

DOCKET: COMMISSION HEARING - THURSDAY - APRIL 9, 1998**9:00 A.M. - 2040 SOUTH PACHECO - SANTA FE, NEW MEXICO****The Land Commissioner's designee for this hearing will be Jami Bailey or Gary Carlson****NOTICE**

The minutes of the February 26, 1998, Commission hearing will be adopted.

The Oil Conservation Commission will hold an election to determine the Chairman of the Commission.

The following cases are awaiting final Commission action:

De Novo Case 11579: Pogo Producing Company for a pressure maintenance project, Lea County, New Mexico

De Novo Case 11808: Burlington Resources Oil & Gas Company for compulsory pooling and a non-standard gas proration and spacing unit, San Juan County, New Mexico

De Novo Case 11844: Chesapeake Operating, Inc. for an unorthodox oil well location, Lea County, New Mexico

De Novo Case 11894: Chesapeake Operating Inc. for an unorthodox oil well location, Lea County, New Mexico

CASE 11862: (Continued from October 16, 1997, Commission Hearing.)

The Division will present an update on actions taken by the Division regarding the Commissioners April 10, 1997 directive to the Division to present a rule change to the Commission which would bring all Section 70-2-12B.(22) facilities under the jurisdiction of the Commission. AT THE REQUEST OF THE OIL CONSERVATION DIVISION, THIS CASE WILL BE CONTINUED FOR SIX MONTHS.

CASE 11705: (Continued from February 26, 1998, Commission Hearing)

Proposed amendments may be viewed on the net.

Application of the Oil Conservation Division to amend Order R-8170, as amended, "**General Rules for the Prorated Pools of New Mexico.**" Applicant seeks to amend Order No. R-8170, as amended, to simplify the testing and proration rules as applied to the prorated pools of Northwest New Mexico.

CASE 11838: (De Novo - Continued from February 26, 1998, Commission Hearing.)

Application of Premier Oil & Gas, Inc. to have a wellbore of its included in the Avalon (Delaware) Unit operated by Exxon Company USA, Eddy County, New Mexico. Applicant seeks to include its FV-1 Well located 1980 feet from the North line and 990 feet from the East line (Unit H) of Section 25, Township 20 South, Range 27 East, as a unit wellbore in the Avalon (Delaware) Unit, including but not limited to amending Exhibit H of the Unit Operating Agreement to include said wellbore and to qualify said wellbore a useable wellbore committed to its Avalon (Delaware) Unit prior to October 1, 1997. Said unit is located approximately 7 miles southeast of Lakewood, New Mexico. Upon application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

THIS HEARING WILL BE LIMITED TO ARGUMENTS REGARDING DISMISSAL OF THIS CASE AT THE DIVISION LEVEL.

CASE 11842: (De Novo)

Application of Mewbourne Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval for its proposed ETA State Well No. 3 at an unorthodox gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 8, Township 16 South, Range 35 East, to be drilled to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation, including but not limited to the Townsend-Morrow Gas Pool, and, if productive, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 8. Said well is located approximately 7 miles southwest of Lovington, New Mexico. Upon application of Mewbourne Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11839: (De Novo)

Application of Odessa Oil Investments, Inc. for salt water disposal, Eddy County, New Mexico. Applicant seeks authority to re-enter the existing Lakewood State Com Well No. 1 (formerly the Monsanto Company Lakewood State Com Well No. 1), located 1980 feet from the North and West lines (Unit F) of Section 30, Township 19 South, Range 26 East, and utilize the well to dispose of produced water into the Devonian formation through the open-hole interval from approximately 10,300 feet to 10,700 feet. Said well is located approximately 3 miles west of Lakewood, New Mexico. Upon application of Odessa Oil Investments, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11807: (De Novo - Continued from February 26, 1998, Commission Hearing.)

Application of Stevens & Tull, Inc. for salt water disposal, Lea County, New Mexico. Applicant seeks authority to dispose of water produced from the Yates-Seven Rivers formation back into the Yates-Seven Rivers formation of the West Texas Yates-Seven Rivers Pool in the interval from 2989 feet to 3212 feet in its State "BF" Well No. 4 located 330 feet from the North and East lines (Unit A) Section 16, Township 20 South Range 33 East. In addition, applicant seeks approval of a surface injector pressure of 1,000 psi and an administrative procedure for obtaining further increases in said limitation. Said well is located approximately 3 1/2 miles northeast of the intersection of US Highway 180 and New Mexico Highway 176 in New Mexico. Upon application of Stevens & Tull, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11809: (De Novo - Continued from February 26, 1998, Commission Hearing.)

Application of Burlington Resources Oil & Gas Company for compulsory pooling, an unorthodox gas well location and a non-standard proration unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral owners, including working interests, royalty interests and overriding royalty interests below the base of the Dakota formation (base of the Cretaceous aged formation) to the top of the Pre-Cambrian aged formation underlying all of Irregular Section 8, Township 31 North, Range 10 West, forming a non-standard 639.78-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Said unit is to be dedicated to its Marcotte Well No. 2 to be drilled at an unorthodox gas well location 1540 feet from the South line and 935 feet from the East line (Unit I) of said Section 8. 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 well is located approximately 2 1/2 miles southeast of Cedar Hills, New Mexico. Upon the applications of Total Minatome Corporation, Timothy B. Johnson, Trustee for Ralph A. Bard, Jr. Trust U/A/D February 12, 1983 et al., Lee Wayne Moore and Joann Montgomery Moore, Trustees, and Bert Harris, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11724: (De Novo - Continued from October 16, 1997, Commission Hearing.)

Application of Gillespie-Crow, Inc. for unit expansion, statutory unitization, and qualification of the expanded unit area for the recovered oil tax rate and certification of a positive production response pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks an order expanding the West Lovington Strawn Unit and unitizing all mineral interests in the designated and Undesignated West Lovington-Strawn Pool underlying the S/2 SE/4 of Section 28, all of Section 33, and the W/2 and W/2 SE/4 of Section 34, Township 15 South, Range 35 East; Lots 1 through 8 of Section 1, Township 16 South, Range 35 East; and Lots 3 through 5 of Section 6, Township 16 South, Range 36 East, comprising 1618.95 acres, more or less, of state, federal, and fee lands. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, Sections 70-7-1 et. seq., will be: the necessity of unit operations; 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 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. Applicant further seeks to qualify the expanded unit area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), and to certify two wells within the expanded unit area for a positive production response. Said unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico. Upon application of Yates Petroleum Corporation and Hanley Petroleum, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11954: **Application of Hanley Petroleum, Inc. and Yates Petroleum Corporation for expansion of the West Lovington Strawn Unit, Lea County, New Mexico.** Applicants seek amendment of the Unit Agreement for the West Lovington Strawn Unit to provide for the allocation of the produced and saved hydrocarbons to the separately owned tracts in the Unit on a fair, reasonable and equitable basis, qualification of the expanded unit area for the Recovered Oil Tax Rate, and certification of a positive production response pursuant to the New Mexico Enhanced Oil Recovery Act. Applicants request that the unit boundary be expanded to include all or parts of Sections 27, 28, 33, 34 and 35, Township 15 South, Range 35 East; Lots 1 through 8 of Section 1, Township 16 South, Range 35 East; and Lots 2 through 7 of Section 6, Township 16 South, Range 36 East, in the West Lovington-Strawn Pool. Said area is located 4.5 miles west-northwest of Lovington, New Mexico.

The Oil Conservation Commission may vote to close the open meeting to deliberate any De Novo case heard at this hearing.