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

CASE NO. 12325

**ICATION OF CHESAPEAKE OPERATING INC.
COMPULSORY POOLING,
COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CHESAPEAKE OPERATING INC. as
ed by the Oil Conservation Division.

APPEARANCE OF PARTIES

ICANT

ATTORNEY

peake Operating Inc.
Box 18496
oma City, OK 73154
848-8000
attn: Lynda Townsend

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

ONENT

ATTORNEY

Energy, Ltd.

William F. Carr, Esq.
P. O. Box 2248
Santa Fe, New Mexico 87504
(505) 988-4421

Hearing Statement
CD CASE 12235

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East Royalties, Inc.
Box 1658
Madras, NM 88221
887-2566

None

Attn: Michael D. Garringer

STATEMENT OF THE CASE

Chesapeake Operating Inc. seeks a compulsory pooling order for the S/2 of Section 16S, R36E, Lea County, New Mexico as a 320-acre gas spacing unit for its College Northwest "17" Well No. 1 which is a re-entry which was directionally drilled to an orthodox bottom hole location in the Atoka-Morrow formations.

Included in this case is a request by Chesapeake for an order allocating the costs of geologic zones in accordance with COPAS Bulletin No. 2 "Determination of Values for Costs Adjustments Joint Operations."

PROPOSED EVIDENCE

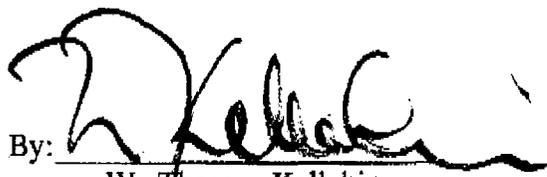
WITNESSES:

WITNESSES	EST. TIME	EXHIBITS
Lynda Townsend (landman)	30 min.	@ 8 exhibits
Robert Hefner (geology)	30 Min.	@ 3 exhibits
Randy (petroleum engineer)	15 Min.	@ 3 exhibits

PROCEDURAL MATTERS

Southeast Royalties, Inc. a New Mexico corporation, has filed an entry of appearance matter but has failed to indicate that it is represented by a licensed New Mexico attorney.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin

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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

KELLAHIN*
BOARD OF LEGAL SPECIALIZATION
SPECIALIST IN THE AREA OF
SOURCES-OIL AND GAS LAW

LLAHIN (RETIRED 1991)

January 17, 2000

FACSIMILE

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theast Royalties, Inc.
P. Box 1658
sbad, New Mexico 88221
Attn: Mr. Michael D. Garringer

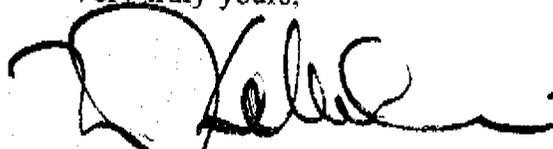
Re: NMOCD Case 12325]
Application of Chesapeake Operating, Inc.
for compulsory pooling, Lea County, NM

Mr. Garringer:

I have received you entry of appearance in this matter. I wish to advise you that to my understanding that the Division will require that your corporation be represented by a licensed Mexico attorney. A copy of Chesapeake's pre-hearing statement is attached.

Chesapeake's records indicate that Southeast Royalties has a 1.66% working interest in Atoka gas production from this spacing unit. Because you have rejected Chesapeake's offers each a voluntary agreement, it is seeking to have your interest involuntarily committed pursuant to the New Mexico compulsory pooling statute. I would appreciate you advising me you think the Division's exercise of its statutory authority in this matter is "prejudicial to philosophy of the company as related to the method it proposes to use to do business".

Very truly yours,



W. Thomas Kellahin

Oil Conservation Division
Attn: Mark Ashley, Hearing Examiner
Chesapeake Operating, Inc.
Attn: Lynda Townsend

MJ
1-18-00

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 NO. 12325

THE APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING AND AN UNORTHODOX
SUBSURFACE LOCATION, 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.

OIL CONSERVATION DIV.
09 JAN 19 4 32 PM

APPEARANCES OF PARTIES

APPLICANT

Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154

ATTORNEY

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
El Patio Building
117 North Guadalupe Street
Santa Fe, NM 87501

OPPOSITION OR OTHER PARTY

Altura Energy, Ltd.
P.O. Box 4294
Houston, TX 77210-4294
telephone 281-552-1000
fax 281-552-1200
Mr. Doug Rhoden

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan
P.O. Box 22008
Santa Fe, NM 87504-2208
telephone 505-988-4421
fax 505-983-6043

STATEMENT OF CASE

APPLICANT

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 spacing within that vertical extent, including the West Lovington Pennsylvanian Gas Pool; the SW/4 to form a standard 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 soil 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 Shoe Bar-Strawn Pool. The unit(s) to be dedicated to its College of Southwest "15" Well No. 1 which was drilled as a directional wellbore at a 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.

OPPOSITION OR OTHER PARTY

Altura Energy, Ltd. will present evidence in support of a reduced risk penalty.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

Ms. Stella Welsch
Reservoir Engineer

Approx. 15 min.

Approx. 7

Jeffrey Thompson
Geologist

Approx. 15 min.

Approx. 5

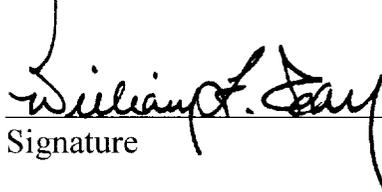
Donnie Champlin
Landman

Approx. 15 min.

Approx. 5

PROCEDURAL MATTERS

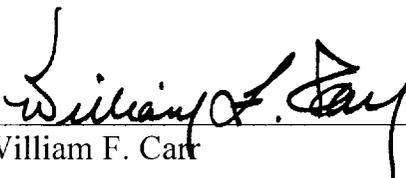
None at this time.


Signature

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of January, 2000, I have caused to be hand-delivered a copy of our Entry of Appearance in the above-captioned case to the following named parties:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
El Patio Building
117 North Guadalupe Street
Santa Fe, NM 87501



William F. Carr

M
1-18-00

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

**IN THE MATTER OF THE APPLICATION OF
CHESAPEAKE OPERATING, INC. FOR COMPULSORY
POOLING AND AN UNORTHODOX SUBSURFACE
LOCATION, LEA COUNTY, NEW MEXICO.**

CASE NO. 12325

00 JAN 14 PM 4: 32
OIL CONSERVATION DIV.

ENTRY OF APPEARANCE

COMES NOW CAMPBELL, CARR, BERGE & SHERIDAN, P.A., and hereby
enters its appearance in the above referenced case on behalf of Altura Energy, Ltd.

00 JAN 14 PM 1: 30
OIL CONSERVATION DIV.

Respectfully submitted,

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

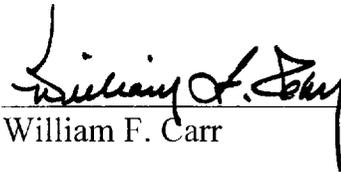
By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR ALTURA ENERGY, LTD.

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of January, 2000 I have caused to be hand-delivered a copy of our Entry of Appearance in the above-captioned case to the following named parties:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
El Patio Building
117 North Guadalupe Street
Santa Fe, NM 87501



William F. Carr

M
1-18.00

Southeast Royalties, Inc.
P. O. Box 1658
Carlsbad, New Mexico 88221-1658

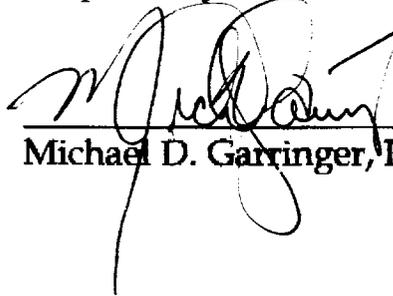
January 11, 2000

**TO: OIL CONSERVATION DIVISION
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPT**

*Re: Case No. 12325
Application of Chesapeake Operating, Inc. for compulsory
pooling and an unorthodox subsurface location
Lea County, New Mexico*

On behalf of Southeast Royalties, Inc., a New Mexico corporation, the undersigned submits its Pre-Hearing Statement and Entry of Appearance.

Respectfully submitted,



Michael D. Garringer, President

Attest:


Robert T. Light, Secretary

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

IN THE MATTER OF THE APPLICATION)
OF CHESAPEAKE OPERATING, INC.)
FOR COMPULSORY POOLING AND AN)
UNORTHODOX SUBSURFACE LOCATION)
LEA COUNTY, NEW MEXICO.)

Case No. 12325

PRE-HEARING STATEMENT AND ENTRY OF APPEARANCE

1. Southeast Royalties, Inc., a New Mexico corporation, of Carlsbad, New Mexico, submits this Pre-Hearing Statement and Entry of Appearance in accordance with Division Memorandum 2-90.
2. Southeast Royalties, Inc. owns an unleased mineral interest embracing:

Township 16 South, Range 36 East, NMPM
Section 17: All, except NE/4NE/4)
Lea County, New Mexico

and; as such owner, objects to the granting of the Chesapeake Operating, Inc. Application for compulsory pooling and an unorthodox subsurface location.

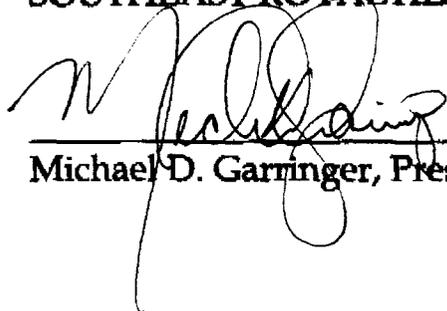
3. Southeast Royalties, Inc. has no desire to join Chesapeake as a working interest owner. The liabilities imposed by pooling are prejudicial to the philosophy of the company as related to the method it proposes to use to do business. Southeast Royalties, Inc. will

submit for the Division's consideration evidence of the company's experience as a non-operating owner of a working interest in mineral properties.

4. A copy of this Pre-Hearing Statement is being sent to W. Thomas Kellahin, Esquire, representing the Applicant, Chesapeake Operating, Inc.

SOUTHEAST ROYALTIES, INC.

By



Michael D. Garringer, President

ATTEST:



Robert T. Light, Secretary

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 21, 1999

TO: NOTICE OF THE HEARING OF THE FOLLOWING
NEW MEXICO OIL CONSERVATION DIVISION CASE:

*Re: Application of Chesapeake Operating Inc.
for compulsory pooling and an unorthodox
subsurface location, Lea County, New Mexico*

On behalf of Chesapeake Operating Inc., please find enclosed our application for a compulsory pooling and an unorthodox subsurface location for its College of Southwest "15" Well No. 1 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for January 20, 2000. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, January 17, 2000, with a copy delivered to the undersigned. If you have any questions about this case you may contact Lynda Townsend (405) 848-8000 of Chesapeake Operating, Inc.

Manda

Very truly yours,



W. Thomas Kellahin

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to all parties listed in application

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 12327: 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 Pennsylvania 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: *De. Ac. 1* 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.

Upon the application of Chesapeake Operating, Inc., this case will be heard de novo pursuant to the provisions of Rule 220.

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

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/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 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

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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.