

DOCKET: EXAMINER HEARING - THURSDAY - SEPTEMBER 3, 1998

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 26-98 and 27-98 are tentatively set for September 17 and October 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 11288: Continued from August 6, 1998, Examiner Hearing. This case will be continued to the September 17, 1998 Examiner Hearing.

Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. The applicant seeks an order pooling all mineral interests in the Basin-Dakota Pool underlying Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 5, Township 29 North, Range 11 West, thereby forming a standard 293.68-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its proposed Fifield Com Well No. 1-E (API No. 30-045-29517) to be drilled at a standard gas well location in the NW/4 equivalent of said Section 5. 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 unit and a charge for risk involved in drilling said well. Said unit area is located approximately 4 miles south of Aztec, New Mexico.

CASE 12021: (Readvertised)

Application of Southwest Royalties, Inc. for a waterflood project, Lea County, New Mexico. Applicant seeks authority to institute a waterflood project on its Gonzales "31" Federal lease comprising the E/2 of Section 31, Township 9 South, Range 33 East, by the injection of water into the San Andres formation, Flying M San Andres Pool, through the perforated interval from 4,239 feet to 4,282 feet in its Gonzales "31" Federal Well No. 6Y located 1980 feet from the South line and 860 feet from the East line (Unit I) of Section 31. This project is located approximately 9 miles northwest of Caprock, New Mexico.

CASE 12020: Continued from August 6, 1998, Examiner Hearing.

Application of OXY USA INC. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 3,000 feet below the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 17 South, Range 27 East, and in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, which presently may include but is not necessarily limited to the Logan Draw-Morrow Gas Pool; the Logan Draw-Atoka Gas Pool and the Logan Draw-Cisco/Canyon Gas Pool. The unit is to be dedicated to its Chopsticks Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit G of Section 24. Also to be considered will be the costs of drilling and completing the 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 the well. The unit is located approximately 9 1/2 miles east of Artesia, New Mexico.

CASE 12034: Application of Matador Petroleum Corporation for approval of an unorthodox gas well location and to amend Order No. R-10872-B to approve a standard 600.01-acre gas spacing and proration unit, Eddy County New Mexico. Applicant seeks to amend Order No. R-10872-B to create a standard 600.01-acre gas spacing and proration unit consisting of Lots 11 through 14, 25 through 32 and SW/4 (south two-thirds equivalent) of Irregular Section 1, Township 21 South, Range 25 East. In addition, applicant seeks authority for the drilling of an "infill well" to a depth sufficient to test the Morrow formation at an unorthodox gas well location 2080 feet from the South line and 750 feet from the West line of Irregular Section 1 and for approval of this unorthodox location 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 Catclaw Draw-Morrow Gas Pool. In the event this well is productive from the Morrow formation, then it will be dedicated to this standard 600.01-acre gas proration and spacing unit. Said unit is located approximately 9 miles northwest of Carlsbad, New Mexico.

CASE 12035: Application of Concho 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 Atoka formation underlying the S/2 of Section 10, Township 17 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, which presently may include but is not necessarily limited to the South Shoe Bar-Atoka Gas Pool. The unit is to be dedicated to its South Shoe Bar "10" State Com Well No. 1 to be drilled and completed at a standard gas well location in Unit N of Section 10. Also to be considered will be the costs of drilling and completing the 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 the well. This area is located approximately 9 miles southwest of Lovington, New Mexico.

CASE 12031: (Continued from August 20, 1998, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy 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 25, Township 18 South, Range 30 East, and in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated North Shugart-Morrow Gas Pool; 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 spacing within that vertical extent; and the NW/4 SE/4, below 4100 feet subsurface, 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 that vertical extent. The units are to be dedicated to the Benson "25" Fed. Com Well No. 1, located at an unorthodox well location 1980 feet from the South and East lines (Unit J) of Section 25. 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 unit is located approximately 7.5 miles southeast of Loco Hills, New Mexico.

Examiner Hearing - September 3, 1998

Docket No. 24-98

Page -2-

CASE 12036: Application of Devon Energy Corporation (Nevada) for an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks approval of an unorthodox oil well location in the Grayburg-Jackson Pool for the Turner "B" Well No. 115, to be located 1050 feet from the North line and 25 feet from the West line (Unit D) of Section 20, Township 17 South, Range 31 East. The NW/4 NW/4 of Section 20 will be dedicated to the well. This unit is located approximately 5 miles east-northeast of Loco Hills, New Mexico. IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

CASE 12025: Continued from August 6, 1998, Examiner Hearing.

Application of Mallon Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to drill its Mescalero Ridge "19" Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the South line and 990 feet from the West line (Lot 3/Unit L) of Section 19, Township 19 South, Range 34 East, located approximately 7 miles east of the junction of U.S. Highway 62/180 and New Mexico State Road 176. Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 19 is to be dedicated to said well in order to form a standard 319.92-acre gas spacing and proration unit in the Undesignated Quail Ridge-Morrow Gas Pool.

CASE 12037: Application of Yates Petroleum Corporation for simultaneous dedication or, in the alternative, special pool rules, Lea County, New Mexico. Applicant seeks authorization to simultaneously dedicate its Brunson "AQK" State Com Well No. 1 located 2260 feet from the North line and 1795 feet from the East line (Unit G) and its Big Flat "ASN" State Com. Well No. 1 located 1650 feet from the South line and 1980 feet from the East line (Unit J) both in Section 10, Township 16 South, Range 35 East, to a standard gas spacing unit comprised of the E/2 of Section 10 in the North Shoe Bar-Atoka Gas Pool. In the alternative, applicant seeks the promulgation of special pool rules for the North Shoe Bar-Atoka Gas Pool which authorize a second well on each standard spacing and proration unit in the pool. These wells are located approximately 5 miles west of Lovington, New Mexico.

CASE 12038: Application of Manzano Oil Corporation for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Section 23, Township 24 South, Range 26 East, for all formations developed on 640-acre spacing including but not limited to the White City-Pennsylvanian Gas Pool; the S/2 for all formations developed on 320-acre spacing; the SW/4 for all formations developed on 160-acre spacing; the W/2 SW/4 for all formations developed on 80-acre spacing; and the SW/4 SW/4 for all formations developed on 40-acre spacing. Applicant proposes to dedicate these pooled units to its Rio Negro Well No. 1 to be drilled at an unorthodox well location 660 feet from the South and West lines (Unit M) of Section 23. 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. This area is located approximately 1 mile west of Black River Village, New Mexico.

CASE 11986: Continued from August 6, 1998, Examiner Hearing.

Application of Saba Energy of Texas, Incorporated for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks the creation of a new pool for the production of hydrocarbons from the Upper Pennsylvanian formation that is comprised of the E/2 NE/4 and the E/2 SE/4 of Section 7, Township 13 South, Range 36 East, as the result of the discovery of oil in its Saba State Well No. 1 located in Unit I of said Section 7 and the promulgation of Special Pool Rules for this new pool including provisions for 80-acre spacing and special well location requirements. Said area is located approximately 2 miles south-southwest of Tatum, New Mexico.

CASE 12008: Continued from July 9, 1998, Examiner Hearing.

Application of Robert E. Landreth for a determination of reasonable well costs, Lea County, New Mexico. Applicant, as a mineral interest owner in the standard 320-acre gas spacing and proration unit comprising the S/2 of Section 29, Township 22 South, Range 34 East, seeks an order ascertaining the reasonableness of actual well costs for: (i) the Santa Fe Energy Resources, Inc. Gaucho Unit Well No. 2-Y (API No. 30-025-34026), located 1650 feet from the South line and 1725 feet from the West line (Unit K) of Section 29; and (ii) the plugged and abandoned Gaucho Unit Well No. 2 (API No. 30-025-33682), located 1650 feet from the South and West lines (Unit K) of Section 29. This 320-acre unit was the subject of compulsory pooling Order No. R-10764, dated February 14, 1997. This area is located approximately 20 miles west by south of Eunice, New Mexico.

CASE 12015: Continued from August 6, 1998, Examiner Hearing.

Application of Gruy Petroleum Management for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks an exception to Oil Conservation Division Rule 104.C.(2) to authorize an unorthodox gas well location for the Rhodes Federal Unit Well No. 43 at a point 2310 feet from the South line and 990 feet from the West line (Unit L) of Section 4, Township 26 South, Range 37 East, and authorization to simultaneously dedicate this well and its Rhodes Federal Unit Wells 43 and 415 to a standard gas spacing unit comprised of the SW/4 of Section 4 in the Rhodes-Yates-Seven Rivers Gas Pool. Said wells are located approximately 3 miles south-southeast of Jal, New Mexico.