The discovery well is the Devon Energy Corporation (Nevada) Todd "14K" Federal Well No. 1 located in Unit K of Section 14, Township 23 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 14: SW/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the North Los Medanos-Wolfcamp Gas Pool. The discovery well is the Mitchell Energy, Inc. Apache "13" Federal Well No. 1 located in Unit H of Section 13, Township 22 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 13: E/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the West Shugart-Delaware Pool. The discovery well is the Concho Resources, Inc. West Shugart "29" Federal Well No. 1 located in Unit K of Section 29, Township 18 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 29: SW/4

- (d) EXTEND the East Avalon-Bone Spring Pool in Eddy County, New Mexico, to include:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 4: W/2

- (e) EXTEND the Avalon-Strawn Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 15: S/2

- (f) EXTEND the Calabaza Draw-Atoka Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 2: Lots 25, 26, 31, and 32

- (g) EXTEND the Cedar Lake-Yeso Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 19: NE/4
Section 20: NW/4

- (h) EXTEND the Crow Flats-Morrow Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 8: All