

OIL CONSERVATION DIVISION

October 20, 1995

M E M O R A N D U M

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY *WJL*

SUBJECT: GAS PRORATION SCHEDULE

The Division issues gas proration schedules for each six (6) month allocation period showing the monthly allowable for each gas proration unit (GPU), the current classification of each GPU and such other information as is necessary to show the allowable production status of each GPU. Allocation hearings are generally held by the Oil Conservation Commission twice each year to determine pool allocations for the ensuing allocation period based upon testimony presented and Division production records. Because of the lack of reliable ONGARD production records the issuance of a gas proration schedule for the six (6) month allocation period April 1995 through September 1995 implementing OCC Order No. R-10435 has been delayed. Reliable data is currently being assembled to produce this schedule but the delay disrupted our process. Accordingly, the Oil Conservation Commission will not hold an allocation hearing for the 6 month period October 1995 through March 1996. Instead we will use current ONGARD data and past industry projections to issue a gas proration schedule for the period October 1995 through March 1996. Allowable adjustments can be proposed at the next allocation hearing which is scheduled for February 15, 1996.

CASE 11407: (Continued from October 19, 1995, Examiner Hearing.)

Application of Zia Energy, Inc. for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the San Andres formation, underlying the following described acreage in Section 22, Township 21 South, Range 37 East and in the following manner: the NW/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Penrose Skelly-Grayburg Pool; and, the NE/4 to form a standard 160-acre gas 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 Hare-San Andres Gas Pool. Both units are to be dedicated to its existing Eubank Well No. 5, located 330 feet from the North line and 2310 feet from the East line (Unit B) of said Section 22, which location is "standard" for the proposed 40-acre unit but is considered to be an unorthodox gas well location for the proposed 160-acre unit. Also to be considered will be the costs of plugging-back and re-completing said well and the allocation of the 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 plugging-back and re-completing said well. Said well is located approximately 2 miles south-southeast of Oil Center, New Mexico.

CASE 11418: **Application of Burns Operating for an unorthodox oil well location, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks approval for its ARCO "6" Federal Well No. 1 to be drilled at a more geologically acceptable location that is unorthodox in order to test the Devonian formation 1800 feet from the South line and 1410 feet from the West line (Unit K) of Section 6, Township 17 South, Range 31 East, the NE/4 SW/4 of said Section 6 to be dedicated to said well to form a standard 40-acre oil spacing and proration unit. Said unit is located approximately 5 miles northeast by east of Loco Hills, New Mexico. IN THE ABSENCE OF OBJECTION THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

CASE 11411: (Continued from October 19, 1995, Examiner Hearing.)

Application of Medallion Production 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 Morrow formation, Undesignated Cemetery-Morrow Gas Pool, underlying the S/2 of Section 9, Township 20 South, Range 25 East. Said unit is to be dedicated to a well to be drilled at an orthodox location in Section 9. 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 a charge for risk involved in drilling said well. Said unit is located approximately 5 miles southwest of Seven Rivers, New Mexico.

CASE 11419: **Application of Amoco Production Company for compulsory pooling, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Fruitland Sand and the Pictured Cliffs Formations, underlying the SW/4 of Section 13, Township 27 North, Range 13 West, forming a standard 160-acre gas 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 Fruitland Sand/Pictured Cliffs Formations. Said unit is to be dedicated to the existing Ginther Gas Com Well No. 2 located in Unit K of Section 13. Also to be considered will be the costs of participation in said well, including but not limited to the value of the existing wellbore, the costs of recompletion, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for the risk involved in recompleting said well and the designation of applicant as the operator of the well. Said well is located approximately 9 miles south of Farmington, New Mexico.

CASE 11412: (Continued from October 19, 1995, Examiner Hearing.)

Application of Amoco Production Company for surface commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to surface commingle Blanco Mesaverde Pool gas production with Basin Dakota Pool gas production within the wellbore of its Houck Com Well No. 1, located 1580 feet from the South line and 890 feet from the East line (Unit I) of Section 1, Township 29 North, Range 10 West. Said well is located approximately 3 1/2 miles west of Turley, New Mexico. IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

DOCKET: EXAMINER HEARING - THURSDAY - NOVEMBER 2, 1995**8:15 A.M. - 425 North Richardson Street****Roswell, New Mexico**

Dockets Nos 34-95 and 35-95 are tentatively set for November 16, 1995 and December 7, 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 11394: (Continued from October 19, 1995, Examiner Hearing.)

Application of Harvey E. Yates Company for a unit agreement, Otero County, New Mexico. Applicant, in the above-styled cause, seeks approval of a unit agreement for its proposed Bennett Ranch Federal Unit Area containing 8856.90 acres, more or less, of Federal and State lands comprising all or portions of Sections 1-3, 10-15, 22-27, 35 and 36, Township 26 South, Range 12 East, and all or portions of Sections 18, 19, 30, and 31, Township 26 South, Range 13 East. Said unit area is located approximately 32 miles east-northeast of the intersection of U.S. Highway 54 with the Texas-New Mexico state line.

CASE 11415: **Application of Browning Oil Company, Inc. for an unorthodox oil well location, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks approval for its Knowles Well No. 1 to be drilled at a more geologically acceptable location that is unorthodox in order to test the Devonian formation 3627 feet from the North line and 1425 feet from the East line (Lot 10/Unit J) of Section 1, Township 16 South, Range 38 East, Lot 10 of said Section 1 to be dedicated to said well to form a standard 40-acre oil spacing and proration unit. Said unit is located approximately 1.5 miles east of the old Hobbs Army Air Force Auxiliary Airfield No. 1. **IN THE ABSENCE OF OBJECTION THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

CASE 11403: (Readvertised)

Application of Pogo Producing Company for a pilot pressure maintenance project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot pressure maintenance project on its Neff Federal Lease comprising all of Section 25, Township 22 South, Range 31 East, by the injection of water into the Delaware formation of the Livingston Ridge-Delaware Pool through perforations from approximately 7050 feet to 7068 feet in its existing Neff Federal Well No. 3 located 430 feet from the North line and 760 feet from the West line (Unit D) of Section 25. Said well is located approximately 9 miles north of the intersection of State Highway 128 with the Eddy/Lea County line.

CASE 11416: **Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Pennsylvanian formation underlying the S/2 of Section 21, Township 18 South, Range 28 East, forming a standard 320-acre 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 North Illinois Camp-Morrow Gas Pool. Said unit is to be dedicated to its Artesia "21" State Well No. 2 to be drilled and completed at an unorthodox gas well location 1980 feet from the South line (Unit K) and 1943 feet from the West line of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the 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 drilling said well. Said unit is located approximately 15 miles southeast of Artesia, New Mexico.

CASE 11417: **Application of Meridian Oil Inc. for compulsory pooling, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage within Section 30, Township 10 South, Range 38 East, NMPM, Lea County, New Mexico and in the following manner: the NE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent; and the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent. Said units are to be dedicated to its proposed Aunt Lula 30 Well No. 1 which is to be drilled at a standard well location in Unit I of said Section 30. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling and completing said well and the allocation of those costs and income therefor as actual operating costs and charges for supervision, a charge for risk involved in drilling and completing said well and the designation of applicant as the operator of the well. Said well is located approximately 10 miles northeast of Gladiola, New Mexico.

CASE 11413: (Continued from October 19, 1995, Examiner Hearing.)

Application of Amoco Production Company for surface commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to surface commingle Blanco Mesaverde Pool gas production with Basin Dakota Pool gas production within the wellbore of its Blanco Com Well No. 1A, located 1120 feet from the South line and 950 feet from the East line (Unit P) of irregular Section 2, Township 30 North, Range 11 West. Said well is located approximately 1 1/2 miles northeast of Aztec, New Mexico. IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

CASE 11408: (Continued from October 19, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Morton Exploratory Unit Agreement for an area comprising 2,178.68 acres, more or less, of State and Fee lands comprising all or portions of Sections 33 and 33, Township 14 South, Range 35 East, and Sections 4, 5 and 6 of Township 15 South, Range 35 East, which is located approximately 14 miles south-southwest of Tatum, New Mexico.

CASE 11420: **Application of Yates Petroleum Corporation for a unit agreement, Roosevelt County, New Mexico.** Applicant, in the above-styled cause, seeks approval of a unit agreement for its proposed Sawyer North Unit Area containing 1,012.04 acres, more or less, of Federal and State lands in portions of Sections 32 and 33, Township 8 South, Range 38 East. Said unit area is located approximately 17 miles east by north of Crossroads, New Mexico.**CASE 11421:** **Application of Yates Petroleum Corporation for the promulgation of special rules and regulations for the South Pecos Slope-Abo Gas Pool, Chaves County, New Mexico.** Applicant, in the above-styled cause, seeks the promulgation of special rules and regulations for the currently unprorated South Pecos Slope-Abo Gas Pool, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the South Pecos Slope-Abo Gas Pool comprises approximately 73,440 acres in portions of Townships 8, 9, 10, and 11 South, Ranges 24, 25, 26, and 27 East.**CASE 11422:** **Application of Yates Petroleum Corporation for the promulgation of special rules and regulations for the West Pecos Slope-Abo Gas Pool, Chaves County, New Mexico.** Applicant, in the above-styled cause, seeks the promulgation of special rules and regulations for the currently unprorated West Pecos Slope-Abo Gas Pool, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the West Pecos Slope-Abo Gas Pool comprises approximately 92,480 acres in portions of Townships 5, 6, 7, 8, and 9 South, Ranges 21, 22, and 23 East.**CASE 11399:** (Continued from October 5, 1995, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Diamond Back Petroleum Inc. and all other interested parties to appear and show cause why the following two wells located in Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug any or all of said wells, the Division seeks an order directing the operator to pay the costs of such plugging and if failing to do so, ordering a forfeiture of the plugging bond, if any, covering said wells:

Margie Kay Well No. 1, located 1980 feet from the North line and 1980 feet from the West line (Unit F) of Section 7, Township 17 South, Range 28 East.

Margie Kay Well No. 1, located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 7, Township 17 South, Range 28 East.

CASES 10793, 10981, and 11004: (Reopened - Continued from September 7, 1995, Examiner Hearing.)

In the matter of Case Nos. 10793, 10981, and 11004 being reopened pursuant to the provisions of Division Order Nos. R-9976 and R-9976-A, which orders established a "pilot infill drilling program" in the Pecos Slope-Abo Gas Pool in portions of Townships 5, 6, and 7 South, Ranges 25 and 26 East, Chaves County. **The applicant in this matter, Yates Petroleum Corporation, seeks the promulgation of special rules and regulations for the currently unprorated Pecos Slope-Abo Gas Pool**, based on the geologic and engineering data acquired from the pilot program, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the Pecos Slope-Abo Gas Pool comprises approximately 199,000 acres in all or portions of Townships 4, 5, 6, 7, and 8 South, Ranges 24, 25, 26, and 27 East.

DOCKET NO. 33-95

DOCKET: COMMISSION HEARING - THURSDAY - NOVEMBER 9, 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 11353:** (Continued from October 12, 1995, Commission Hearing.)

In the matter of the hearing called by the Oil Conservation Division to amend Rule 303.C. of its General Rules and Regulations pertaining to downhole commingling. The proposed amendments to Rule 303.C. would provide for administrative approval of applications for types of downhole commingling currently requiring notice and hearing.

CASE 11297: (De Novo)

Application of Exxon Corporation for a waterflood project, qualification for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" for said project, and for 18 non-standard oil well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to institute a waterflood project in the designated and Undesignated Avalon-Delaware Pool within its proposed Avalon Delaware Unit Area (being the subject of Case No. 11298) located in portions of Townships 20 and 21 South, Ranges 27 and 28 East, by the injection of water through 18 new wells to be drilled as injection wells and one well to be converted from a producing oil well to an injection well. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Applicant further seeks approval to drill 18 new producing wells throughout the project area at locations considered to be unorthodox. The proposed unit area is centered approximately 8 miles north of Carlsbad, New Mexico. Upon the application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11298: (De Novo)

Application of Exxon Corporation for statutory unitization, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a waterflood project, all mineral interests in the designated and Undesignated Avalon-Delaware Pool underlying its proposed Avalon Delaware Unit Area encompassing some 2,140.14 acres, more or less, of Federal, State, and Fee lands comprising portions of Sections 25 and 35, Township 20 South, Range 27 East, all or portions of Sections 29, 30, 31, and 32, Township 20 South, Range 28 East, and portions of Sections 4, 5, and 6, Township 21 South, Range 28 East. Among the matters to be considered at the hearing, pursuant to the "New Mexico Statutory Unitization Act", Sections 70-7-1 et. seq., NMSA, will be the necessity of unit operations; the designation of a unit operator; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable and equitable allocation of production and costs of production, including capital investments, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to unit voting procedures, selection, removal or substitution of the unit operator, and time of commencement and termination of unit operations. Said unit area is centered approximately 8 miles north of Carlsbad, New Mexico. Upon the application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.