

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. 11,384

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR APPROVAL OF
AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.

FIVE

OIL CONSERVATION

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Applicant as
required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Santa Fe Energy Resources, Inc.
550 West Texas, Suite 1330
Midland, Texas 79701
(915) 686-6172

Attn: Danita Walker

OPPOSITION OR OTHER PARTY

ATTORNEY

James Bruce
Hinkle, Cox, Eaton, Coffield
& Hensley, P.L.L.C., Ltd., Co.
Post Office Box 2068
Santa Fe, New Mexico 87504-2068

(505) 982-4554

ATTORNEY

STATEMENT OF CASE

APPLICANT

Applicant requests approval of an unorthodox oil well location for its Mesa Verde "6" Fed. Well No. 7. The well will be drilled to test the Bone Spring formation. The location is based on geologic factors.

OPPOSITION

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Danita Walker (Landman)	10 minutes	(a) Land Plat (b) Notice letter
Curt Anderson (Geologist)	10 minutes	(a) Cross-section (b) Isopach

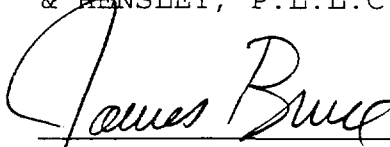
OPPOSITION

WITNESSES	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, P.L.L.C., Ltd., Co.

A handwritten signature in cursive script, reading "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Santa Fe Energy
Resources, Inc.

DOCKET: EXAMINER HEARING - THURSDAY - SEPTEMBER 21, 1995

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 29-95 and 30-95 are tentatively set for October 5, 1995 and October 19, 1995. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11328: (Continued from September 7, 1995, Examiner Hearing.)

Application of Merrion Oil & Gas Corporation for a high angle/horizontal directional drilling pilot project and for the promulgation of special operating rules therefor, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Media-Entrada Oil Pool within its proposed Media Entrada Secondary (Federal) Unit comprising portions of Sections 14, 15, 22, and 23, Township 19 North, Range 3 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells within said Unit Area including provisions for administrative authorization for horizontal wells, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, the assignment of a special oil allowable or formula for the project area and the designation of a target window such that horizontal or producing portions of such a wellbore shall be no closer than 330 feet to the outer boundary of the project area. Said area is located approximately 14 miles southwest of Cuba, New Mexico.

CASE 11321: (Reopened and Readvertised)

Application of D & J Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location in the Southwest Gladiola-Devonian Pool to be drilled 642 feet from the South line and 2434 feet from the East line (Unit O) of Section 27, Township 12 South, Range 37 East. The W/2 SE/4 of said Section 27 is to be dedicated to said well forming a standard 80-acre oil spacing and proration unit for said pool. Said unit is located approximately 7.5 miles east by south of Tatum, New Mexico.

CASE 11382: Application of H. L. Brown, Jr. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a unit agreement for its proposed "North Carlsbad Unit Area" containing 2560.00 acres, more or less, of Federal, State, and fee lands comprising all of Sections 27, 28, 33 and 34, Township 24 South, Range 23 East. Said unit area is located approximately 13 miles west of White City, New Mexico.

CASE 11040: (Reopened - Continued from September 7, 1995, Examiner Hearing.)

In the matter of Case No. 11040 being reopened pursuant to the provisions of Division Order No. R-5353-O, which order created the Burton Flat-Bone Spring Associated Pool in Eddy County, New Mexico and promulgated special pool rules therefor. Operators in the subject pool may appear and show cause why the temporary special rules and regulations for the Pool should not be rescinded and the pool reclassified accordingly, or in the alternative, to have said pool consolidated with other surrounding Bone Spring Pools.

CASE 11378: (Continued from September 7, 1995, Examiner Hearing.)

Application of Tamarack Petroleum Company, Inc. for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Division General Rule 309.A to permit commingling of Saunders-Permo Pennsylvanian Pool production from its Lion State, Lion "A" State, and Saunders State leases in Sections 9 and 16, Township 14 South, Range 33 East, being in an area located approximately 20 miles south-southeast of Caprock, New Mexico.

CASE 11383: Application of Santa Fe Resources, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a unit agreement for its proposed "Kemosabe Unit Area" containing 1112.64 acres, more or less, of State lands comprising all of Section 18, Township 18 South, Range 34 East and the NE/4 and W/2 equivalent of Section 18, Township 18 South, Range 35 East. Said unit area is located approximately 4 miles south of Buckeye, New Mexico.

CASE 11384: Application of Santa Fe Energy Resources, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location in the Mesa Verde -Bone Spring Pool to be drilled 660 feet from the North line and 2540 feet from the East line (Unit B) of Section 6, Township 24 South, Range 32 East. Lot 2 (NW/4 NE/4 equivalent) of said Section 6 is to be dedicated to said well forming a standard 40.08-acre oil spacing and proration unit for said pool. Said unit is located approximately one mile northeast of State Highway No. 128 at the Lea/Eddy County line.

CASE 11375: (Readvertised)

Application of Enron Oil & Gas Company to amend Division Order No. R-10109, promulgating special rules and regulations for the Red Hills-Bone Spring Pool, and for the assignment of a special depth bracket oil allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-10109, which promulgated "*Special Rules and Regulations for the Red Hills-Bone Spring Pool*", comprising all or portions of Sections 1, 12, and 13, Township 25 South, Range 33 East and Sections 6, 7, 8, 16, and 17, Township 25 South, Range 34 East, changing the well location requirements contained in Rules 2 and 4 so as to permit a well in each quarter-quarter section or lot of a standard 80-acre spacing and proration unit and to enlarge the "standard location window" so that wells can be no closer than 330 feet from a quarter-quarter section line. Applicant further seeks the assignment of a special poolwide depth bracket oil allowable, pursuant to Division General Rule 505(d), of 660 barrels of oil per day per 80-acre unit. Said pool is located approximately 18.5 miles west by north of Jal, New Mexico.

CASE 11335: (Continued from September 7, 1995, Examiner Hearing.)

Application of Naumann Oil & Gas, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 34, Township 18 South, Range 29 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent which presently includes but is not necessarily limited to the North Turkey Track-Morrow Gas Pool. Said unit is to be dedicated to the Empire "34" Federal Well No. 1 which is an existing well located at a standard gas well location 1980 feet from the North line and 1980 feet from the East line (Unit G) of Section 34 and which is to be re-entered and deepened in an attempt to complete in the Morrow formation. Also to be considered will be the costs of re-entering, deepening and completing said well and the allocation of those costs 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 re-entering, deepening and completing said well. Said unit is located approximately 9 miles southwest of Loco Hills, New Mexico.

CASE 11385: Application of Texaco Exploration and Production Inc. for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its Dow "B-28" Federal Well No. 1 at an unorthodox location 1028 feet from the South line and 1227 feet from the East line (Unit P) of Section 28, Township 17 South, Range 31 East, to test for oil in the deeper Siluro-Devonian formation and for gas in the Undesignated East Cedar Lake-Morrow Gas Pool. The SE/4 SE/4 of said Section 28 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit and the S/2 of said Section 28 to form a standard 320-acre gas spacing and proration unit. Said well location is approximately one mile south of the junction of U. S. Highway 62/180 and New Mexico State Highway 529.

CASE 11386: Application of Amerada Hess Corporation for an unorthodox gas well location and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its North Bell Lake Federal Well No. 3 at an unorthodox gas well location 1930 feet from the North line and 660 feet from the East line (Unit H) of Section 6, Township 23 South, Range 34 East, to test the Undesignated North Bell Lake-Ellenburger Gas Pool. All of said irregular Section 6 is to be dedicated to said well to form a non-standard 628.62-acre gas spacing and proration unit for said pool. Said unit is located approximately 21.5 miles west-southwest of Eunice, New Mexico.

CASE 11387: Application of Medallion Production Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its U. S. A. "20" Well No. 1 at an unorthodox gas well location 990 feet from the South line and 1100 feet from the East line (Unit P) of Section 20, Township 15 South, Range 28 East, to test the Undesignated Buffalo Valley-Pennsylvanian Gas Pool. The S/2 of said Section 20 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said pool. Said unit is located approximately 12.5 miles east of Lake Arthur, New Mexico.

CASE 11388: Application of Exxon Corporation for a non-standard gas proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to establish a non-standard 120-acre gas spacing and proration unit ("GPU") for Blinberry Oil and Gas Pool production comprising the S/2 SW/4 and SW/4 SE/4 of Section 2, Township 22 South, Range 37 East. Said unit is to be dedicated to the existing New Mexico "S" State Well No. 22, located at an unorthodox gas well location for the proposed GPU 800 feet from the South line and 660 feet from the West line (Unit M) of said Section 2. The formation of the proposed 120-acre GPU is to replace the existing 80-acre non-standard GPU comprising the S/2 SW/4 of said Section 2, approved by Division Administrative Order NSP-1734(L), dated August 7, 1995. Said unit is located approximately 1.5 miles southeast of Eunice, New Mexico.

CASE 11382: Application of Nearburg Exploration Company for compulsory pooling, directional drilling, a non-standard oil proration unit, and an unorthodox bottomhole oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to re-enter its plugged and abandoned Stillings "7D" Federal Well No. 1, located 660 feet from the North line and 773 feet from the West line (Lot 1/Unit D) of Section 7, Township 17 South, Range 38 East, and recompleting said well in either the Undesignated South Humble City-Strawn or Undesignated Shipp-Strawn Pool by directionally drilling in such a manner as to bottom said well in the Strawn formation within a target area that is 100 feet of a point 330 feet from the North line and 2310 feet from the West line (Unit C) of said Section 7, which is considered to be an unorthodox oil well location for both pools. The applicant further seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lot 1 and the NE/4 NW/4 (N/2 NW/4 equivalent) of said Section 7 to form a non-standard 77.78-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes only the Strawn interval. Said unit is to be dedicated to said Stillings "7D" Federal Well No. 1. Also to be considered will be the value of the existing wellbore, the cost of re-entering, directional drilling, and recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and unit and a charge for risk involved in re-entering and recompleting said well. Said unit is located approximately 4.25 miles north-northeast of Humble City, New Mexico.

CASE 11372: (Readvertised)

Application of AnSon Gas Corporation for compulsory pooling, directional drilling, and an unorthodox bottomhole oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to recomplete its existing Mary "33" Well No. 1, located at a standard surface oil well location 2040 feet from the North line and 2310 feet from the West line (Unit F) of Section 33, Township 16 South, Range 38 East, by kicking-off from the vertical wellbore and directionally drill in such a manner as to bottom said well in the Devonian formation within a standard 40-acre oil spacing and proration unit comprising the NE/4 NW/4 (Unit C) of said Section 33 at an unorthodox oil well location that is no nearer to the southern boundary of said 40-acre tract than 26 feet nor nearer to the eastern boundary of said 40-acre tract than 103 feet (this being a point that is 1294' FNL - 2537' FWL of said Section 33). The applicant further seeks an order pooling all mineral interests within the Devonian formation underlying said 40-acre tract in said Section 33. Said unit is to be dedicated to the aforementioned Mary "33" Well No. 1. Also to be considered will be the cost of directional drilling and recompleting said 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 unit and a charge for risk involved in directional drilling and recompleting said well. Said unit is located approximately 3 miles north-northeast of Knowles, New Mexico.

CASE 11370: (Continued from August 24, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, 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 36, Township 17 South, Range 30 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Loco Hills-Atoka Gas Pool and the Cedar Lake-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4 miles east-southeast of Loco Hills, New Mexico.

CASE 11264: (Continued from September 7, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 24, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to its Fairchild "24" Well No. 2 to be drilled at a standard location in the NW/4 NE/4 (Unit B) of said Section 24. 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 the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4 miles west-northwest of Lakewood, New Mexico.

CASE 11310: (Reopened and Readvertised)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SE/4 of Section 16, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location in the SW/4 SE/4 (Unit O) of said Section 16. 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 the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 7 miles northwest of Lakewood, New Mexico.

CASE 11311: (Reopened).

Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SE/4 of Section 16, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to a well to be drilled at a standard location thereon. 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 Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 7 miles northwest of Lakewood, New Mexico.

CASE 11368: (Readvertised)

Application of Plains Petroleum Company for a pressure maintenance project, special project allowable, a qualification for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a cooperative pressure maintenance project on portions of its E. C. Hill "B" Federal and Baylus Cade Federal leases underlying the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, by the injection of water into the McKee formation of the Teague (Simpson) Pool through the following two wells to be converted to water injection wells: the Baylus Cade Well No. 5, located 985 feet from the South line and 1650 feet from the West line (Unit O) of said Section 35 and the E. C. Hill "B" Federal Well No. 13 located on the surface 947 feet from the South line and 1361 feet from the East line (Unit O) of said Section 34. Also to be considered is a special project allowable, pursuant to Division General Rule 104.F(2), that is equal to the pool's depth bracket allowable times the total number of wells in the project and the ability to produce said project allowable from any of the producing wells in any proportion. The applicant further seeks an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying that portion of said waterflood project encompassing the planned pattern change, for the recovered oil tax rate under the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). This area is located approximately 12 miles south of Eunice, New Mexico.

CASE NOS. 10869 and 10881: Reopened and Continued from June 29, 1995, Examiner Hearing.)

In the matter of Case Nos. 10869 and 10881 being reopened in accordance with provisions of Division Order No. R-10050, which amended the special pool rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, providing for a limiting gas-oil ratio of 7,000:1 cubic feet of gas per barrel of oil. Operators in the subject pool may appear and present evidence and testimony regarding the continuation or the adjustment of the 7,000:1 gas-oil ratio limitation within the South Dagger Draw-Upper Pennsylvanian Associated Pool.

CASE 11390: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico.

- (a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Pictured Cliffs production and designated as the Escavado-Pictured Cliffs Pool. The discovery well is the Dugan Production Corporation Hendrix Well No. 2 located in Unit B of Section 7, Township 22 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM

Section 7: NE/4

- (b) EXTEND the Blanco-Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM

Sections 10 through 12: All

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM

Sections 33 and 34: All

TOWNSHIP 31 NORTH, RANGE 5 WEST, NMPM

Section 21: All

Section 28: All

Section 33: All

- (c) EXTEND the Ensenada-Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM

Section 33: NE/4

Section 34: W/2

- (d) EXTEND the Fulcher Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 11 WEST, NMPM

Section 2: NW/4

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM

Section 15: All

- (e) EXTEND the Gavilan-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 2 WEST, NMPM

Section 18: S/2

- (f) EXTEND the Lybrook-Gallup Oil Pool in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM

Section 3: S/2 NW/4 and NW/4 NW/4

Section 4: N/2

DOCKET NO. 28-95

DOCKET: COMMISSION HEARING - THURSDAY - SEPTEMBER 28, 1995

9:00 A.M. - 2040 SOUTH PACHECO

SANTA FE, NEW MEXICO

The Land Commissioner's designee for this hearing will be Jami Bailey

CASE 11351: (Continued from August 3, 1995, Commission Hearing.)

In the matter of the hearing called by the Oil Conservation Division to amend Rule 104 of its General Rules and Regulations pertaining to unorthodox well locations and non-standard units. The proposed amendments to Rule 104 would provide for administrative approval of applications for certain unorthodox well locations and non-standard units currently requiring notice and hearing. A copy of the proposed Rule 104 is attached to this docket.

CASES NOS. 11143 and 11216: (Reopened)

In the matter of the hearing called by the New Mexico Oil & Gas Association and Controlled Recovery, Incorporated to have the Oil Conservation Commission reconsider its Order Nos. R-10417 and R-10411 concerning the regulation of surface waste management facilities to protect fresh water, public health and the environment. The evidence and testimony will be limited to new evidence and testimony not already presented at the May 11, 1995, Oil Conservation Commission public hearing.

CASE 11391: In the matter of the hearing called by the Oil Conservation Commission to enact a new rule establishing radiation protection standards for the disposal and transfer for disposal of naturally occurring radioactive materials (NORM) associated with the oil and gas industry, and which are not subject to regulation under the Atomic Energy Act of 1954, as amended.