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March 22, 2000

VIA HAND DELIVERY

Mr. Michael Stogner, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87503

COMM 22 PM 1:55
OIL CONSERVATION DIV

Re: Case No. 12272: Application of Falcon Creek Resources, Inc. for authority to inject water into six wells in the proposed West Teas (Yates-Seven Rivers) Unit Waterflood Project Area, Lea County, New Mexico.

Case No. 12331: Application of Falcon Creek Resources, Inc. for Statutory Unitization, Lea County, New Mexico.

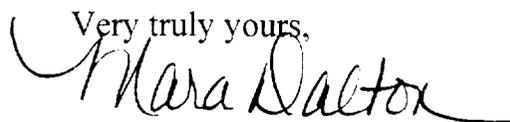
Case No. 12332: Application of Chevron, USA Production Co. for approval of a Waterflood Project for its West Teas (Yates-Seven Rivers) Unit Area and qualification of the project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Dear Mr. Stogner:

Enclosed please find Falcon Creek Resources, Inc.'s Proposed Order of the Division in both a hard copy, and a copy on computer diskette. We hope you will find the enclosed to be helpful.

Mr. Michael Stogner
March 22, 2000
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If you have any questions, please do not hesitate to give me a call. Thank you for your consideration.

Very truly yours,

Mara Dalton
Legal Assistant to William F. Carr

/md
Enclosure

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF FALCON CREEK
RESOURCES, INC. FOR AUTHORITY
TO INJECT WATER INTO SIX WELLS IN
THE PROPOSED WEST TEAS (YATES-SEVEN RIVERS)
UNIT WATERFLOOD PROJECT AREA,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12272

**APPLICATION OF FALCON CREEK
RESOURCES, INC. FOR STATUTORY
UNITIZATION, LEA COUNTY, NEW MEXICO.**

CASE NO. 12331

**APPLICATION OF CHEVRON U.S.A.
PRODUCTION CO. FOR APPROVAL OF
A WATERFLOOD PROJECT FOR ITS WEST
TEAS (YATES-SEVEN RIVERS) UNIT AREA
AND QUALIFICATION OF THE PROJECT
FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL
RECOVERY ACT, LEA COUNTY, NEW MEXICO.**

CASE NO. 12332

ORDER NO. R-_____

**FALCON CREEK RESOURCES, INC.'S PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 17, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of March, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in Case 12272, Falcon Creek Resources, Inc. ("Falcon Creek") seeks approval to inject water into the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool, through six wells in its proposed Teas-Yates Seven Rivers Unit Waterflood Project.

(3) In Case No. 12331, Falcon Creek, seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, N.M.S.A. (1978), for the purpose of establishing a secondary recovery project, of all mineral interests in the Unit Area comprising 1,320.00 acres, more or less, of State, Federal and Fee lands in Lea County, New Mexico; the applicant further seeks approval of the "Unit Agreement" and the "Unit Operating Agreement" which were submitted at the time of the hearing in evidence as applicant's Exhibit Nos. 3 and 4.

(4) In Case 12332, Falcon Creek, seeks authority :

(a) to institute a waterflood project in its West Teas (Yates-Seven Rivers) Unit Area by the injection of water into the West Teas (Yates-Seven Rivers) Pool, through six injection wells; and

(b) to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(5) The application in Case No. 12272 is duplicated in Case No. 12332, and Falcon Creek requested at the hearing that Case 12272 be dismissed.

(6) Division Case No. 12272 should be dismissed.

(7) At the request of the applicant, Division Case Nos 12331 and 12332 were consolidated at the time of hearing.

(8) The applicant proposes that said unit comprise the following described area in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

- Section 4: SE/4
- Section 9: S/2, NE/4, S/2 NW/4, NE/4 NW/4
- Section 16: N/2, N/2 SW/4, NW/4 SE/4
- Section 17: E/2 NE/4, NE/4 SE/4

(9) The proposed unit shall be known as the West Teas (Yates-Seven Rivers) Unit and the Unit Area should be designated the West Teas (Yates-Seven Rivers) Unit Area ("the Unit Area").

(10) The vertical limits of the formations to be included within the proposed Unit Area are within that stratigraphic interval underlying the Unit Area found between the top of the Yates formation and the base of the Seven Rivers Formation. The top of the Yates formation is defined as all points underlying the Unit Area correlative to the depth of 3,062 feet, and the base of the Seven Rivers formation is defined as all points underlying the Unit Area correlative to the depth of 3,358 feet, as said depths are identified on the Compensated Neutron/Litho-Density Log for the State No. 1 Well, located in the SE/4 NE/4 of Section 16, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(11) The Unit Area contains eighteen (18) separate tracts owned by approximately nine (9) different working interest owners. There are eleven (11) royalty owners and ten (10) overriding royalty owners in the proposed unit area.

(12) At the time of hearing, the owners of approximately 98% of the working interest, and the owners of over 80% of the royalty and overriding royalty interest, had voluntarily joined in the proposed unitization. The 80% royalty owner approval includes federal lands owned by the United States. The U. S. Bureau of Land Management has indicated its preliminary approval by designating the unit as logical for conducting secondary recovery operations, and the New Mexico Commissioner of Public Lands, acting on behalf of the state's trust lands, has preliminarily approved the proposed unitization.

(13) The Applicant has conducted negotiations with interest owners within the proposed unit area for over one year. Therefore, the applicant has made a good faith effort to secure voluntary unitization within the above-described Unit Area.

(14) All interested parties who have not agreed to unitization were notified of the hearing by applicant. At the hearing in this matter, no party appeared or otherwise objected to this application.

(15) Falcon Creek proposes to institute a waterflood project at the expected cost of \$3.4 million for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons, within and to be produced from the proposed Unit Area (being the subject of Division Case No. 12332). The estimated reserves recoverable from the waterflood project are 2.1 million barrels of oil.

(16) The unitized management, operation and further development of the West Teas (Yates-Seven Rivers) Unit Area, as proposed, is reasonable and necessary to effectively increase the ultimate recovery of oil and gas from the Unit Area.

(17) The estimated additional cost of the proposed unitized operations within the Unit Area will not exceed the estimated value of the additional oil and gas plus a reasonable profit.

(18) The participation formulas contained in the Unitization Agreement, allocate the produced and saved unitized substances to the separately owned tracts in the Unit Area, on a fair, reasonable and equitable basis.

(19) Unitization and the adoption of the proposed unitized methods of operation will benefit the working interest owners and the royalty interest owners of the oil and gas rights within the Unit Area.

(20) The West Teas (Yates Seven Rivers) Unit Agreement and Unit Operating Agreement, as applied to the Unit Area, provide for unitization and unit operation of the Unit Area upon terms and conditions that are fair, reasonable and equitable and which include:

- (a) A participation formula which will result in fair, reasonable and equitable allocation to the separately owned tracts of the Unit Area of all oil and gas that is produced from the Unit Area and which is saved, being the production that is (i) not

used in the conduct of unit operations, or (ii) unavoidably lost;

- (b) A provision for the credits and charges to be made and the adjustment among the owners in the Unit Area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;
- (c) A provision governing how the costs of unit operations, including capital investments, shall be determined and charged to the separately owned tracts and how said costs shall be paid, including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay his share of the costs of unit operations shall be charged to such owners, of the interest of such owners, and how his interest may be sold and the proceeds applied to the payment of his costs;
- (d) A provision for carrying any working interest owner on a limited or carried basis payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable.
- (e) A provision designating the Unit Operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;

- (f) A provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and
- (g) a provision specifying the time when the unit operations shall commence and the manner in which, and the circumstances under which, the unit operations shall terminate and for the settlement of accounts upon such termination.

(21) The statutory unitization of the West Teas (Yates-Seven Rivers) Unit Area is in conformity with the above findings, and will prevent waste and will protect the correlative rights of all owners of interest within the proposed Unit Area, and should be approved.

(22) The operator of the propose West Teas (Yates-Seven Rivers) Unit Waterflood Project should take all steps necessary to ensure that the injected water enters and remains confined to only the proposed injection interval and is not permitted to escape from that interval and migrate into other formations producing intervals pools, or onto the surface from injection, production, or plugged and abandoned wells.

(23) Injection should be accomplished through lined or otherwise corrosion resistant tubing installed in a packer set within 100 feet of the upper most injection perforations: the casing-tubing annulus in each well should be filled with an inert fluid and equipped with an approved gauge or leak detection device.

(24) Prior to commencing injection operations, each injection well should be pressure tested throughout the interval from the surface down to the proposed upper most perforation to assure the mechanical integrity of each well.

(25) The injection wells or pressurization system for each well should be so equipped as to limit injection pressure at the wellhead to no more than 0.2 pound per foot of depth from the surface to the top most injection perforation; however, the Division Director should have the authority to administratively authorize a pressure limitation in excess of the pressure limitation described above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(26) The operator should give advanced notification to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure tests in order that the same may be witnessed.

(27) The proposed waterflood project should be approved and the project should be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(28) The applicant further requests that the subject waterflood project be approved by the Division as a qualified Enhanced Oil Recovery Project ("EOR") pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(29) The evidence presented indicates that the subject waterflood project meets all criteria for approval.

(30) The approved project area should initially comprise the area described in Finding Paragraph No. 4 above.

(31) To be eligible for the EOR credit, prior to commencing injection operations the operator must request from the Division a Certificate of Qualification, which Certificate will specify the proposed project area as described above.

(32) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery; operations, and identify the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(33) The injection authority granted herein for the proposed injection wells should terminate one year after the effective date of this order in the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

IT IS THEREFORE ORDERED THAT:

(1) The application of Falcon Creek Resources, Inc. ("Falcon Creek") in Case No. 12331 West Teas (Yates-Seven Rivers) Unit, covering 1320.00 acres, more or less, of State, Federal and Fee lands in the West Teas (Yates-Seven Rivers) Pool, Lea County, New Mexico, is hereby approved for statutory unitization, for the purpose of establishing a waterflood project, pursuant to the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA, (1978).

(2) The West Teas (Yates-Seven Rivers) Unit Agreement and the West Teas (Yates-Seven Rivers) Unit Operating Agreement, which were submitted to the Division at the time of hearing as Exhibits 3 and 4, respectively, are hereby incorporated by reference into this order.

(3) The lands designated the West Teas (Yates-Seven Rivers) Unit Area shall comprise the following described acreage in Lea County, New Mexico.:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4

Section 9: S/2, NE/4, S/2 NW/4, NE/4 NW/4

Section 16: N/2, N/2 SW/4, NW/4 SE/4

Section 17: E/2 NE/4, NE/4 SE/4

(4) The vertical limits of the "unitized formation" of said unitized area shall included that interval between the top of the Yates formation and the base of the Seven Rivers Formation with the top of the Yates formation defined as all points underlying the Unit Area correlative to the depth of 3,062 feet, and the base of the Seven Rivers formation defined as all points underlying the Unit Area correlative to the depth of 3,358 feet, as said depths are identified on the Compensated Neutron/Litho-Density Log for the State No. 1 Well, located in the SE/4 NE/4 of Section 16, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico.

(5) Since persons owning the required statutory minimum percentage of interest in the Unit Area have approved, ratified, or indicated their preliminary approval of the Unit Agreement and the Unit operating Agreement, the interests of all persons within the Unit

Area are hereby unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(6) The applicant as Unit operator shall notify the Division Director in writing of the removal or substitution of said Unit operator by any other working interest owner within the Unit Area.

IT IS FURTHER ORDERED THAT:

(7) Falcon Creek is hereby authorized to institute a waterflood project in its West Teas (Yates-Seven Rivers) Unit Area by the injection of water into the West Teas (Yates-Seven Rivers) Pool, as found in that stratigraphic interval between the top of the Yates formation and the base of the Seven Rivers Formation with the top of the Yates formation defined as all points underlying the Unit Area correlative to the depth of 3,062 feet, and the base of the Seven Rivers formation defined as all points underlying the Unit Area correlative to the depth of 3,358 feet, as said depths are identified on the Compensated Neutron/Litho-Density Log for the State No. 1 Well, located in the SE/4 NE/4 of Section 16, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, through 6 certain wells as further described in Exhibit "A" attached hereto and made a part hereof.

(8) In compliance with Division General Rule 701.G(3), the waterflood project area, for allowable and tax credit purposes, shall comprise the following described 1320.00 acres in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4

Section 9: S/2, NE/4, S/2 NW/4, NE/4 NW/4

Section 16: N/2, N/2 SW/4, NW/4 SE/4

Section 17: E/2 NE/4, NE/4 SE/4

(9) The applicant must take all steps necessary to ensure that the injected water only inters and remains confined to the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(10) Injection shall be accomplished through lined or otherwise corrosion resistant tubing installed in a packer set within 100 feet of the upper most injection perforations: the casing-tubing annulus in each well should be filled with an inert fluid and equipped with an approved gauge or leak detection device.

(11) The 6 water injection wells or pressurization system shall be so equipped as to limit injection pressure at the wellhead to no more than 0.2 pound per foot of depth from the surface to the top most injection perforation.

(12) The Division Director shall have the authority to administratively authorize a pressure limitation in excess of the pressure limitation described above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(13) Prior to commencing injection operations, each injection well should be pressure tested throughout the interval from the surface down to the proposed upper most perforation to assure the mechanical integrity of each well.

(14) The operator shall give advanced notification to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure tests in order that the same may be witnessed.

(15) The applicant shall immediately notify the Supervisor of the Hobbs District Office of the Division of the failure of the tubing, casing, or seal bore assembly in any of the injection wells, the leakage of water or oil from any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area, and shall take such steps as may be timely and necessary to correct such failure or leakage.

(16) The applicant shall conduct injection operations in accordance with Division Rule Nos. 701 through 708 and shall submit monthly progress reports in accordance with Division Rules Nos. 706 and 1115.

(17) This waterflood project and additional injection well added thereto in accordance with the provisions Division Rule 701.G (6).

FURTHERMORE:

(18) The subject waterflood project is hereby approved as an Enhanced Oil Recovery Project ("EOR") pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(19) To be eligible for the EOR credit, prior to commencing injection operations the operator must request from the Division a Certificate of Qualification, which Certificate will specify the proposed project area as described above.

(20) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery; operations, and identify the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(21) The injection authority granted herein for the proposed injection wells should terminate one year after the effective date of this order in the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

FURTHERMORE:

(22) The applicant is authorized to drill or convert to injection the six wells listed on Exhibit "A" attached hereto.

(23) The application of Falcon Creek Resources, Inc. in Case 12272 approval to inject water into the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool, through six wells in its proposed Teas-Yates Seven Rivers Unit Waterflood Project, is hereby dismissed.

(24) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 12331 and 12332
Order No. R-_____
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DONE at Santa Fe, New Mexico, on the day and year herein above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

S E A L

EXHIBIT "A"
CASE NOS. 12272,12331 AND 12332
ORDER NO. _____

Falcon Creek Resources, Inc.
Proposed Injection Wells
West Teas (Yates-Seven Rivers) Unit Waterflood Project Area

Township 20 South, Range 33 East, NMPM,
Lea County, New Mexico

<u>Well Name and Number</u>	<u>Footage Location</u>	<u>Section</u>	<u>Unit</u>	<u>Proposed Injection Interval (Feet)</u>
Anasazi "4" Well #3	1650' FSL & 1980' FEL	4	J	3,230-3,292' 3,296-3,426'
Scharbauer "4" Well #3	660' FSL & 660' FEL	4	P	3,104-3,188' 3,262-3,279' 3,299-3,409'
Federal "9" Well #3	330' FNL & 2310' FWL	9	C	3,161-3,252' 3,147-3,154' 3,299-3,409'
Barber Federal Well #2	1980' FNL & 660' FWL	9	E	3,138-3,219' 3,299-3,374'
Federal "9" Well #6	1,650' FNL & 990" FEL	9	H	3,060-3,176' 3,194-3,260' 3,285-3,300'
State "BF" Well #4	330' FNL & 330" FEL	16	A	3,160-3,294' 3,150-3,156' 3,350-3,394'



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

MEMORANDUM

**TO: All Producers, Purchasers and Transporters of Gas For All Prorated Gas Pools
in New Mexico**

**FROM: Lori Wrotenbery, Division Director *LW*
Oil Conservation Division**

**SUBJECT: Commission Hearing on February 25, 2000, Concerning Prorated Gas
Allowables for the April, 2000 Through September, 2000 Period**

DATE: February 4, 2000

Since 1991, allowables for the prorated gas pools in New Mexico have been established for six month allocation periods beginning in April and October of each year. Allowables have been determined using prior year allocation period production volumes with adjustments where appropriate based on evidence and recommendations from operators, purchasers, and transporters.

For the past several allocation periods, non-marginal allocation factors and well allowables have remained almost constant in most pools. Declining pool production and increased demand for New Mexico gas have resulted in a large reduction in the number of non-marginal wells and the assignment of marginal allowables to most wells in prorated pools.

At its August 12, 1999 proration hearing, the allowable factors used in the previous allocation period were recommended by the Division for the next proration period. There were no requests to modify those recommended allowables. The recommended allowables were adopted by order of the Commission.

The Commission will follow this procedure for the current and future allocation periods and until such time as it is determined that changes are needed. The enclosed allocation factors, being the previous 6 month allowable factors, will be used for allowable purposes for the period April, 2000 through September, 2000 unless there is evidence received at the February 25, 2000 Commission hearing indicating that these factors should be modified.

**Oil Conservation Division
Proposed Allowable Allocation Factors
New Mexico Prorated Pools
April, 2000 through September, 2000**

Southeast New Mexico

Pool	Monthly Allocation Factor (F.)
Atoka Penn	24,000
Blinebry Oil and Gas	70,200
Buffalo Valley Penn	33,000
Eumont Yates 7 Rivers Queen	38,000
Indian Basin Upper Penn	200,000
Jalmat Tansill Yates 7 Rivers	18,300
Justis Glorieta	18,300
Tubb Oil and Gas	18,425

Northwest New Mexico

Pool	Monthly Allocation Factor (F1)	Monthly Acreage x Deliverability Factor (F2)
Basin Dakota	11,163	14.04
Blanco Mesaverde	5,771	26.14
Blanco P. C. South	440	28.18
Tapacito Pictured Cliffs	467	19.79

DOCKET: EXAMINER HEARING - THURSDAY - FEBRUARY 17, 2000

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 7-00 and 8-00 are tentatively set for March 2 and March 16, 2000. 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 12324: Readvertised

Application of Harvey E. Yates Company for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the S/2 NW/4 of Section 8, Township 17 South, Range 38 East to form a standard 80-acre oil spacing and proration unit for any formations and/or pools developed on 80 acre spacing within that vertical extent, including the Undesignated South Humble City- Strawn Pool. The unit is to be dedicated to its Howard DWT Fee Well No. 1, to be located 2310 feet from the North line and 660 feet from the West line (Unit E) 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 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 the well. The unit is located approximately 3 1/2 miles northwest of Knowles, New Mexico.

CASE 12319 Continued from February 3, 2000, 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 in the following manner: the N/2 for all formations/pools developed on 320-acre spacing including the Logan Draw Morrow Gas Pool, the NE/4 for all formations/pools developed on 160-acre spacing, the S/2 NE/4 for all formations/pools developed on 80-acre spacing, and the SE/4 NE/4 for all formations/pools developed on 40-acre spacing, all in Section 30, Township 17 South, Range 27 East. Applicant proposes to dedicate these pooled units to a well to be drilled at a standard gas well location in the SE/4 NE/4 of Section 30. Also to be considered will be the cost of drilling and completing the well and the 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 area is located approximately 4 miles southeast of Artesia, New Mexico.

CASE 12342: **Application of Devon Energy Corporation (Nevada) 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 Lots 1, 2, E/2 NW/4, and NE/4 (N/2 equivalent) of Section 30, Township 17 South, Range 27 East to form a standard 319.57-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Logan Draw-Morrow Gas Pool. The unit is to be dedicated to its Logan "30G" Fed. Com. Well No. 1, to be drilled at an orthodox location in the NE/4 of Section 30. 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 4 miles southeast of Artesia, New Mexico.

CASE 12329: Continued from January 20, 2000, Commission Hearing.

Application of EOG Resources, Inc. for a Unit agreement, Lea County, New Mexico. Applicant seeks approval of a unit agreement for its proposed Red Hills North Unit Area containing 4198.20 acres, more or less, of Federal and State lands comprising all or portions of Sections 6, 7, 8, 17 and 18, Township 25 South, Range 34 East, and all or portions of Sections 1, 12 and 13, Township 25 South, Range 33 East. Said unit area is located approximately 19 miles west by north of Jal, New Mexico.

CASE 12343: **Application of John H. Hendrix Corporation for Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order pooling all oil and associated casinghead gas formations developed on 40-acre spacing from the base of the Grayburg formation to the base of the Drinkard formation in the NE/4 SW/4 of Section 34, Township 23 South, Range 37 East. The unit is to be dedicated to its Eva Blinebry "B" Well No. 1, to be drilled at a standard location in the NE/4 SW/4 of Section 34 to a depth of approximately 6,400 feet to test all formations from the base of the Grayburg formation to the base of the Drinkard formation, Teague-Paddock-Blinebry Pool and the Undesignated Imperial Tubb-Drinkard Pool. Also to be considered will be the cost 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 well is located approximately 12 miles south of Eunice, New Mexico.

CASE 12272: Continued from January 20, 2000, Examiner Hearing.

Application of Falcon Creek Resources, Inc. for authority to inject water into six wells in the proposed Teas-Yates Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico. Applicant seeks approval to inject water into the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool, through 6 wells in its proposed Teas-Yates Seven Rivers Unit Waterflood Seven Rivers Pool, located in the following area:

Township 20 South, Range 33 East:

Section 4: SE/4

Section 9: N/2

Section 16: NE/4

This area is located approximately 5 miles northeast of the intersection of New Mexico Highways 176 and 62/180.

Examiner Hearing – February 17, 2000
Docket No. 05-00
Page 2 of 3

CASE 12331: Continued from January 20, 2000, Examiner Hearing.

Application of Falcon Creek Resources, Inc. for Statutory Unitization, Lea County, New Mexico. Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interested in the Yates and Seven Rivers formations, West Teas (Yates-Seven Rivers) Pool, underlying 1,320 acres, more or less, of Federal, State and Fee lands in the following acreage:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4

Section 9: S/2, NE4, S/2 NW/4, NE/4 NW/4

Section 16: N/2, N/2 SW/4, NW/4 SE4

Section 17: E/2 NE4, NE/4 SE/4

Said unit to be designated to the West Teas (Yates-Seven Rivers) Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation 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 investment, to each of the various 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 for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any non-consenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. The unit area is located approximately 30 miles west by southwest of Hobbs, New Mexico.

CASE 12332: Continued from January 20, 2000, Examiner Hearing.

Application of Falcon Creek Resources, Inc. for Approval of a Waterflood Project for its West Teas (Yates-Seven Rivers) Unit Area and Qualification of Project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks an order approval of its West Teas (Yates-Seven Rivers) Unit Waterflood Project for injection of water in the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool through six injection wells located in the following described area:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4

Section 9: S/2, NE4, S/2 NW/4, NE/4 NW/4

Section 16: N/2, N/2 SW/4, NW/4 SE4

Section 17: E/2 NE4, NE/4 SE/4

The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within the project area without the necessity of further hearings and the adoption of such other provisions as are necessary for the waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The unit is located approximately 30 miles west by southwest of Hobbs, New Mexico.

CASE 12086: Consolidated – Continued from January 20, 2000, Examiner Hearing.

Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

CASE 12086: Consolidated - Continued from January 20, 2000, Examiner Hearing.

Application of Energen Resources Corporation for allowable reduction and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and Snyder "C" Well No. 4, and the Snyder "EC" Com Well No. 1, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

CASE 12290: Continued from January 20, 2000, Examiner Hearing.

Application of Burlington Resources Oil & Gas Company to amend the Special Rules and Regulations for the Basin-Dakota Gas Pool for purposes of changing well location requirements for Dakota Wells, Rio Arriba and San Juan Counties, New Mexico. Applicant seeks to amend Rule 2(d) of the Special Rules and Regulations for the Basin-Dakota Gas Pool set forth in Division Order No. R-8170, as amended, in order to: (a) change the initial and infill well location boundary requirements to not closer than 660 feet to any outer boundary of a gas proration and spacing unit and to not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; (b) delete the 920 foot minimum distance between wells; and (c) add well location requirements for federal exploratory units.

CASE 12344: **Application of Oil Conservation Division for an order requiring Nerdlihc Company Inc. to plug thirteen (13) wells in McKinley County, New Mexico.** Applicant seeks an order requiring Nerdlihc Company, Inc. and all other interested parties to appear and show cause why: (i) Nerdlihc should not be ordered to properly plug thirteen wells located in McKinley County, New Mexico, (ii) the Division should not be authorized to plug these wells if Nerdlihc does not, and foreclose on the plugging bond and recover the plugging costs in excess of the plugging bond, if any, from Nerdlihc, and (iii) fines should not be imposed on Nerdlihc for failure to plug these wells. The location of these wells is centered approximately 8 miles south-southwest of Hospah, New Mexico.

CASE 12345: **Application of Oil Conservation Division for an order requiring A.P.A. Development Inc. to plug three (3) wells in San Juan County, New Mexico.** Applicant seeks and order requiring A.P.A. Development Inc. and all other interested parties to appear and show cause why: (i) A.P.A. should not be ordered to properly plug three wells located in San Juan County, New Mexico, (ii) the Division should not be authorized to plug these wells if A.P.A. does not, and foreclose on the plugging bond(s), and recover the plugging costs in excess of the plugging bond(s), if any, from A.P.A., and (iii) fines should not be imposed on A.P.A. for failure to plug these wells. The location of these wells is centered approximately 13 miles south-southwest of Nageesi, New Mexico.

CASE 12315: Continued from December 16, 1999, Examiner Hearing.

Application of Oil Conservation Division for an order requiring Avra Oil Company to clean up and/or close a site containing oil and gas contamination, Lea County, New Mexico. Application of the Oil Conservation Division for a show cause hearing requiring Avra Oil Company to appear and show cause why the Division should not: (1) order Avra's pit and other facilities located in Unit G of Section 11, Township 18 South, Range 38 East, cleaned up and/or closed in accordance with Division requirements; (2) clean up and/or close the site if Avra does not and assess the costs against Avra; (3) declare Avra's \$50,000 blanket bond forfeited, foreclose on that bond and collect any costs in excess of the bond from Avra; (4) revoke Avra's authorization to operate; and (5) assess penalties against Avra for failure to properly clean up and/or close the site. The site is located approximately 13 miles east of Lovington, New Mexico.

DOCKET: COMMISSION HEARING – FRIDAY – FEBRUARY 25, 2000

9:00 A.M. - OCD Hearing Room
2040 S. Pacheco
Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey.

The minutes of the January 21, 2000, Commission hearing will be adopted.

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

The Commission will close the meeting to discuss the following cases:

CASE 11996: Application of Pendragon Energy Partners, Inc. and J. K. Edwards Associates, Inc. to confirm production from the appropriate common source of supply, San Juan County, New Mexico.

CASE 12033: Application of Public Service Company of New Mexico for review of Oil Conservation Division directive dated March 13, 1998 directing applicant to perform additional remediation for hydrocarbon contamination, San Juan County, New Mexico.

CASE 12333: Continued from January 21, 2000, Commission Hearing.

Application of New Mexico Oil Conservation Division to Amend Division Rules 103 and 202. Application of the New Mexico Oil Conservation Division to amend Rule 103 to require that: (i) signs also be placed on well-related facilities, (ii) signs remain in place until the well and facilities are closed, and (iii) signs be replaced within 90 days after a new operator takes over the well and related facilities and Rule 202 to (i) prohibit the building of permanent structures over P&A wells, (ii) prohibit the removal of P&A markers without Division approval, and (iii) regulate below ground P&A markers. The proposed rule changes are posted on the internet at www.emnrd.state.nm.us/ocd.

CASE 12346: **Application of the Oil Conservation Division to Amend Rule 303.C through 303.H (19 NMAC 15.E.303)** The Division's downhole commingling workgroup will report to the Commission its recommendations for amendments to the Division's rules governing downhole commingling. This matter will then be continued to a subsequent Commission hearing at which time the Commission will hear public comment and testimony. The workgroup's recommended draft rule may be accessed on the internet at the Division's website at: www.emnrd.state.nm.us/ocd.

CASE 12347: The Oil Conservation Division is calling a hearing to consider proposed April, 2000 – September, 2000 gas allowables for the prorated gas pools in New Mexico. Allowable assignment factors are being distributed with an OCD Memorandum dated February 4, 2000. If requests for changes are not received at the February 25, 2000 hearing, these factors will be used to assign allowables for the April - September period.

CASE 12148: De Novo - Continued from January 21, 2000, Commission Hearing.

Application of The Wiser Oil Company to qualify the Skelly Unit Area Waterflood Expansion Project for the Recovered Oil Tax Rate, Eddy County, New Mexico. Applicant seeks to qualify the Skelly Unit Area Waterflood Expansion Project (Grayburg-Jackson Pool) for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978). The unit area covers all or part of Sections 13, 14, 21-23, and 26-28, Township 17 South, Range 31 East. The unit area is centered approximately 1 mile east-northeast of the intersection of U.S. Highway 82 and State Highway 529. Upon application of The Wiser Oil Company, this case will be heard De Novo pursuant to the of Rule 1220.

CASE 12149: De Novo - Continued from January 21, 2000, Commission Hearing.

Application of The Wiser Oil Company to qualify the State "D" Lease Waterflood Expansion Project for the recovered oil tax rate, Eddy County, New Mexico. Applicant seeks to qualify the State "D" Lease Waterflood Expansion Project (Grayburg-Jackson Pool) covering part of Section 26, Township 17 South, Range 31 East, for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978). The lease is located approximately 2 miles east-southeast of the intersection of U.S. Highway 82 and State Highway 529. Upon application of The Wiser Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

Commission Hearing February 25, 2000

Docket No. 6-00

Page Two

CASE 12150: **De Novo - Continued from January 21, 2000, Commission Hearing.**

Application of The Wiser Oil Company to qualify the State "AZ" Lease Waterflood Expansion Project for the recovered oil tax rate, Eddy County, New Mexico. Applicant seeks to qualify the State "AZ" Lease Waterflood Expansion Project (Grayburg-Jackson Pool), covering the SW/4 SW/4 of Section 16, Township 17 South, Range 31 East, for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978). The lease is located approximately 1 mile north-northwest of the intersection of U.S. Highway 82 and State Highway 529. Upon application of The Wiser Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220

CASE 12299: **De Novo**

Application of Redwolf Production, Inc. 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 following described acreage in Section 36, Township 26 North, Range 13 West, in the following manner: (a) the N/2 for all formations and/or pools developed on 320-acre spacing within that vertical extent including the Basin-Fruitland Coal Gas Pool; (b) the NE/4 for all formations and/or pools developed on 160-acre spacing within that vertical extent including the Undesignated WAW-Fruitland Sand-Pictured Cliffs Pool; and (c) the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to its Bear Well No. 1 to be drilled at a standard location in the NE/4 NE/4 (Unit A) of Section 36. 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 Redwolf Production, Inc. Company as operator of the well and a charge for risk involved in drilling and completing the well. The area is located approximately 16 miles southwest of Farmington, New Mexico. Upon application of Maralex Resources, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

NOTICE

Notice is hereby given that pursuant to the New Mexico Oil Conservation Division Regulations, the following application has been submitted to the Director of the Oil Conservation Division, 2040 S. Pacheco, Santa Fe, New Mexico 87505, Telephone (505) 827-7131:

South Monument Surface Waste Facility L.L.C., Operator, Kena Kay Cooper, 834 W. Gold, Hobbs, New Mexico, 88240, has submitted for approval an application to construct and operate a Rule 711 commercial landfarm soils remediation facility located in the SW/4 Section 25, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Hydrocarbon contaminated soils associated with oil and gas production operations will be remediated by spreading them on the ground surface in 6 inch lifts or less and periodically disking them to enhance biodegradation of contaminants. The permit application addresses the construction, operations, spill/leak prevention and monitoring procedures to be incorporated at the proposed site.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The application may be viewed at the above address or at or at the Hobbs district office at 1625 N. French Drive, Hobbs, New Mexico between 8:00 a.m. and 4:00 p.m., Monday thru Friday. Prior to ruling on any proposed application, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and public hearing may be requested by any interested person. Request for public hearing shall set forth the reasons why a hearing shall be held. A hearing will be held if the director determines that there is significant public interest.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**



CASE NOS. 12272, 12331 and 12332

00 FEB 11 PM 4:19

OIL CONSERVATION DIV.

**APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR AUTHORITY TO INJECT WATER INTO SIX WELLS
IN THE PROPOSED TEAS-YATES SEVEN RIVERS UNIT
WATERFLOOD PROJECT AREA,
LEA COUNTY, NEW MEXICO.**

AND

**APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

AND

**APPLICATION OF FALCON CREEK RESOURCES, INC.
FOR APPROVAL OF A WATERFLOOD PROJECT FOR ITS
WEST TEAS (YATES-SEVEN RIVERS) UNIT AREA AND
QUALIFICATION OF PROJECT FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Falcon Creek Resources, Inc.
Attn: Lynn Becker
621 17th Street, Suite 1800
Denver, CO 80293-0621
(303) 675-0007

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

OPPOSITION

Mitchell Energy Corporation
Attn: Ben Waller
P.O. Box 4000
The Woodlands, TX 77387-4000
(281) 296-3472

ATTORNEY

James Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504
(505) 982-2043

STATEMENT OF CASE

APPLICANT

Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interest in the Yates and Seven Rivers formations, West Teas (Yates-Seven Rivers) Pool, underlying 1,320 acres, more or less, of Federal, State and Fee lands in the following acreage:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4
Section 9: S/2, NE/4, S/2 NW/4, NE/4 NW/4
Section 16: N/2, N/2 SW/4, NW/4 SE/4
Section 17: E/2 NE/4, NE/4 SE/4

Said unit to be designated the West Teas (Yates - Seven Rivers) Unit.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation 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 investment, to each of the various 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 for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of

Pre-hearing Statement

NMOCD Case Nos. 12272, 12331 and 12332

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unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any non-consenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 30 miles west by southwest of Hobbs, New Mexico.

Applicant further seeks and order approval of its West Teas (Yates-Seven Rivers) Unit Waterflood Project for injection of water in the Yates and Seven Rivers Formation, West Teas-Yates Seven Rivers Pool through six injection wells located in the described area;

Applicant further requests that the Division establish procedures for the administrative approval of additional injection wells within the project are without the necessity of further hearings and the adoption of such other provisions as are necessary for the waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the ratified statutory unitization order of the Commission to include all land affected by the pressure maintenance project being conducted in the pool. This unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

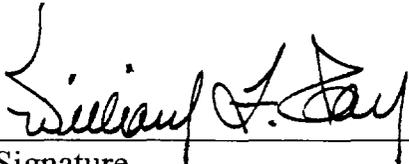
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Lynn Becker (Landman)	Approx. 15 min.	Approx. 7
Denny LeMar (Geologist)	Approx. 15 min.	Approx. 5
Joe Cox (Petroleum Engineer)	Approx. 15 min.	Approx. 4

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

Falcon Creek Resources respectfully requests that the cases be consolidated for hearing.

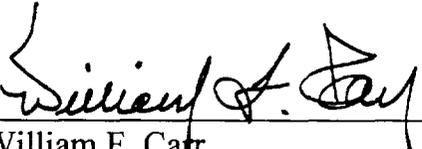


Signature

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of February, 2000, I have caused to be delivered, a copy of our Entry of Appearance in the above-captioned case to the following named parties via the US Postal Service:

James Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504



William F. Carr

MA
1-13-00

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
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SANTA FE, NEW MEXICO 87504-2208
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FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

January 13, 2000

VIA HAND DELIVERY

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87505

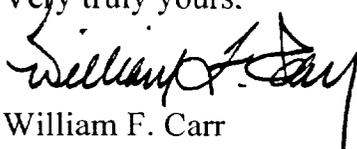
00 JAN 13 PM 3:30
OIL CONSERVATION DIV.

RE: *In the matter of Cases 12272, 12331 and 12332: The applications of Falcon Creek Resources for water injection, statutory unitization and approval of a waterflood project in Lea County, New Mexico.*

Dear Ms. Wrotenbery,

Falcon Creek Resources, Inc. hereby respectfully requests that the Examiner Hearings in the above-referenced cases which are currently scheduled for January 20, 2000 be continued to the February 17, 2000 Examiner Hearing Docket.

Your attention to this request is appreciated.

Very truly yours,

William F. Carr

WFC:md

cc: James Bruce, Esq.
Lynn Becker, Falcon Creek Resources, Inc.
Ben Waller, Mitchell Energy

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 20, 2000

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos. 4-00 and 5-00 are tentatively set for February 3 and February 17, 2000. 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 12322: Application of Home-Stake Oil & Gas Company for an Increase in the Depth Bracket Allowable for the South McCormack-Silurian Pool, Lea County, New Mexico. Applicant seeks an order approving special pool rules for the South McCormack-Silurian Pool, including an increased depth bracket allowable of 230 barrels of oil per day. The pool covers portions of Sections 16, 21, and 22, Township 22 South, Range 37 East, and is centered approximately 3 1/2 miles south of Eunice, New Mexico.

CASE 12323: Application of Ocean Energy Resources, Inc. for a Non-Standard Subsurface Gas Well Location/Producing Area, Lea County, New Mexico. Applicant, in accordance with Division Rules 104.F and 111.C (2), seeks approval for a non-standard subsurface gas well location/producing area for both the Undesignated North Shoe Bar-Atoka Gas Pool and the Morrow formation in either the Undesignated North Shoe Bar-Morrow Gas Pool or the Undesignated Townsend-Morrow Gas Pool within a standard 320-acre gas spacing and proration unit for both intervals comprising Lots 11, 12, 13, and 14 and the SW/4 of irregular Section 3, Township 16 South, Range 35 East, (which is located approximately 25 miles west by north of Carlsbad, New Mexico). The applicant seeks to re-enter the plugged and abandoned Bridge Oil Company, L. P.'s Chevron State Well No. 1 (API No. 30-025-31102), to be renamed the Panther Martin State Com. Well No. 1, located on the surface at a standard gas well location 2310 feet from the South line and 1650 feet from the West line (Unit S) of Section 3, and directionally drill to an approximate depth of 12,657 feet at a targeted unorthodox subsurface gas well location 2040 feet from the South line and 2280 feet from the West line (Unit S) of Section 3.

CASE 12324: Application of Harvey E. Yates Company for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SW/4 NW/4 (Unit E) of Section 8, Township 17 South, Range 38 East to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acres spacing within that vertical extent. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing the well and the actual operating 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 3 1/2 miles northwest of Knowles, New Mexico.

CASE 12257: Continued from January 6, 2000, Examiner Hearing.

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 12237: Continued from January 6, 2000, 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 12308: Continued from January 6, 2000, Examiner Hearing.

Application of Pogo Producing Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco Canyon formation underlying the following described acreage in Section 18, Township 20 South, Range 25 East, in the following manner: (a) Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) to form a standard 319.20-acre spacing and proration unit for any formations and/or pools developed on 320-acre spacing within this vertical extent, including the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool; and (b) 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 this vertical extent. Both units are to be dedicated to its plugged and abandoned W. W. Buchanan Osage Com. Well No. 1 (API No. 30-015-21451), located 1830 feet from the South line and 1980 feet from the East line (Unit J) of Section 18. Also to be considered will be the cost of re-entry, completing, and equipping the well 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 the re-entry of this wellbore. The units are located approximately 6 miles west-southwest of Seven Rivers, New Mexico

CASE 12325: Application of Chesapeake Operating Inc. for Compulsory Pooling and an Unorthodox Subsurface Location, 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 17, Township 16 South, Range 36 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 gas spacing within that vertical extent, including the West Lovington Pennsylvanian Gas Pool; the SW/4 for form 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, including the North Shoe Bar-Wolfcamp Gas Pool; and the S/2 SW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within that vertical extent, including the Northeast Show Bar-Strawn Pool. The unit(s) is to be dedicated to its College of Southwest "15" Well No. 1 which was drilled as a directional wellbore at total depth in the Morrow formation which is at an unorthodox subsurface location 580 feet from the South line and 1085 feet from the West line of this section. Also to be considered will be the costs of drilling and completing the well and the actual operating 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 3 miles south of the center of the City of Lovington, New Mexico.

CASE 12326:

Application of Chesapeake Operating 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 15, Township 16 South, Range 35 East, in the following manner: the E/2 to form 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, including the Townsend-Morrow Gas Pool, and North Shoe Bar-Atoka Gas Pool; the NE/4 for form 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, including the North Shoe Bar-Wolfcamp Gas Pool; the E/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within that vertical extent; and the NE4/ NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within that vertical extent including the Townsend Permo Upper Pennsylvanian Pool. This unit(s) is to be dedicated to its Boyce "15" Well No. 1 which will be located at a standard location within Unit A of this section. Also to be considered will be the costs of drilling and completing the well and the actual operating 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 5 1/2 miles southwest of the center of the City of Lovington, New Mexico.

CASE 12327:

Application of OXY USA, Inc. to Rescind Division Order No. R-4638 which adopted the Special Pool Rules for the West Parkway-Strawn Gas Pool and the West Parkway-Atoka Gas Pool, or in the alternative, for an Unorthodox Gas Well Location, Eddy County, New Mexico. Applicant seeks an order rescinding the special pool order for the West Parkway-Atoka Gas Pool and the West Parkway-Strawn Gas Pool so that all existing and future wells and their respective spacing and proration units which are now subject to this order will be governed by the provisions of Division General Rules including Rule 104. In the alternative, applicant seeks an unorthodox well location in both of these pools for its Pearl Well No. 2 (API No. 30-015-30851), which is a well being drilled to the Morrow formation at a standard gas well location 860 feet from the North line and 660 feet from the East line of Section 32, Township 19 South, Range 29 East, and to be dedicated to the E/2 of this section. The current boundaries of these pools includes all or portions of Sections 21, 27, 28 29, 30 and 34, Township 19 South, Range 29 East. These pools are located approximately 7 miles north from the intersection of State Highway No. 31 and US Highway No. 180, New Mexico.

CASE 12276:

Continued from December 16, 1999, Examiner Hearing.

Application of Burlington Resources Oil & Gas Company for Compulsory Pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation and the Chacra formation underlying the following described acreage within Section 36, Township 27 North, Range 8 West, in the following manner: (i) a 320-acre gas spacing unit consisting of the W/2 of this section for gas production from the Blanco-Mesaverde Gas Pool to be dedicated to the proposed Brookhaven Com Well No. 8 to be located in the NW/4 and to the Brookhaven Com Well No. 8-A to be located in the SW/4 of this section; (ii) for a standard 160-acre gas spacing unit consisting of the NW/4 of this section for gas production from the Otero-Chacra Gas Pool to be dedicated to the Brookhaven Com Well No. 8; and (iii) for a standard 160-acre gas spacing unit consisting of the SW/4 of this section for gas production from the Otero-Chacra Gas Pool to be dedicated to the Brookhaven Com Well No. 8-A. The units are to be dedicated to Burlington Resources Oil & Gas Company's Brookhaven Com Wells No. 8 and 8-A which are to be drilled as dual completions at standard gas well locations within these quarter sections. Also to be considered will be the costs of drilling and completing the wells 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 wells, and a charge for risk involved in drilling and completing the wells. The wells are located approximately 15 miles northeast of the El Huerfano Trading Post on New Mexico State Highway 44.

CASE 12277:

Continued from December 16, 1999, Examiner Hearing.

Application of Burlington Resources Oil & Gas Company for Compulsory Pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation within the E/2 of Section 16, Township 31 North, Range 11 West for a 320-acre gas spacing unit consisting of the E/2 of this section for gas production from the Blanco-Mesaverde Gas Pool to be dedicated to the proposed Brookhaven Com B Well No. 3B to be located in the NE/4 SE/4 of Section 16. 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 5 miles north of Aztec, New Mexico

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CASE 12296: Continued from December 2, 1999 Examiner Hearing

Application of Burlington Resources Oil & Gas Company to amend Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool for purposes of changing well location requirements for coal gas wells, San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico. Applicant seeks to amend Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to (a) change the well location boundary requirements from not closer than 790 feet to not closer than 660 feet to any outer boundary of a spacing unit and from not closer than 130 feet to not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and (b) to add well location requirements for federal exploratory units.

CASE 12328: **Application of John L. Cox for an Unorthodox Oil Well Location, Lea County, New Mexico.** Applicant seeks an exception to Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, to drill its State "14-A" Well No. 1 at an unorthodox Pennsylvanian oil well location 1330 feet from the North line and 2530 feet from the East line (Unit G) of Section 14, Township 12 South, Range 33 East. The SE/4 NE/4 of Section 14 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for the Undesignated Bagley-Pennsylvanian Pool. This unit is located approximately 16 miles west of Tatum, New Mexico.

CASE 12003: Reopened - Continued from December 16, 1999 Examiner Hearing

In the matter of Case 12003 being reopened pursuant to the provisions of Division Order No. R-11053-A, which order established temporary special rules and regulations for the Featherstone-Bone Spring Pool in Lea County, New Mexico, including a provision for 80-acre spacing units. Operators in the Featherstone-Bone Spring Pool may appear and show cause why the temporary special rules for the pool should not be rescinded.

CASE 12319 Continued from January 6, 2000 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 in the following manner: the N/2 for all formations/pools developed on 320-acre spacing including the Logan Draw Morrow Gas Pool, the NE/4 for all formations/pools developed on 160-acre spacing, the S/2 NE/4 for all formations/pools developed on 80-acre spacing, and the SE/4 NE/4 for all formations/pools developed on 40-acre spacing, all in Section 30, Township 17 South, Range 27 East. Applicant proposes to dedicate these pooled units to a well to be drilled at a standard gas well location in the SE/4 NE/4 of Section 30. Also to be considered will be the cost of drilling and completing the well and the 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 area is located approximately 4 miles southeast of Artesia, New Mexico.

CASE 12285: Continued from January 6, 2000, Examiner Hearing.

Application of Nearburg Exploration, Company, LLC. 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 N/2 for all formations developed on 320-acre spacing including but not limited to the Undesignated San Simon Wolfcamp Gas Pool, the NW/4 for all formations developed on 160-acre spacing, the N/2 NW/4 for all formations developed on 80-acre spacing, and the NW/4 NW/4 for all formations developed on 40-acre spacing, all in Section 17, Township 22 South, Range 35 East. Applicant proposes to dedicate these pooled units to a well to be drilled at a standard gas well in the NW/4 NW/4 of Section 17. 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 operator of the well, and a charge for risk involved in drilling and completing the well. The area is located approximately 10.5 miles southwest of Oil Center, New Mexico.

CASE 12329: **Application of EOG Resources, Inc. for a Unit agreement, Lea County, New Mexico.** Applicant seeks approval of a unit agreement for its proposed Red Hills North Unit Area containing 4198.20 acres, more or less, of Federal and State lands comprising all or portions of Sections 6, 7, 8, 17 and 18, Township 25 South, Range 34 East, and all or portions of Sections 1, 12 and 13, Township 25 South, Range 33 East. Said unit area is located approximately 19 miles west by north of Jal, New Mexico.

CASE 12330: **Application of Ameristate Oil and Gas, Inc. for Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the top of the Mississippian formation or 12,900 feet, whichever is lesser, in the E/2 for all formations developed on 320-acre spacing including but not limited to the Undesignated South Shoe-Bar-Mississippian Gas Pool, the NE/4 for all formations developed on 160-acre spacing, the N/2 NE/4 for all formations developed on 80-acre spacing, and the NE/4 NE/4 for all formations developed on 40-acre spacing including but not limited to the Undesignated West Lovington-Upper San Andres Pool, the Undesignated Vacuum Grayburg-San Andres Pool, and the Undesignated Vacuum Abo Reef Pool, all in Section 13, Township 17 South, Range 35 East. Applicant proposed to dedicate these pooled units to its State 13 Well No. 1 to be drilled at a standard gas well in the NE/4 NE/4 of Section 13. Also to be considered will be the cost of drilling and completing the well and the actual operating 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 area is located approximately 9 miles southwest of Lovington, New Mexico.

CASE 12313: Continued from December 16, 1999 Examiner Hearing

Application of David H. Arrington Oil & Gas, Inc. for compulsory pooling and directional drilling of a horizontal well, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Northeast Lovington-Pennsylvanian Pool, underlying the following described acreage in Section 10, Township 16 South, Range 37 East in the following manner: (a) the NW 1/4 SW 1/4 for any formations and/or pools developed on 40-acre spacing and (b) the SW 1/4 in order to form a 160-acre Project Area, as defined by Division Rule 111.A(9), by combining two standard 80-acre oil spacing and proration units in order to accommodate a horizontally drilled wellbore. The applicant proposes to vertically drill its H & L Variance "10" Well No. 1 at a surface location 2130 feet from the South line and 330 feet from the West line (Unit L) of Section 10 to an approximate depth of 11,600 feet, kick-off, and then drill horizontally in an easterly direction a lateral distance of 1400 feet through the Strawn formation. The applicable drilling window or producing area [see Division Rule 111.A(7)] for the proposed wellbore is to be standard for any 40-acre unit and 80-acre units per the outer setback requirements for 80-acre units in the subject pool. Also to be considered will be the cost of drilling and completing this wellbore 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 location of the proposed well is approximately six miles east of Lovington, New Mexico.

CASE 12272: Continued from December 16, 1999, Examiner Hearing.

Application of Falcon Creek Resources, Inc. for authority to inject water into six wells in the proposed Teas-Yates Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico. Applicant seeks approval to inject water into the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool, through 6 wells in its proposed Teas-Yates Seven Rivers Unit Waterflood Seven Rivers Pool, located in the following area:

Township 20 South, Range 33 East:

Section 4: SE/4

Section 9: N/2

Section 16: NE/4

This area is located approximately 5 miles northeast of the intersection of New Mexico Highways 176 and 62/180.

CASE 12331: **Application of Falcon Creek Resources, Inc. for Statutory Unitization, Lea County, New Mexico.** Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interested in the Yates and Seven Rivers formations, West Teas (Yates-Seven Rivers) Pool, underlying 1,320 acres, more or less, of Federal, State and Fee lands in the following acreage:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4

Section 9: S/2, NE4, S/2 NW/4, NE/4 NW/4

Section 16: N/2, N/2 SW/4, NW/4 SE4

Section 17: E/2 NE4, NE/4 SE/4

Said unit to be designated to the West Teas (Yates-Seven Rivers) Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation 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 investment, to each of the various 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 for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any non-consenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. The unit area is located approximately 30 miles west by southwest of Hobbs, New Mexico.

CASE 12332: **Application of Falcon Creek Resources, Inc. for Approval of a Waterflood Project for its West Teas (Yates-Seven Rivers) Unit Area and Qualification of Project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.** Applicant seeks an order approval of its West Teas (Yates-Seven Rivers) Unit Waterflood Project for injection of water in the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool through six injection wells located in the following described area:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 4: SE/4

Section 9: S/2, NE4, S/2 NW/4, NE/4 NW/4

Section 16: N/2, N/2 SW/4, NW/4 SE4

Section 17: E/2 NE4, NE/4 SE/4

Examiner Hearing – January 20, 2000

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The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within the project area without the necessity of further hearings and the adoption of such other provisions as are necessary for the waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The unit is located approximately 30 miles west by southwest of Hobbs, New Mexico.

CASE 12086: Consolidated – Continued from January 6, 2000, Examiner Hearing.

Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

CASE 12086: Consolidated - Continued from January 6, 2000 Examiner Hearing.

Application of Energen Resources Corporation for allowable reduction and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and Snyder "C" Well No. 4. and the Snyder "EC" Com Well No. 1, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

DOCKET: COMMISSION HEARING – FRIDAY – JANUARY 21, 2000

9:00 A.M. - OCD Hearing Room
2040 S. Pacheco
Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey.

The minutes of the November 17 and December 16, 1999, Commission hearings will be adopted.
The Oil Conservation Commission may vote to close the open meeting to deliberate any De Novo cases heard at this hearing.

CASE 12333: **Application of New Mexico Oil Conservation Division to Amend Division Rules 103 and 202.** Application of the New Mexico Oil Conservation Division to amend Rule 103 to require that: (i) signs also be placed on well-related facilities, (ii) signs remain in place until the well and facilities are closed, and (iii) signs be replaced within 90 days after a new operator takes over the well and related facilities and Rule 202 to (i) prohibit the building of permanent structures over P&A wells, (ii) prohibit the removal of P&A markers without Division approval, and (iii) regulate below ground P&A markers. The proposed rule changes are posted on the internet at www.emnrd.state.nm.us/ocd.

CASE 12148: **De Novo - Continued from November 17, 1999, Commission Hearing.**

Application of The Wiser Oil Company to qualify the Skelly Unit Area Waterflood Expansion Project for the Recovered Oil Tax Rate, Eddy County, New Mexico. Applicant seeks to qualify the Skelly Unit Area Waterflood Expansion Project (Grayburg-Jackson Pool) for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978). The unit area covers all or part of Sections 13, 14, 21-23, and 26-28, Township 17 South, Range 31 East. The unit area is centered approximately 1 mile east-northeast of the intersection of U.S. Highway 82 and State Highway 529. Upon application of The Wiser Oil Company, this case will be heard De Novo pursuant to the of Rule 1220.

CASE 12149: **De Novo - Continued from November 17, 1999, Commission Hearing.**

Application of The Wiser Oil Company to qualify the State "D" Lease Waterflood Expansion Project for the recovered oil tax rate, Eddy County, New Mexico. Applicant seeks to qualify the State "D" Lease Waterflood Expansion Project (Grayburg-Jackson Pool) covering part of Section 26, Township 17 South, Range 31 East, for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978). The lease is located approximately 2 miles east-southeast of the intersection of U.S. Highway 82 and State Highway 529. Upon application of The Wiser Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12150: **De Novo - Continued from November 17, 1999, Commission Hearing.**

Application of The Wiser Oil Company to qualify the State "AZ" Lease Waterflood Expansion Project for the recovered oil tax rate, Eddy County, New Mexico. Applicant seeks to qualify the State "AZ" Lease Waterflood Expansion Project (Grayburg-Jackson Pool), covering the SW/4 SW/4 of Section 16, Township 17 South, Range 31 East, for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978). The lease is located approximately 1 mile north-northwest of the intersection of U.S. Highway 82 and State Highway 529. Upon application of The Wiser Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220

CASE 12008: **De Novo Continued from November 17, 1999 Commission 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. Upon application of Robert E. Landreth, this case will be heard De Novo pursuant to the provisions of Rule 1220.

Catania

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
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December 13, 1999

VIA HAND DELIVERY

Lori Wrottenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87505

WFC

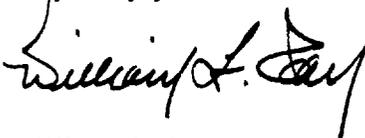
99 DEC 13 PM 4:55
OIL CONSERVATION DIV

RE: *In the matter of Case 12272: Application of Falcon Creek Resources, Inc. for authority to inject water into six wells in the proposed Teas-Yates Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico.*

Dear Ms. Wrottenbery,

Falcon Creek Resources, Inc., hereby requests that the Examiner Hearing in the above-referenced case which is currently scheduled for December 16, 1999 be continued to the January 20, 200 Examiner Hearing Docket.

Your attention to this request is appreciated.

Very truly yours,

William F. Carr

WFC:md

cc: James Bruce, Esq.
Lynn Becker



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

MEMORANDUM

TO: Attorneys, Operators, and All Interested Parties
FROM: Michael E. Stogner, Chief Hearing Officer/Engineer
SUBJECT: 2000 Examiner Hearing Schedule
DATE: November 30, 1999

January 6th
January 20th
February 3rd
February 17th
March 2nd
March 16th
April 6th
April 20th
May 4th
May 18th
June 1st
June 15th
June 29th
July 13th
July 27th
August 10th
August 24th
September 7th
September 21st
October 5th
October 19th
November 2nd
November 16th
December 7th
December 21st
January 11, 2001
January 25, 2001

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 16, 1999

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos. 1-00 and 2-00 are tentatively set for January 6 and January 20, 2000. 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 12305: **Application of Trilogy Operating, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Drinkard formation underlying the SW/4 NE/4 of Section 1, Township 20 South, Range 38 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including the House-Yates-Seven Rivers Pool, House-San Andres Pool, House-Blinebry Pool, East House-Tubb Pool, North House-Tubb Pool, House-Tubb Gas Pool and the House-Drinkard Pool. This unit is to be dedicated to its Dreesen Well No. 1 to be drilled and completed at a standard well location in Unit G of Section 1. 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 the applicant as the operator of the well and a charge for the risk involved in drilling and completing this well. This well is located approximately 2 ½ miles southeast of Nadine, New Mexico.

CASE 12294: **Continued from December 2, 1999, Examiner Hearing.**

Application of David H. Arrington Oil & Gas, Inc. for a special project allowable for a directional wellbore or, in the alternative, to amend Rule 6 of the special pool rules for the North Shoe Bar-Strawn Pool, Lea County, New Mexico. Applicant seeks, effective as of October 1, 1999, the assignment of a special project oil allowable of 890 barrels of oil per day for its Mayfly "14" State Com Well No. 2, a directional wellbore located in Units A and B of Section 14, Township 16 South, Range 35 East, or, in the alternative, to amend Rule 6 of the special pool rules for the North Shoe Bar-Strawn Pool, effective as of October 1, 1999, to increase the depth bracket oil allowable from 605 barrels of oil per day to 890 barrels of oil per day. This pool is located within portions of Section 13, Township 16 South, Range 35 East, and is approximately 4 miles southeast of Lovington, New Mexico.

CASE 12276: **Continued from December 2, 1999, Examiner Hearing.**

Application of Burlington Resources Oil & Gas Company for Compulsory Pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation and the Chacra formation underlying the following described acreage within Section 36, Township 27 North, Range 8 West, in the following manner: (i) a 320-acre gas spacing unit consisting of the W/2 of this section for gas production from the Blanco-Mesaverde Gas Pool to be dedicated to the proposed Brookhaven Com Well No. 8 to be located in the NW/4 and to the Brookhaven Com Well No. 8-A to be located in the SW/4 of this section; (ii) for a standard 160-acre gas spacing unit consisting of the NW/4 of this section for gas production from the Otero-Chacra Gas Pool to be dedicated to the Brookhaven Com Well No. 8; and (iii) for a standard 160-acre gas spacing unit consisting of the SW/4 of this section for gas production from the Otero-Chacra Gas Pool to be dedicated to the Brookhaven Com Well No. 8-A. The units are to be dedicated to Burlington Resources Oil & Gas Company's Brookhaven Com Wells No. 8 and 8-A which are to be drilled as dual completions at standard gas well locations within these quarter sections. Also to be considered will be the costs of drilling and completing the wells 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 wells, and a charge for risk involved in drilling and completing the wells. The wells are located approximately 15 miles northeast of the El Huerfano Trading Post on New Mexico State Highway 44.

CASE 12277: **Continued from December 2, 1999, Examiner Hearing.**

Application of Burlington Resources Oil & Gas Company for Compulsory Pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation within the E/2 of Section 16, Township 31 North, Range 11 West for a 320-acre gas spacing unit consisting of the E/2 of this section for gas production from the Blanco-Mesaverde Gas Pool to be dedicated to the proposed Brookhaven Com B Well No. 3B to be located in the NE/4 SE/4 of Section 16. 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 5 miles north of Aztec, New Mexico.

CASE 12237: **Continued from November 18, 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 12306: **Application of Mewbourne Oil Company to abolish the Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico.** Applicant seeks an order abolishing the special rules and regulations for the South Carlsbad-Morrow Gas Pool so that the well location and infill well requirements of Statewide Rule 104 (instituted by Order No. R-11231) apply. The subject pool covers parts of Townships 22, 23 and 24 South, Ranges 26 and 27 East. The pool covers an area 4 to 8 miles wide stretching south 12 miles from Carlsbad, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12307: **Application of Nadel and Gussman Permian, L.L.C. 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 N/2 of Section 15, Township 16 South, Range 33 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. The unit is to be dedicated to its proposed Sombrero State Com. Well No. 1 to be drilled at a standard gas well location 990 feet from the North line and 1980 feet from the West line (Unit C) of Section 15. Also to be considered will be the cost 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 the applicant as the operator of the well and a charge for the risk involved in drilling and completing the well. The unit is located approximately 8 miles northeast of Maljamar, New Mexico.

CASE 12293: **Continued from December 2, 1999, Examiner Hearing.**

Application of Pogo Producing Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco/Canyon formation underlying the following described acreage in Section 18, Township 20 South, Range 25 East, in the following manner: The E/2 to form a standard 320-acre spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool; and 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. The units are to be dedicated to applicant's Osage Well No. 1, located 1830 feet from the South line and 1980 feet from the East line (Unit J) of Section 18. Also to be considered will be the cost of recompleting 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 recompleting the well. The units are located approximately 6 miles west-southwest of Seven Rivers, New Mexico.

CASE 12308: **Application of Pogo Producing Company for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco Canyon formation underlying the following described acreage in Section 18, Township 20 South, Range 25 East, in the following manner: (a) Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) to form a standard 319.20-acre spacing and proration unit for any formations and/or pools developed on 320-acre spacing within this vertical extent, including the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool; and (b) 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 this vertical extent. Both units are to be dedicated to its plugged and abandoned W. W. Buchanan Osage Com. Well No. 1 (API No. 30-015-21451), located 1830 feet from the South line and 1980 feet from the East line (Unit J) of Section 18. Also to be considered will be the cost of re-entry, completing, and equipping the well 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 the re-entry of this wellbore. The units are located approximately 6 miles west-southwest of Seven Rivers, New Mexico.

CASE 12309: **Application of Pogo Producing Company for a non-standard gas spacing and proration unit and an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks an exception to the well location and spacing requirements provided within the "Special Rules and Regulations for the McMillan-Morrow Gas Pool." set forth in Division Order No. R-2917, as amended, for (i) the formation of a non-standard 318.82-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, which is located approximately 6 miles southeast of Lakewood, New Mexico; and (ii) to dedicate this unit to its proposed Davis "7" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.

CASE 12285: **Continued from December 2, 1999, Examiner Hearing.**

Application of Nearburg Exploration, Company, LLC. 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 N/2 for all formations developed on 320-acre spacing including but not limited to the Undesignated San Simon Wolfcamp Gas Pool, the NW/4 for all formations developed on 160-acre spacing, the N/2 NW/4 for all formations developed on 80-acre spacing, and the NW/4 NW/4 for all formations developed on 40-acre spacing, all in Section 17, Township 22 South, Range 35 East. Applicant proposes to dedicate these pooled units to a well to be drilled at a standard gas well in the NW/4 NW/4 of Section 17. 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 operator of the well, and a charge for risk involved in drilling and completing the well. The area is located approximately 10.5 miles southwest of Oil Center, New Mexico.

CASE 12287: Continued from December 2, 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 W/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 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 NE/4 SW/4 for 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. 2 to be located 1500 feet from the South line and 1980 feet from the East 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 Nearburg Producing Company as the operator of the well, and a charge for risk involved in drilling and completing the well. These units are located approximately 6.5 miles west-southwest of Carlsbad, New Mexico.

CASE 12310: **Application of Yates Petroleum Corporation for an order conforming the Special Pool Rules and Regulations for the Burton Flat-Morrow Gas Pool to Division Rule 104, Eddy County, New Mexico.** Applicant seeks an order amending the Special Rules and Regulations for the Burton Flat-Morrow Gas Pool, adopted as codified in Division Order No. R-8170, to conform to the provisions of Division Rule 104 to provide that (1) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of a quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; (2) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary, and (3) the Division-designated operator for the infill well is the same operator designated by the Division for the initial well. The Burton Flat-Morrow Gas Pool is located in portions of Townships 20 and 21 South and Ranges 26, 27, and 28 East. The pool is located on the northern outskirts of Carlsbad, New Mexico. IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

CASE 12291: Continued from December 2, 1999, Examiner Hearing.

Application of Yates Petroleum Corporation for an Unorthodox Gas Well Location, Lea County, New Mexico. Applicant seeks an exception to Division Rule 104.C(2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, to re-enter and deepen the plugged and abandoned R. L. Burns Corporation Witt Well No. 1 (API No. 30-025-24559) to be redesignated the R. T. Burns "ATL" Well No. 1. to the Mississippian formation at an unorthodox gas well location 330 feet from the South and East lines (Unit P) of Section 11, Township 16 South, Range 35 East. The E/2 of Section 2 is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit for the Undesignated North Townsend-Mississippian Gas Pool. This unit is located approximately one mile southwest of the Lovington Lea County – Zip Franklin Memorial Airport.

CASE 12311: **Application of Threshold Development Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the surface to the base of the Wolfcamp formation in the N/2 of Section 28, Township 24 South, Range 33 East, in the following manner: the N/2 for all formations/pools developed on 320-acre spacing, the NW/4 for all formations/pools developed on 160-acre spacing, the E/2 NW/4 for all formations/pools developed on 80-acre spacing, and the NE/4 NW/4 for all formations/pools developed on 40-acre spacing. The units are to be dedicated to its State Com Well No. 1 to be drilled at a standard location in the NE/4 NW/4 of Section 28. Also to be considered will be the cost of drilling and completing the well and the 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 area is located approximately 8 miles east-southeast of the intersection of Highway 128 with the Eddy-Lea County line.

CASE 12312: **Application of Texaco Exploration and Production 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 30, Township 16 South, Range 32 East, in the following manner: (a) the S/2 to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing; (b) the SW/4 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing; (c) the S/2 SW/4 to form a standard 80-acre spacing and proration unit for all formations and/or pools developed on 80-acre spacing; and (d) the SW/4 SW/4 to form a standard 40-acre spacing and proration unit for all formations and/or pools developed on 40-acre spacing. These units are to be dedicated to a single well, the proposed Texmack "30" State Com Well No. 1 to be drilled as a wildcat well at a standard location in the SW/4 of Section 30. 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 proposed well location is approximately 3 miles northwest of Maljamar, New Mexico.

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CASE 12003: **Reopened**

In the matter of Case 12003 being reopened pursuant to the provisions of Division Order No. R-11053-A, which order established temporary special rules and regulations for the Featherstone-Bone Spring Pool in Lea County, New Mexico, including a provision for 80-acre spacing units. Operators in the Featherstone-Bone Spring Pool may appear and show cause why the temporary special rules for the pool should not be rescinded.

CASE 12313: **Application of David H. Arrington Oil & Gas, Inc. for compulsory pooling and directional drilling of a horizontal well, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Northeast Lovington-Pennsylvanian Pool, underlying the following described acreage in Section 10, Township 16 South, Range 37 East in the following manner: (a) the NW/4 SW/4 for any formations and/or pools developed on 40-acre spacing and (b) the SW/4 in order to form a 160-acre Project Area, as defined by Division Rule 111.A(9), by combining two standard 80-acre oil spacing and proration units in order to accommodate a horizontally drilled wellbore. The applicant proposes to vertically drill its H & L Variance "10" Well No. 1 at a surface location 2130 feet from the South line and 330 feet from the West line (Unit L) of Section 10 to an approximate depth of 11,600 feet, kick-off, and then drill horizontally in an easterly direction a lateral distance of 1400 feet through the Strawn formation. The applicable drilling window or producing area [see Division Rule 111.A(7)] for the proposed wellbore is to be standard for any 40-acre unit and 80-acre units per the outer setback requirements for 80-acre units in the subject pool. Also to be considered will be the cost of drilling and completing this wellbore 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 location of the proposed well is approximately six miles east of Lovington, New Mexico.

CASE 12272: **Continued from October 21, 1999, Examiner Hearing.**

Application of Falcon Creek Resources, Inc. for authority to inject water into six wells in the proposed Teas-Yates Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico. Applicant seeks approval to inject water into the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool, through 6 wells in its proposed Teas-Yates Seven Rivers Unit Waterflood Seven Rivers Pool, located in the following area:

Township 20 South, Range 33 East:

Section 4: SE/4

Section 9: N/2

Section 16: NE/4

This area is located approximately 5 miles northeast of the intersection of New Mexico Highways 176 and 62/180.

CASE 12314: **Application of Cross Timbers Oil Company for an unorthodox gas well location, San Juan County, New Mexico.** Applicant seeks approval to recomplete its existing Federal Gas Com. "H" Well No. 2 (API No. 30-045-29705), at an unorthodox gas well location in the Pictured Cliffs formation 2045 feet from the North line and 1685 feet from the East line (Unit G) of Section 31, Township 30 North, Range 12 West. Lots 1 and 2 and the E/2 NW/4 (NW/4) equivalent) of Section 31 are to be dedicated to this well in order to form a standard 158.74-acre gas spacing and proration unit for the Fulcher Kutz-Pictured Cliffs Pool, which is located approximately 1.5 miles north of U.S. Highway 550 at Foothills Drive.

CASE 12315: **Application of Oil Conservation Division for an order requiring Avra Oil Company to clean up and/or close a site containing oil and gas contamination, Lea County, New Mexico.** Application of the Oil Conservation Division for a show cause hearing requiring Avra Oil Company to appear and show cause why the Division should not: (1) order Avra's pit and other facilities located in Unit G of Section 11, Township 18 South, Range 38 East, cleaned up and/or closed in accordance with Division requirements; (2) clean up and/or close the site if Avra does not and assess the costs against Avra; (3) declare Avra's \$50,000 blanket bond forfeited, foreclose on that bond and collect any costs in excess of the bond from Avra; (4) revoke Avra's authorization to operate; and (5) assess penalties against Avra for failure to properly clean up and/or close the site. The site is located approximately 13 miles east of Lovington, New Mexico.

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CASE 12316: In the matter of the hearing called by the Oil Conservation Division for an order creating, contracting, and extending certain pools in Eddy County, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the West Chalk Bluff-Wolfcamp Pool. The discovery well is the Mack Energy Corporation Lucky Mack Federal Well No. 1 located in Unit J of Section 6, Township 18 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 6: SE/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Diamond Mound-Strawn Gas Pool. The discovery well is the Ocean Energy Inc. Diamond Mound Federal Well No. 1 located in Unit I of Section 1, Township 16 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 1: S/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Kennedy Farms-Strawn Gas Pool. The discovery well is the Mewbourne Oil Company Haldeman Well No. 1 located in Unit E of Section 14, Township 17 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 14: N/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool and designated as the Southeast Logan Draw-Atoka Gas Pool. The discovery well is the Mewbourne Oil Company Chalk Bluff "36" State Well No. 1 located in Unit M of Section 36, Township 17 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 36: S/2

- (e) CONTRACT the Logan Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 35: E/2 and NW/4

- (f) EXTEND the Avalon-Strawn Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 29: N/2
Section 30: E/2

- (g) EXTEND the West Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 36: E/2

- (h) EXTEND the Foster Draw-Delaware Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 1: Lots 25, 26, 31, 32, 33, 34, 39 and 40

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 6: SW/4

- (i) EXTEND the Fren-Paddock Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 16: NE/4

- (j) EXTEND the Hackberry Hills-Canyon Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 30: E/2

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(k) EXTEND the Hoag Tank-Atoka Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 23: W/2

Section 26: NW/4

(l) EXTEND the Logan Draw-Wolfcamp Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 35: E/2

Section 36: NW/4

(m) EXTEND the Kennedy Farms-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM

Section 14: N/2

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

December 10, 1999

Via Fax and U.S Mail

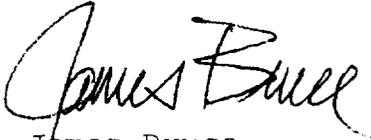
David Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

C
1/20

Dear Mr. Catanach:

Enclosed is a motion for a continuance in Case No. 12272.

Very truly yours,



James Bruce

Attorney for Mitchell
Energy Corporation

cc: William F. Carr (via fax)
Rand L. Carroll (via fax)

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF FALCON CREEK RESOURCES,
INC. FOR AUTHORITY TO INJECT WATER IN
THE PROPOSED TEAS-YATES SEVEN RIVERS
UNIT WATERFLOOD PROJECT AREA, LEA
COUNTY, NEW MEXICO.

No. 12272

MOTION FOR CONTINUANCE

Mitchell Energy Corporation ("Mitchell") moves for a continuance of the above case, and in support thereof, states:

1. The hearing in the above case is scheduled for December 16, 1999.

2. The applicant in this case seeks approval to inject water through six wells in a proposed waterflood unit located in Sections 4, 9, and 16 of Township 20 South, Range 33 East, N.M.P.M. However, a unitization application has not yet been filed with the Division.

3. It is premature to consider the waterflood application when the unitization application has not been filed. Going forward with the hearing in this case at this time will simply lead to two hearings on the same matter.

4. In addition, Mitchell cannot adequately prepare for the hearing in this case without seeing the unitization proposal which the applicant plans on filing.

WHEREFORE, Mitchell requests that the above case be continued until a hearing is set for the unitization application.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mitchell Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 10th day of December, 1999 by facsimile transmission and U.S. Mail:

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043

Rand L. Carroll
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-8177



James Bruce

JAMES BRUCE
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504
Telephone: (505) 982-2043
Fax: (505) 982-2151

FAX COVER SHEET

DELIVER TO: Rand L. Carroll
COMPANY: Oil Conservation Division
CITY: Santa Fe, New Mexico
FAX NUMBER: 827-8177
NUMBER OF PAGES: 4 (Including Cover Sheet)
DATE SENT: 12/10/99
MEMO:

CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and/or legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
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December 10, 1999

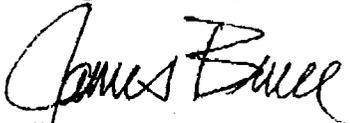
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Santa Fe, New Mexico 87505

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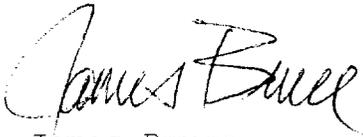
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William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
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FAX COVER SHEET

DELIVER TO: David Catanach
COMPANY: Oil Conservation Division
CITY: Santa Fe, New Mexico
FAX NUMBER: 827-8177
NUMBER OF PAGES: 4 (Including Cover Sheet)
DATE SENT: 12/10/99
MEMO:

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JAMES BRUCE

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December 10, 1999

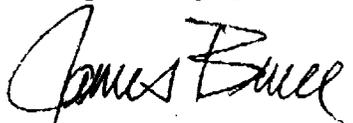
Via Fax and U.S Mail

David Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Catanach:

Enclosed is a motion for a continuance in Case No. 12272.

Very truly yours,



James Bruce

Attorney for Mitchell
Energy Corporation

cc: William F. Carr (via fax)
Rand L. Carroll (via fax)

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF FALCON CREEK RESOURCES,
INC. FOR AUTHORITY TO INJECT WATER IN
THE PROPOSED TEAS-YATES SEVEN RIVERS
UNIT WATERFLOOD PROJECT AREA, LEA
COUNTY, NEW MEXICO.

No. 12272

MOTION FOR CONTINUANCE

Mitchell Energy Corporation ("Mitchell") moves for a continuance of the above case, and in support thereof, states:

1. The hearing in the above case is scheduled for December 16, 1999.

2. The applicant in this case seeks approval to inject water through six wells in a proposed waterflood unit located in Sections 4, 9, and 16 of Township 20 South, Range 33 East, N.M.P.M. However, a unitization application has not yet been filed with the Division.

3. It is premature to consider the waterflood application when the unitization application has not been filed. Going forward with the hearing in this case at this time will simply lead to two hearings on the same matter.

4. In addition, Mitchell cannot adequately prepare for the hearing in this case without seeing the unitization proposal which the applicant plans on filing.

WHEREFORE, Mitchell requests that the above case be continued until a hearing is set for the unitization application.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mitchell Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 10th day of December, 1999 by facsimile transmission and U.S. Mail:

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043

Rand L. Carroll
Oil Conservation Division
2040 South Pacheco Street
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James Bruce

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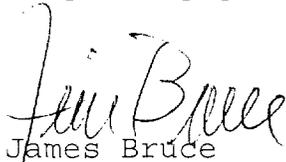
December 10, 1999

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing is an Entry of Appearance in Case No. 12272.

Very truly yours,


James Bruce

Attorney for Mitchell
Energy Corporation

cc: William F. Carr

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

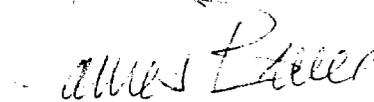
APPLICATION OF FALCON CREEK RESOURCES,
INC. FOR AUTHORITY TO INJECT WATER IN
THE PROPOSED TEAS-YATES SEVEN RIVERS
UNIT WATERFLOOD PROJECT AREA, LEA
COUNTY, NEW MEXICO.

No. 12272

ENTRY OF APPEARANCE

James Bruce enters his appearance in the above case on behalf
of Mitchell Energy Corporation.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mitchell Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was
served upon the following counsel of record this 10th day of
December, 1999 by facsimile transmission and U.S. Mail:

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043



James Bruce

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 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.

CASE 12267: **Application of Nearburg Exploration Company, L.L.C. for Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SE 1/4 SE 1/4 of Section 3, Township 20 South, Range 33 East, 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 Teas Yates-Seven Rivers Pool. The unit is to be dedicated to its Python Fed. Well No. 1, to be located 660 feet from the South and East lines (Unit P) of Section 3. 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 5.5 miles northeast of the intersection of State Highway 176 and U.S. Highway 62 180.

CASE 12259: **Continued from October 7, 1999, Examiner Hearing.**

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 12256: **Continued from October 7, 1999, Examiner Hearing.**

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

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 12268: **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 Morrow formation underlying the W/2 of Section 4, Township 20 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. The unit is to be dedicated to its Trigg Federal Well No. 1, to be drilled at an orthodox location in the W/2 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 applicant as the operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 5 miles east-southeast of Lakewood, New Mexico.

CASE 12235: Continued from October 7, 1999, Examiner Hearing.

Application of Louis Dreyfus Natural Gas Corp. 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 2, Township 19 South, Range 28 East, in the following manner: the W/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 Millman-Wolfcamp Gas Pool, Undesignated North Turkey Track-Cisco Gas Pool, Undesignated Millman-Atoka Gas Pool, and Undesignated North Turkey Track-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; the N/2 SW/4 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools developed on 80-acre spacing within that vertical extent, including the Undesignated Travis-Upper Pennsylvanian Pool; and the NE/4 SW/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 Artesia Queen-Grayburg-San Andres Pool and Undesignated Palmillo-Bone Spring Pool. The units are to be dedicated to its Turkey Track "2" State Well No. 1 located at an orthodox location 1650 feet from the North and West lines (Unit K) 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. The units are located approximately 13 1/2 miles northeast of Lakewood, New Mexico.

CASE 12234: Continued from October 7, 1999, Examiner Hearing.

Application of Louis Dreyfus Natural Gas 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 NE/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 NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing which presently includes the Undesignated South Empire-Wolfcamp Pool; and (d) the SW/4 NE/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 Loco Hills 4 Federal Com Well No. 1, to be drilled 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 4, being 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 12246: Continued from October 7, 1999, Examiner Hearing.

Application of Snow Oil & Gas, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation which includes the Esperanza-Delaware Pool, underlying the NW/4 SW/4 for all formations developed on 40-acre spacing in Section 28, Township 21 South, Range 27 East. Applicant proposes to dedicate this pooled unit to a well to be drilled at a standard location (Unit L) in the NW/4 SW/4 of Section 28 to test any and all formations to the base of the Bone Spring formation. 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 2 miles northeast of the City of Carlsbad, New Mexico.

CASE 12269: **Application of Yates Petroleum Corporation for Amendment of Division Order No. R-11061, Lea County, New Mexico.** Applicant seeks amendment of Division Order No. R-11061 which compulsory pooled certain spacing and proration units in Lots 11, 12, 13 and 14 and the SW/4 of irregular Section 2, Township 16 South, Range 35 East. Applicant seeks amendment of Order No. R-11061 to reflect the actual location of its Field "APK" State Com. Well No. 3 at a point 1880 feet from the South line and 1650 feet from the West line (Unit K) of irregular Section 2. This area is located approximately 4 miles west of Lovington, New Mexico. **In the absence of objection, this matter will be taken under advisement.**

Examiner Hearing – October 21, 1999

Docket No. 32-99

Page 5 of 5

CASE 12270: **Application of BTA Oil Producers for Rescission of Division Order Nos. R-9009 and R-9009-A, Lea County, New Mexico.** Applicant seeks rescission of Division Order Nos. R-9009 and R-9009-A to enable it to operate the Maxus "B" 8026 JV-P Well Nos. 1, 2 and 3 located in Units P, N and B respectively of Section 34, Township 22 South, Range 34 East, in accordance with Division rules. The area is located approximately 16 miles northwest of Jal, New Mexico. *In the absence of objection, this matter will be taken under advisement*

CASE 12252: **Continued from October 7, 1999, Examiner Hearing.**

Application of Enron Oil & Gas Company for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian Chester formation underlying the following described acreage in Section 4, Township 17 South, Range 28 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 Dog Canyon-Strawn Gas Pool and the Undesignated Southeast Crow Flats-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; the E/2 SE/4 to form a standard 80-acre spacing and proration unit for any formations and/or pools developed on 80-acre spacing within that vertical extent; and the SE 4 SE/4 to form a standard 40-acre spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent. Applicant proposes to dedicate these pooled units to its Amtrak State Com. Well No. 1 to be drilled at a standard location 660 feet from the South and East lines (Unit P) 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 applicant 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 northwest of Loco Hills, New Mexico.

CASE 12271: **Application of Triumph Exploration, Inc. for Amendment of Division Order No. R-9082 to Authorize a Tertiary Recovery Project by Micro Emulsion Flooding in its Tonto Lease Project Area, and to Qualify this 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 Tonto Lease Project Area by micro emulsion flooding of the Yates-Seven Rivers formation in the South Tonto Yates-Seven Rivers Pool. This project area encompasses the SW/4, N/2 SE/4 and the SE/4 SE/4 of Section 30, Township 19 South, Range 33 East. Applicant also seeks to qualify the project 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 lease is located approximately 24 miles west of Hobbs, New Mexico.

CASE 12272: **Application of Falcon Creek Resources, Inc. for authority to inject water into six wells in the proposed Teas-Yates Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico.** Applicant seeks approval to inject water into the Yates and Seven Rivers formations, West Teas-Yates Seven Rivers Pool, through 6 wells in its proposed Teas-Yates Seven Rivers Unit Waterflood Seven Rivers Pool, located in the following area:

Township 20 South, Range 33 East:

Section 4: SE/4

Section 9: N/2

Section 16: NE/4

This area is located approximately 5 miles northeast of the intersection of New Mexico Highways 176 and 62/180.

CASE 12236: **Continued from September 2, 1999, Examiner Hearing.**

Application of Prairie Sun, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation through the base of the Morrow formation underlying the E/2 of Section 28, Township 23 South, Range 29 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. The unit is to be dedicated to the existing Laguna Grande Well No. 1 located 1380 feet from the South line and 990 feet from the East line (Unit I) of Section 28. Also to be considered will be the cost of re-entering and recompleting 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 re-entering and recompleting the well. The unit is located approximately 7 1/2 miles east of Lovington, New Mexico.

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
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BRADFORD C. BERGE
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E-MAIL: ccbspa@ix.netcom.com

MJ
10-18

October 15, 1999

HAND DELIVERED

Ms. Lori Wrotenbery, Chair
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

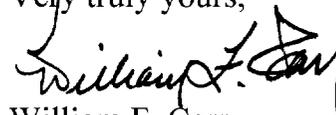
Re: Case 12272 Application of Falcon Creek Resources, Inc. for authority to
inject water into six wells in the proposed Teas-Yates Seven Rivers unit
Waterflood project Area, Lea County, New Mexico.

Dear Ms. Wrotenbery,

Falcon Creek Resources hereby requests that the hearing on the above-referenced
application be continued to the Examiner Hearing scheduled for November 18, 1999.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr
Attorney for Falcon
Creek Resources, Inc.

WFC/md

cc: James Bruce, Esq.

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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September 9, 1999

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87805

Case 1272

Re: Application of Falcon Creek Resources, Inc. for Injection Authority for Six Wells in the Proposed Teas Yates-Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Falcon Creek Resources, Inc. has proposed to affected interest owners the formation of a unit and the implementation of a waterflood project in the West Teas Yates-Seven Rivers Pool. As part of its efforts to implement this waterflood project, on August 19, 1999 Falcon Creek filed Applications for Authority to Inject for six wells in the proposed project area. On this date, Mitchell Energy Corporation filed with the Division its Notice of Intent to Protest these applications.

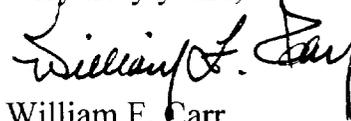
Although negotiations concerning this project are continuing between the interest owners in the proposed unit area, it appears that Falcon Creek will have to seek formation of this unit under the Statutory Unitization Act. Falcon Creek intends to file applications for statutory unitization, waterflood project approval, and certification of the project for the Recovered Tax Rate. We hope these applications will be ready for hearing on October 21, 1999.

Accordingly, Falcon Creek requests that the Applications for Authority to inject filed on August 19, 1999, be referred to a Division Examiner and that they be set for hearing on October 21, 1999.

Lori Wrotenbery
September 9, 1999
Page 2

Your attention to this request is appreciated.

Very truly yours,



William F. Carr
Attorney for Falcon
Creek Resources, Inc.

- cc: David R. Catanach, Oil Conservation Division
(Via Hand Delivery)
Lynn Becker, Falcon Creek Resources, Inc.
(Via Facsimile 303-675-0008)
Mark N. Stephenson, Mitchell Energy Corporation
(Via Facsimile 713-377-6637)
Richard Sullivan, Bass Enterprises Production Company
(Via Facsimile 915-687-0329)
Paul Marchand, Camterra Resources Partners, Ltd.
(Via Facsimile 903-935-0521)
Mr. Rick Vanderslice, Santa Fe- Snyder Corporation
(Via Facsimile 915-686-6734)

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

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September 9, 1999

12272

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87805

Re: Application of Falcon Creek Resources, Inc. for Injection Authority for Six Wells in the Proposed Teas Yates-Seven Rivers Unit Waterflood Project Area, Lea County, New Mexico.

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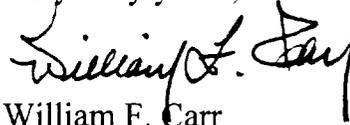
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