

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 4, 1997**8:15 AM - 2040 South Pacheco****Santa Fe, New Mexico**

Dockets Nos 39-97 and 1-98 are tentatively set for December 18, 1997 and January 8, 1998. 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 11850: (Continued from November 6, 1997, Examiner Hearing - This Case will be Dismissed.)

Application of Diamond Head Properties, L. P., et al, for clarification of Division Order No. R-10731-B, Eddy County, New Mexico. Applicants, Diamond Head Properties, L. P. and its joint interest owners, Grover Family, L.P., Dugan Production Corp., Pennant Petroleum Inc. and Glenn S. Brant, (collectively the "Diamond Head Group") seek clarification of Order No. R-10731-B, issued February 2, 1997, and request that the Division order KCS Medallion Resources, Inc. ("KCS") to distribute to Diamond Head Properties and its joint owners their proportionate share of any nonconsenting working interest owner's share of production plus the 200% risk factor penalty. Said pooled unit is located approximately 10 miles north of Carlsbad, New Mexico.

CASE 11886: **Application of Nadel and Gussman Permian, LLC. for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the West Hobbs Unit Agreement for an area comprising 1,359.6 acres, more or less, of State lands in portions of Section 5, 8, and 17, all in Township 18 South, Range 37 East. Said unit area is located approximately 3.5 miles west of the Hobbs Industrial Airpark.**CASE 11878:** (Continued from November 6, 1997, Examiner Hearing.)

Application of Fasken Oil and Ranch, Ltd. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Unit M) of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing and proration unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines (Unit J) of said Irregular Section 17. Said unit is located approximately 9 miles northwest from Carlsbad, New Mexico.

CASE 11887: **Application of Santa Fe Energy Resources, Inc. for compulsory pooling and 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 Lots 3-6 and 11-14 of Section 1, Township 21 South, Range 34 East, to form a non-standard 315.22-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Wilson-Morrow Gas Pool. Said unit is to be dedicated to its Outland "1" State Well No. 1, to be drilled at an orthodox gas well location 3300 feet from the North line and 1650 feet from the West line of said Section 1. 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 the risk involved in drilling said well. Said unit is located approximately 10 miles west-northwest of Oil Center, New Mexico.**CASE 11888:** **Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea 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 19, Township 20 South, Range 34 East, and in the following manner: Lots 1-4 and the E/2 W/2 (W/2 equivalent) to form a standard 320.28-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool and Lots 3, 4 and the E/2 SW/4 (SW/4 equivalent) to form a standard 160.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com. Well No. 1Y (to be redesignated the Topaz Fed. Com. Well No. 1), located at an unorthodox gas well location 660 feet from the South line and 2084 feet from the West line (Unit N) of said Section 19. If re-entry at that location is unsuccessful, the well will be directionally drilled to an unorthodox location within a 50 foot radius of 660 feet from the South line and 1100 feet from the West line (Unit M) of Section 19. Also to be considered will be the cost of re-entering and directionally 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 the risk involved in drilling said well. Said unit is located approximately 20.5 miles west-northwest of Oil Center, New Mexico.

CASE 11889: **Application of Leonard Resource Investment Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SE/4 SE/4 of Section 14, Township 20 South, Range 38 East, to form a standard 40-acre oil spacing and proration unit for all formations and/or pools spaced on 40 acres within said vertical extent, including but not limited to the Undesignated House-San Andres Pool, Undesignated South House-Blinbry Pool, Undesignated East Warren-Tubb Pool, Undesignated House-Drinkard Pool, and Undesignated D-K Abo Pool. Said unit is to be dedicated to applicant's Bull Durham Well No. 1, to be drilled at an orthodox oil well location 330 feet from the South line and 660 feet from the East line of said Section 14. Also to be considered will be the cost of drilling 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 9 miles south-southwest of Hobbs, New Mexico.

CASE 11831: (Continued from November 6, 1997, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations from 500 feet beneath the surface to the base of the Morrow formation underlying the following described acreage in Section 4, Township 18 South, Range 28 East, and in the following manner: Lots 3, 4, S/2 NW/4, and SW/4 (the W/2) equivalent to form a standard 320.36-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Empire-Pennsylvanian Gas Pool and the Undesignated North Illinois Camp-Morrow Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools spaced on 160-acre spacing within said vertical extent; and the N/2 SW/4 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools spaced on 80 acres within said vertical extent, including the Undesignated Travis-Upper Pennsylvanian Pool. Said units are to be dedicated to its Scoggin Draw "4" State Com Well No. 1, located 2310 feet from the South line and 660 feet from the West line (Unit L) of said Section 4. 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 13 miles southeast of Artesia, New Mexico.

CASE 11882: (Continued from November 20, 1997, Examiner Hearing.)

Application of Xeric Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SE/4 SE/4 of Section 14, Township 20 South, Range 38 East, forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including but not necessarily limited to the D-K-Abo Pool. Said unit is to be dedicated to its Hall Well No. 1 to be drilled and completed at a standard well location in Unit P of said Section 14. Also to be considered will be the costs 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 10 miles southeast of Hobbs, New Mexico.

CASE 11890: **Application of ARCO Permian to amend Division Order No. R-10781, Eddy County, New Mexico.** Applicant seeks an amendment to Division Order No. R-10781, issued in Case 11727 and dated March 18, 1997, authorizing the previously approved unorthodox subsurface gas well location for a standard 320-acre gas spacing and proration unit comprising the N/2 of Section 35, Township 17 South, Range 28 East within the South Empire-Morrow Gas Pool, which was within 100 feet of a point 1253 feet from the North line and 508 feet from the East line (Unit A) of Section 35, to now be applied to its proposed Evelyn "35" State Com Well No. 2 to be drilled from a surface location 1439 feet from the North line and 349 feet from the East line (Unit H) of said Section 35. Said unit is located approximately 18 miles southeast of Artesia, New Mexico. IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.

CASE 11865: (Readvertised)

Application of Thompson Engineering & Production Corp. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico. Applicant seeks authorization to drill its Blancett Well No. 2R at an unorthodox "off pattern" coal gas location in the Basin-Fruitland Coal Gas Pool 790 feet from the South line and 830 feet from the East line (Unit P) of Section 13, Township 30 North, Range 12 West. Applicant also seeks authority to downhole commingle production from the Pictured Cliffs formation, Aztec-Pictured Cliffs Gas Pool, and the Fruitland formation, Basin-Fruitland Coal Gas Pool within the wellbore of said well. The E/2 of said Section 13 is to be dedicated to said well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 2 miles southeast of Aztec, New Mexico.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 12, 1997

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Case 11888

Re: Application for administrative approval for two non-standard subsurface gas well locations for Santa Fe Energy Resources, Inc.'s Topez "19" Federal Com Well No. 1 (API No. 30-025-22564) in Unit "N" of Section 19, Township 20 South, Range 34 East, NMPM, Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool, Lea County, New Mexico.

Dear Mr. Bruce:

I am in receipt of your application for hearing on the subject well; therefore, your administrative application filed in September will be dismissed at this time.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Kathy Valdes, NMOCD - Santa Fe