

Examiner Hearing – October 21, 1999

Docket No. 32-99

Page 2 of 5

CASE 12237: Continued from October 7, 1999 Examiner Hearing.

Application of Mewbourne Oil Company for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying the W/2 of Section 8, Township 18 South, Range 31 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within this vertical extent, including the Undesignated North Shugart-Atoka Gas Pool and Undesignated North Shugart-Morrow Gas Pool. The unit is to be dedicated to its Fren "8" Fed. Com. Well No. 1, located at an orthodox gas well location in the NW/4 of Section 8. 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 and completing the well. The unit is located approximately 6 1/2 miles southeast of Loco Hills, New Mexico.

CASE 12250: Readvertised

Application of Thunderbolt Petroleum, LLC, Inc. for approval of a Waterflood Project and to Qualify the Project for the Recovered Oil Tax Rate, Eddy County, New Mexico. Applicant seeks authority to institute a waterflood project in the Loco Hills Queen-Grayburg-San Andres Pool on its Calmon State Lease, comprising the SW/4 of Section 16, Township 18 South, Range 29 East, by the injection of produced water into the Calmon State Well No. 1, located in Unit L of Section 16 and the Calmon State Well No. 3, located in Unit M of Section 16. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The project is located approximately 8 miles southwest of Loco Hills, New Mexico.

CASE 12261: Continued from October 7, 1999, Examiner Hearing.

Application of KCS Medallion Resources, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the the base of the Bone Spring formation to the base of the Morrow formation underlying the E/2 of Section 28, Township 21 South, Range 27 East, 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 the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated Burton Flat-Strawn Gas Pool, Undesignated Southeast La Huerta-Atoka Gas Pool, and Burton Flat-Morrow Gas Pool. The unit is to be dedicated to its Esperanza "28" Well No. 1, to be drilled at a location 860 feet from the South line and 1204 feet from the East line (Unit P) of Section 7. 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 and completing the well. The unit is located approximately 3 1/2 miles northeast of Carlsbad, New Mexico.

CASE 12255: Continued from October 7, 1999, Examiner Hearing.

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 4, Township 17 South, Range 28 East, in the following manner: the S/2 of Section 4 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 the Undesignated Dog Canyon-Strawn Gas Pool and the Undesignated Southeast Crow Flats-Morrow Gas Pool and; the SW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. Both units are to be dedicated to its proposed Heavy Harry State Com. Well No. 1, to be drilled at a standard location 660 feet from the South line and 1650 feet from the West line of Section 4. 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 Chi Operating, Inc. as the operator of the well, and a charge for risk involved in drilling and completing the well. The units are located approximately 13 miles east-southeast of Artesia, New Mexico.

CASE 12266: **Application of Santa Fe Snyder Corporation for Approval of a Unit Agreement, Lea County, New Mexico.** Applicant seeks approval of the Outland State Unit Agreement, comprising 1600 acres of state land covering all or parts of Sections 1, 2, 11, and 12, Township 21 South, Range 34 East. The unit is located approximately 10 miles west of Oil Center, New Mexico.

CASE 12244: Continued from October 7, 1999, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. 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 7, Township 22 South, Range 26 East, in the following manner: the E/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 the Undesignated Hackberry Hills-Canyon Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, Undesignated Hackberry Hills-Atoka Gas Pool, and Happy Valley-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the NE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Filaree Dome-Delaware Pool and Undesignated Happy Valley-Bone Spring Pool. The units are to be dedicated to its White Tip "7" Fed. Well No. 1 to be located 1550 feet from the South line and 990 feet from the East line (Unit I) of Section 7. 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 Nearburg Producing Company as the operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 6 miles west-southeast of Carlsbad, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - OCTOBER 21, 1999

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 33-99 and 34-99 are tentatively set for November 4 and November 18, 1999. 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 12264: **Application of Maralo, LLC for an Amendment of Commingling Order CTB-480 to Allow for an Alternate Method of Gas Measurement, Lea County, New Mexico.** Applicant seeks an amendment to Commingling Order CTB-480 and an exception to Division Rules 309-A and 309-B to allocate production based on annual GOR well testing for the following federal leases in the West Corbin-Delaware Pool: Corbin "13" Federal, West Corbin "13" Federal and the Uncle Sam "13" Federal, covering the NE 4 SE 4, S 2 SE 4 and SE/4 NE/4, respectively, of Section 13, Township 18 South, Range 32 East. These leases are located approximately 10 miles southeast of Maljamar, New Mexico.

CASE 12229: **Readvertised - Continued from October 7, 1999, Examiner Hearing.**

Application of OXY USA, Inc. for Compulsory Pooling and an Unorthodox Oil 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 the following described acreage in Section 4, Township 18 South, Range 29 East, in the following manner: (a) the N/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 this vertical extent which presently includes the Undesignated Grayburg-Strawn Gas Pool, Undesignated Grayburg-Atoka Gas Pool, Undesignated Grayburg-Morrow Gas Pool, and Undesignated South Empire-Morrow Gas Pool; (b) the NW/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; (c) the S 2 NW/4 to form a standard 80-acre oil spacing and proration unit for the Undesignated South Empire-Wolfcamp Pool; and (d) the SE/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 this vertical extent which presently includes the Loco Hills-Queen-Grayburg-San Andres Pool, Undesignated Loco Hills-Bone Spring Pool, and Undesignated Loco Hills-Cisco Pool. These four units are to be dedicated to a single well, the proposed Buckskin Federal Well No. 1, to be drilled 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 4 which is a standard well location for the 40, 160, and 320-acre spacing and proration units but an unorthodox oil well location in the Undesignated South Empire-Wolfcamp Pool for the 80-acre unit. 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 proposed well location is approximately 6.5 miles west-southwest of Loco Hills, New Mexico.

CASE 12265: **Application of OXY USA Inc. for Salt Water Disposal, Eddy County, New Mexico.** Applicant seeks approval to convert its Government Well No. 9, with a surface location of 330 feet from the North line and 230 feet from the East line (Unit A) and a subsurface location 772 feet from the North line and 660 feet from the East line (Unit A) of Section 10, Township 20 South, Range 28 East, to a salt water disposal well by injection in the perforated interval from 6378 feet to 6619 feet of the Bone Springs formation of the Old Millman Ranch-Bone Spring Associated Pool. This well is located approximately 15 miles east of Seven Rivers, New Mexico.

CASE 11853: **Reopened**

In the matter of Case No. 11853 being reopened pursuant to the provisions of Division Order No. R-10909, which order established temporary special rules and regulations for the Southeast Monument-Abo Gas Pool in Lea County, New Mexico including a provision for a 10,000 to 1 gas-oil ratio. Operators in the subject pool may appear and show cause why the limiting gas/oil ratio for the Southeast Monument-Abo Pool should not revert back to the statewide standard 2,000 to one.

CASE 12231: **Continued from October 7, 1999, Examiner Hearing.**

Application of Nearburg Exploration Company, L.L.C. for Compulsory Pooling and an unorthodox Gas Well Location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, with the exception of the Cisco and Canyon formations, underlying the W/2 of Section 15, Township 19 South, Range 25 East, thereby forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent, which presently includes but is not necessarily limited to the Undesignated Penasco Draw-San Andres-Yeso Associated Pool, Undesignated Boyd-Strawn Gas Pool, North Cemetery-Atoka Gas Pool, and Undesignated Boyd-Morrow Gas Pool. This unit is to be dedicated to the proposed Osage Boyd "15" Federal Com. Well No. 2 to be drilled 1650 feet from the South line and 1980 feet from the West line (Unit K) of Section 15, which is a standard gas well location for all intervals except the Undesignated Penasco Draw-San Andres-Yeso Associated Pool. Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling and completing the well. The proposed unit is located approximately six miles west by north of Lakewood, New Mexico.

CASE 12253: **Application of Burlington Resources Oil & Gas Company for an unorthodox gas well location and a non-standard gas proration unit, San Juan County, New Mexico.** Applicant seeks to establish a non-standard 160-acre gas spacing and proration unit within the Fulcher Kutz-Pictured Cliffs Pool comprising the SW/4 SW/4 (Unit M) of Section 17, the SE/4 SE/4 (Unit P) of Section 18, the NE/4 NE/4 (Unit A) of Section 19, and the NW/4 NW/4 (Unit D) of Section 20, all in Township 29 North, Range 11 West, which is located approximately one mile west-northwest of Bloomfield, New Mexico. This unit is to be dedicated to the proposed McDaniel Well No. 1-R to be drilled at an unorthodox gas well location 1150 feet from the South line and 1235 feet from the West line (Unit M) of Section 17.

CASE 12254: **Application of Maralo, LLC for an Exception to Division Rules 305 and 309 to Permit Lease Commingling and Approval of a Central Delivery Point, Lea County, New Mexico.** Applicant seeks an exception to Division Rules 305 and 309 to permit lease commingling of West Corbin-Delaware Pool gas production from 5 wells located in the SE/4 NE/4 and SE/4 of Section 13, Township 18 South, Range 32 East, without separately metering production from each well. Applicant also requests approval of a central delivery point for the gas production, to be located in the SE/4 SE/4 of Section 13. The lands are located approximately 8 1/2 miles south-southeast of Maljamar, New Mexico.

CASE 12245: **Continued from September 16, 1999, Examiner Hearing.**

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 10, Township 17 South, Range 28 East, 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 the Undesignated Dog Canyon-Strawn Gas Pool and the Undesignated Southeast Crow-Flats-Morrow Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acres within that vertical extent. The units are to be dedicated to its Coal Train Fed. Com. Well No. 1 to be drilled at a location 990 feet from the South and West lines (Unit M). 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 Chi Operating, Inc. as the operator of the well, and a charge for risk involved in drilling and completing the well. The units are located approximately 13.5 miles east of Artesia, New Mexico.

CASE 12255: **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 4, Township 17 South, Range 28 East, in the following manner: the S/2 of Section 4 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 the Undesignated Dog Canyon-Strawn Gas Pool and the Undesignated Southeast Crow Flats-Morrow Gas Pool and; the SW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. Both units are to be dedicated to its proposed Heavy Harry State Com. Well No. 1, to be drilled at a standard location 660 feet from the South line and 1650 feet from the West line of Section 4. 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 Chi Operating, Inc. as the operator of the well, and a charge for risk involved in drilling and completing the well. The units are located approximately 13 miles east-southeast of Artesia, New Mexico.

CASE 12233: **Continued from September 16, 1999, Examiner Hearing.**

Application of Mewbourne Oil Company 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 18, Township 17 South, Range 29 East, and in the following manner: (a) Lots 2 and 3, the E/2 SW/4, and the SE/4 (S/2 equivalent) to form a standard 293.96-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes but is not necessarily limited to the Undesignated Empire-Atoka Gas Pool, Undesignated North Empire-Atoka Gas Pool, and South Empire-Morrow Gas Pool; and (b) 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 this vertical extent. Both units are to be dedicated to a single well, the proposed Empire "18" State Com. Well No. 1 (API No. 30-015-30692), to be drilled 1650 feet from the South line and 990 feet from the East line (Unit I) of Section 18. This location is considered standard for the 160-acre unit and has been approved as an unorthodox gas well location for the South Empire-Morrow Gas Pool by Division Administrative Order NSL-4319, dated June 28, 1999. 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 proposed well location is approximately 7.5 miles west of Loco Hills, New Mexico.

CASE 12237: **Continued from September 16, 1999, Examiner Hearing.**

Application of Mewbourne Oil Company for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying the W/2 of Section 8, Township 18 South, Range 31 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within this vertical extent, including the Undesignated North Shugart-Atoka Gas Pool and Undesignated North Shugart-Morrow Gas Pool. The unit is to be dedicated to its Fren "8" Fed. Com. Well No. 1, located at an orthodox gas well location in the NW/4 of Section 8. 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 and completing the well. The unit is located approximately 6 1/2 miles southeast of Loco Hills, New Mexico.

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- CASE 12256:** **Application of E.G.L. 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 Yates formation underlying the NW/4 of Section 27, Township 20 South, Range 28 East, to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Undesignated South Burton-Yates Gas Pool. This unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 and completing the well. The unit is located approximately 9.5 miles north-northeast of Carlsbad, New Mexico.
- CASE 12257:** **Application of E.G.L. 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 Yates formation underlying the NW/4 of Section 23, Township 20 South, Range 28 East to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Russell-Lower Yates Gas Pool. This unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 and completing the well. The unit is located approximately 11 miles north-northeast of Carlsbad, New Mexico.
- CASE 12258:** **Application of Schalk Development Co. for an Exception To the Well Density Requirements of Division Order No. R-10987-A to Permit Two Blanco-Mesaverde Gas Pool Wells in the Same Quarter-Quarter Section, Rio Arriba County, New Mexico.** Applicant seeks approval of an exception to the special rules for the Blanco-Mesaverde Gas Pool to permit the Schalk 54 Well No. 1E and Schalk 54 Well No. 2, both located in Unit I of Section 2, Township 30 North, Range 5 West, to produce from the Blanco-Mesaverde Gas Pool. The E/2 of Section 2 will be dedicated to the wells. The unit is located approximately 18 miles west-southwest of Dulce, New Mexico.
- CASE 12259:** **Application of Southwestern Energy Production Company 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 36, Township 17 South, Range 27 East, in the following manner: the N/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, including the Undesignated North Illinois Camp-Morrow Gas Pool; and the NW/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, including the Logan Draw-Wolfcamp Gas Pool and the Undesignated Empire-Pennsylvanian Gas Pool. The units are to be dedicated to its Bluff "36" State Com Well No. 1, to be drilled at a location 660 feet from the North line and 1350 feet from the West line (Unit C) of Section 36, as well as any other well drilled within the 320 acre unit pursuant to Division rules. 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 and completing the well. The units are located approximately 10 miles southeast of Artesia, New Mexico.
- CASE 12260:** **Application of KCS Medallion 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 7, Township 24 South, Range 25 East, in the following manner: Lots 3, 4, E/2 SW/4, and the SE/4 of Section 7 to form a standard 319.80-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Mosley Canyon-Strawn Gas Pool, Undesignated Baldrige Canyon-Morrow Gas Pool; and Lots 3, 4, and the E/2 SW/4 of Section 7 to form a standard 159.80-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent. The units will be dedicated to its State Com. 7 Well No. 2, to be drilled at a location 1800 feet from the South line and 1980 feet from the West line (Unit K) of Section 7. 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 the risk involved in drilling and completing the well. The units are located approximately 5.5 miles northwest of Whites City, New Mexico.
- CASE 12261:** **Application of KCS Medallion Resources, Inc. for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the the base of the Bone Spring formation to the base of the Morrow formation underlying the E/2 of Section 28, Township 21 South, Range 27 East, 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 the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated Burton Flat-Strawn Gas Pool, Undesignated Southeast La Huerta-Atoka Gas Pool, and Burton Flat-Morrow Gas Pool. The unit is to be dedicated to its Esperanza "28" Well No. 1, to be drilled at a location 860 feet from the South line and 1204 feet from the East line (Unit P) of Section 7. 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 and completing the well. The unit is located approximately 3 1/2 miles northeast of Carlsbad, New Mexico.
- CASE 12262:** **Application of Burk Royalty Co. for approval of a Waterflood Project and to Qualify the Project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.** Applicant seeks approval to institute a waterflood project in the Lynch Yates-Seven Rivers Pool on its Neal Fee Lease, comprising the NE/4 of Section 35, Township 20 South, Range 34 East, by the injection of water at pressures of up to 1500 psi into the Neal Well No. 3, located in Unit A of Section 35. Applicant further seeks to qualify the project 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 16 miles west-northwest of Oil Center, New Mexico.