

DOCKET: EXAMINER HEARING - THURSDAY - OCTOBER 8, 1998

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 29-98 and 30-98 are tentatively set for October 22 and November 5, 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 11988: Continued from September 3, 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 12052: Application of Southwestern Energy Production Company 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 28, Township 22 South, Range 34 East, and in the following manner: the N/2 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 Undesignated Ojo Chiso-Strawn Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, and Undesignated West Ojo Chiso-Morrow Gas Pool; the NW/4 forming 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 NE/4 NW/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 that vertical extent. The units are to be dedicated to its SEPCO "28" Fed. Well No. 1 to be drilled and completed at an orthodox well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 28. 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 unit is located approximately 15 1/2 miles southwest of Oil Center, New Mexico.

CASE 12053: Application of Chi Energy, 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 3, Township 17 South, Range 27 East, and in the following manner: the S/2 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 Undesignated Crow Flats-Morrow Gas Pool; the SW/4 forming 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 SE/4 SW/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 that vertical extent. The units are to be dedicated to its Little Hammer Fed. Com. Well No. 1 to be drilled and completed at an orthodox gas well location 860 feet from the South line and 2105 feet from the West line (Unit N) of said Section 3. 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 units are located approximately 8 miles east-northeast of Artesia, New Mexico.

CASE 12054: Application of Nadel and Gussman Permian, L.L.C. and Wilson & Barr for compulsory pooling, Eddy County, New Mexico. Applicants seek an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 36, Township 20 South, Range 21 East, and in the following manner: the N/2 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 Undesignated Loafer Draw-Upper Pennsylvanian Gas Pool, Undesignated Little Box Canyon-Strawn Gas Pool, Undesignated Little Box Canyon-Atoka Gas Pool, and Undesignated Little Box Canyon-Morrow Gas Pool; the NW/4 forming 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 SE/4 NW/4 forming 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 its Little Box State Well No. 3 to be drilled and completed at an orthodox well location in the SE/4 NW/4 of Section 36. 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 unit is located approximately 19 miles southwest of Hope, New Mexico.

CASE 12055: Application of Hallwood Petroleum, Inc. for an order allowing drilling in the Potash Area, Lea County, New Mexico. Applicant seeks an order allowing drilling within the NW/4 SW/4 of Section 30, Township 20 South, Range 33 East, which are fee lands within the Potash Area designated in Division Order No. R-111-P.

CASE 12056: Application of Hallwood Petroleum, Inc. for an order allowing drilling in the Potash Area, Lea County, New Mexico. Applicant seeks an order allowing drilling within the SE/4 SW/4 of Section 30, Township 20 South, Range 33 East, which are fee lands within the Potash Area designated in Division Order No. R-111-P.

CASE 12049: Continued from September 17, 1998, Examiner Hearing.

Application of Manzano Oil Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described spacing and proration units in Section 2, Township 16 South, Range 36 East in the following manner: the S/2 SE/4 for all formations developed on 80-acre spacing which presently include but are not limited to the Undesignated Northeast Lovington-Pennsylvanian Pool and the Undesignated North Lovington-Wolfcamp Pool; and the SW/4 SE/4 for all formations developed on 40-acre spacing. Applicant proposes to dedicate these pooled units to its Odyssey Well No. 1 to be drilled at an unorthodox location 1149 feet from the South line and 1370 feet from the East line (Unit O) of Section 2. 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 east of Lovington, New Mexico.

CASE 12057: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests underlying the following described acreage in Section 14, Township 16 South, Range 32 East, in the following manner: the S/2 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 that vertical extent; the SW/4 to form a standard 160-acre gas spacing and proration units for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; the N/2 SW/4 to form a standard 80-acre spacing or proration unit for any and all formations and/or pools developed on 80-acre spacing within that vertical extent; and the NW/4 SW/4 to form a standard 40-acre 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 proposed Anderson AST State Com Well No. 1 which will be drilled at an unorthodox gas well location 1980 feet from the South line and 1310 feet from the West line (Unit L) of Section 14 to test all formations from the surface to the base of the Morrow formation, Undesignated Anderson Ranch-Morrow Gas Pool. 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 4 miles north-northeast of Maljamar, New Mexico.

CASE 12050: Continued from September 17, 1998, Examiner Hearing.

Application of Strata Production Company for an order directing Exxon Company, U.S.A. to remove an overriding royalty interest from acreage in Lea County, New Mexico. Applicant seeks an order directing Exxon Company, U.S.A. to remove an overriding interest it created on certain interests in Section 22, Township 22 South, Range 32 East, that defeats the order the Division has been requested to enter in Case No. 12011 which compulsory pooled certain spacing and proration units in the W/2 of Section 22. This acreage is located approximately 9 miles north-northeast of the intersection of Highway 128 and the border between Eddy and Lea Counties.

CASE 12020: Continued from September 3, 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 12031: Continued from September 3, 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.

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98 SEP 15 PM 2:54

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September 15, 1998

HAND-DELIVERED

Lori Wrotenbery, Director
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2040 South Pacheco
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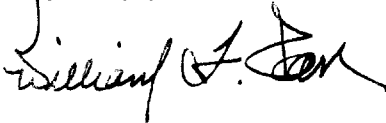
Re: ***Oil Conservation Division Case No. 12049:
Application of Manzano Oil Corporation for Compulsory Pooling and an
Unorthodox Well Location, Lea County, New Mexico***

Dear Ms Wrotenbery:

Manzano Oil Corporation respectfully requests that this matter which is currently set on the Division docket for the September 17, 1998 hearings be continued to the October 8, 1998 Examiner docket.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR
WFC:mlh

cc: Mr. Kenneth Barbe

Dockets Nos. 27-98 and 28-98 are tentatively set for October 8 and October 22, 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 12041: Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the NW/4 of Section 14, Township 29 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 gas spacing within that vertical extent, which presently may include but is not necessarily limited to the West Kutz-Pictured Cliffs Gas Pool. The unit is to be dedicated to its Redfern Com Well No. 3 to be drilled and completed at a standard gas well location in Section 14. 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 1 mile east of the Center of the City of Farmington, New Mexico.

CASE 12031: Continued from September 3, 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.

CASE 12014: Continued from August 20, 1998, Examiner Hearing.

Application of Louis Dreyfus Natural Gas Corp. 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 E/2 of Section 28, Township 19 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated North Pearl-Morrow Gas Pool. Said unit is to be dedicated to its Toro "28" State Com. Well No. 1, located at an orthodox location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 28. 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 unit is located approximately 11 miles west of Monument, New Mexico.

CASE 12042: Application of OXY USA INC., for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the E/2 of Section 21, Township 17 South, Range 28 East, to form a standard 320-acre 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 Empire-Pennsylvanian Gas Pool and/or the Empire-Wolfcamp Gas Pool. The unit is to be dedicated to its PIB Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 2440 feet from the North line and 1980 feet from the East line (Unit G) of Section 21. 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 unit is located approximately 16 miles southeast of Artesia, New Mexico.

CASE 12043: 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 Irregular Section 4, Township 23 South, Range 34 East, and in the following manner: the SE/4 NW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within that vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Cherry Canyon Pool; the NW/4 equivalent to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within that vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Bone Spring Gas Pool; and the N/2 equivalent to form a standard 320.03-acre 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 Antelope Ridge-Morrow Gas Pool. The unit(s) is to be dedicated to its Rio Blanco "4" Federal Com Well No. 1 to be drilled and completed at a standard gas well location in Unit F of the Section 4. 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 unit is located approximately 20 miles southwest of Eunice, New Mexico.

- CASE 12044:** Application of Burlington Resources Oil & Gas Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks approval to drill its proposed Allison Unit Well No. 39 at an unorthodox gas well location 2640 feet from the North line and 15 feet from the East line (Unit H) of Section 18, Township 32 North, Range 6 West, to the base of the Dakota formation, this location being unorthodox for any and all gas production from the Mesaverde and Dakota formations, and, if productive, to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the E/2 of Section 18. This location is located approximately 8 miles east of the intersection of New Mexico State Highway 511 and the state line between New Mexico and Colorado.
- CASE 12045:** Application of Burlington Resources Oil & Gas Company for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant seeks approval to drill its proposed San Juan "27-5" Unit Well No. 85-E at an unorthodox gas well location 795 feet from the North line and 2435 feet from the West line (Unit C) of Irregular Section 5, Township 27 North, Range 5 West, to the base of the Dakota formation, this location being unorthodox for any and all gas production from the Mesaverde and Dakota formations, and, if productive, to be dedicated to a standard 319.81-acre gas spacing and proration unit consisting of Lots 3 and 4, S/2 NW/4 and SW/4 (W/2 equivalent) of Section 5. This location is located approximately 7 miles south of Gobernador Camp, New Mexico.
- CASE 12046:** Application of Burlington Resources Oil & Gas Company for statutory unitization, Lea County, New Mexico. Applicant, pursuant to the Statutory Unitization Act, Sections 70-7-1 through 7-7-21, NMSA 1978, seeks statutory unitization of its proposed Corbin Federal Delaware Unit encompassing 566.36 acres of federal lands comprising portions of Sections 7, 17 and 18, Township 18 South, Range 33 East. The project is located approximately 8 miles southeast of Maljamar, New Mexico.
- CASE 12047:** Application of Burlington Resources Oil & Gas Company for approval of a waterflood project and to qualify that project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County New Mexico. Applicant seeks approval to institute a secondary recovery project in its proposed Corbin Federal Delaware Unit Waterflood Project by the injection of water into the Delaware formation of the West Corbin Delaware Pool, encompassing 566.36 acres of federal lands comprising portions of Sections 7, 17 and 18, Township 18 South, Range 33 East. Applicant further seeks to qualify this expansion area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" Sections 7-29A-1 through 7-29A-5, NMSA 1978. The project is located approximately 8 miles southeast of Maljamar, New Mexico.
- CASE 11976:** Continued from September 3, 1998, Examiner Hearing.
- Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in Lots 1, 2, 7, 8, 9, 10, 15 and 16, containing 319.97 acres, more or less, for all formations developed on 320-acre spacing, including but not limited to the Hat Mesa-Morrow Gas Pool; in Lots 9, 10, 15, and 16 for all formations developed on 160-acre spacing; in Lots 15 and 16 for all formations developed on 80-acre spacing; and in Lot 16 for all formations developed on 40-acre spacing, of Section 2, Township 21 South, Range 32 East. Said units are to be dedicated to its Minis "2" Federal Well No. 1 to be drilled to the Morrow formation at an unorthodox location 3630 feet from the South line (990 feet from the South line of the dedicated stand-up spacing unit) and 660 feet from the East line of said Section 2. 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 area is located approximately 5 miles southeast of Halfway, New Mexico.
- CASE 12048:** Application of Penwell Energy, 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, Undesignated Gem-Morrow Gas Pool, underlying the E/2 for all formations developed on 320-acre spacing, the SE/4 for all formations developed on 160-acre spacing, the E/2 SE/4 for all formations developed on 80-acre spacing, and the NE/4 SE/4 for all formations developed on 40-acre spacing, all in Section 28, Township 19 South, Range 33 East. Applicant proposes to dedicate these pooled units to its Jade "28" Federal Com Well No. 1 to be drilled at a standard location 1650 feet from the South line and 990 feet from the East line in Unit I of Section 28 to test any and all formations to the base of the Morrow formation. 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 25 miles southwest of Hobbs, New Mexico.
- CASE 12049:** Application of Manzano Oil Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described spacing and proration units in Section 2, Township 16 South, Range 36 East in the following manner: the S/2 SE/4 for all formations developed on 80-acre spacing which presently include but are not limited to the Undesignated Northeast Lovington-Pennsylvanian Pool and the Undesignated North Lovington-Wolfcamp Pool; and the SW/4 SE/4 for all formations developed on 40-acre spacing. Applicant proposes to dedicate these pooled units to its Odyssey Well No. 1 to be drilled at an unorthodox location 1149 feet from the South line and 1370 feet from the East line (Unit O) of Section 2. 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 east of Lovington, New Mexico.