



5/23/2000

Mr. Mark Ashley, Examiner
NMOCD
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Order No. R-11381, West Bisti Unit 153, Conversion to SWD

CASF # 12365

Dear Mr. Ashley:

Please clarify for me the zone isolation requirement in the above order. As I testified before you, a casing obstruction exists at 3210'. The order requires that "Before injection operations begin, Dugan must run a cement bond log to determine the location of cement behind the casing. If the cement bond log indicates that any part of the proposed injection interval is not adequately isolated, Dugan must perform additional operations to ensure that the proposed injection zone will be adequately isolated." (item (2) page 5). Since the casing obstruction exists above the bottom of my proposed injection interval (3875'), am I required to remove that obstruction so that a cement bond log can be run across the base of the Mesaverde? As you can well imagine, this may not be economically possible. The Mancos Shale (immediately below the Mesaverde), which may be exposed to injection pressure, will not accept any water when the Mesaverde Sands are also open to the same pressure.

I ask that the NMOCD concur that (1) the Mancos Shale in this order will provide an adequate barrier to injection of disposed water below the Point Lookout sand member of the Mesaverde, (2) that the present cement top (4450') will be allowed as evidence of zonal isolation and (3) that Dugan will not be required to remove the obstruction so that a cement bond log can be run across the base of the Mesaverde. If this is not your intent, I will make my plans accordingly.

Thank you for your consideration in this matter. Please contact me at the letterhead address if you have questions concerning my request.

Sincerely Yours,

A handwritten signature in cursive script that reads 'John Alexander'.

John Alexander
Vice President

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 20, 2000

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 12-00 and 13-00 are tentatively set for May 4 and May 18, 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:

NOTICE:

In the future, all drafts of advertisements for hearing applications must be submitted electronically. You can e-mail them to Sally Martinez at:

semartinez@emnrd.state.nm.us.

If you are unable to file electronically, please submit them on disk.

CASE 12364: Continued from April 6, 2000, Examiner Hearing.

Application of Dugan Production Corporation for Salt Water Disposal, San Juan County, New Mexico. Applicant seeks authority to utilize its Stella Needs a Com. Well No. 1 (API No. 30-045-08994), located 1650 feet from the South and West lines (Unit K) of Section 36, Township 30 North, Range 14 West, to dispose of produced salt water into the Blanco-Mesaverde Pool through the perforated interval from approximately 3,690 feet to 3,820 feet. This well is located approximately 2.5 miles northwest of the Farmington Four Corners Regional airport (FMN).

CASE 12365: Continued from April 6, 2000, Examiner Hearing.

Application of Dugan Production Corporation for Salt Water Disposal, San Juan County, New Mexico. Applicant seeks authority to utilize its West Bisti Unit Well No. 153 (API No. 30-045-05619), located 1990 feet from the South line and 1960 feet from the West line (Unit K) of Section 35, Township 26 North, Range 13 West, to dispose of produced salt water into the Blanco-Mesaverde Pool through the perforated interval from approximately 2,747 feet to 3,875 feet. This well is located approximately 18 miles south of Farmington, New Mexico.

CASE 12377: **Application of Concho Resources, Inc. for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 10, Township 17 South, Range 27 East, and in the following manner: (a) 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 this vertical extent which presently includes the Undesignated Logan Draw-Atoka Gas Pool, Undesignated Logan Draw-Morrow Gas Pool, and Undesignated Crow Flats-Morrow Gas Pool; and (b) the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent which presently includes the Undesignated Empire-Grayburg Gas Pool. Both units are to be dedicated to a single well, its proposed Woody "10" Federal Com. Well No. 1, to be drilled within the SE/4 SE/4 (Unit P) of Section 10 at a location considered to be standard for these two units. 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 this well and the two above-described units, and a charge for risk involved in drilling the well. The proposed well location is approximately 1.5 miles northeast of Riverside, New Mexico.

CASE 12369: Continued from April 6, 2000, Examiner Hearing.

Application Concho Resources, Inc. for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 10, township 17 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within this vertical extent, including the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated South shoe Bar-Morrow Gas Pool, Undesignated Shoe Bar-Mississippian Gas Pool, and Undesignated South Shoe Bar-Mississippian Gas Pool. This unit is to be dedicated to its proposed South Shoebar 10 State Com Well No. 2 (API No. 30-025-34783) to be drilled at a standard gas well location in the SW/4 NW/4 (Unit E) of Section 10. 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 operator of the well and a charge for risk involved in drilling the well. The area is located approximately 8 miles southwest of Lovington, New Mexico.

CASE 12378: **Application of Tamarack Petroleum Company, Inc. for an Unorthodox Subsurface Oil and Gas Well Location, Lea County, New Mexico.** Applicant, in accordance with Division Rule 111.C (2), seek exceptions to Division Rules 104.B (1) and 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. Tamarack Petroleum Company, Inc. proposes to re-enter the plugged and abandoned Anadarko Petroleum Corporation Hood "8" Well No. 1 (API No. 30-025-30513), located 859 feet from the North line and 1981 feet from the East line (Unit B) of Section 8, Township 17 South, Range 38 East, and directionally drill to an approximate depth of 12,200 feet (TVD) at an unorthodox subsurface gas well location to be within 110 feet of a target point that is 1179 feet from the North line and 2211 feet from the East line (Unit B) of Section 8. Further, the: (i) E/2 of Section 8 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for any and all formations from the top of the Wolfcamp formation to the base of the Atoka formation developed on 320-acre spacing; and (ii) NW/4 NE/4 of Section 8 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for any and all formations from the top of the Wolfcamp formation to the base of the Atoka formation developed on 40-acre spacing. The proposed well location is approximately two miles west of Knowles, New Mexico.

CASE 12353: **Continued from April 6, 2000, Examiner Hearing.**

Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 10, Township 17 South, Range 35 East, 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 South Shoe Bar-Atoka Gas Pool, the Undesignated South Shoe Bar-Morrow Gas Pool, and the Undesignated South Shoe Bar-Mississippian Gas Pool. The unit is to be dedicated to its South Shoe Bar "10" State Com. Well No. 4 to be drilled at an orthodox location in the NE/4 NW/4 of Section 10. 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 operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 8 ½ miles southwest of Lovington, New Mexico.

CASE 12379: **Application of KCS Medallion Resources, Inc. 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 underlying the following described acreage in Section 23, Township 19 South, Range 29 East, and in the following manner: (i) the N/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Parkway-Atoka Gas Pool and Undesignated West Parkway-Morrow Gas Pool; (ii) the NW/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, including but not limited to the Undesignated Parkway-Strawn Pool; (iii) and the NW/4 NW/4 for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated Parkway-Delaware Pool, Undesignated North Parkway-Wolfcamp Pool, and Undesignated North Parkway-Upper Pennsylvanian Pool. These units are to be dedicated to applicant's West Parkway State Well No. 1 to be drilled from a surface location 400 feet from the South line and 1050 feet from the East line (Unit P) of Section 15, Township 19 South, Range 29 East to a bottomhole location 660 feet from the North and West lines of Section 23. Applicant also requests approval of an unorthodox gas well location. 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 operator of the well and units, and a charge for risk involved in drilling and completing the well. The units are located approximately 12 1/2 miles south-southwest of Loco Hills, New Mexico.

CASE 12380: **Application of Nadel and Gussman Permian, 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 34, Township 24 South, Range 28 East, and 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 that vertical extent which presently include the Undesignated Salt Draw-Atoka Gas Pool; (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; and (c) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent, including the Willow Lake-Bone Spring Pool. These three units are to be dedicated to a single well, the Kyle 34 Federal Well No. 1, to be drilled within the NE/4 NE/4 (Unit A) 4 of Section 34 at a location considered to be standard for all three units. 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 operator of the well and units, and a charge for risk involved in drilling and completing the well. The units are located approximately 3 miles south of Malaga, New Mexico.

CASE 12381: **Application of David H. Arrington Oil & Gas, Inc. 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 drill its proposed Mayfly "14" State Com. Well No. 7 to the Mississippian formation at an unorthodox gas well location 330 feet from the North and East lines (Unit A) of Section 14, Township 16 South, Range 35 East. The E/2 of Section 14 is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing from the top of the Cisco formation to the base of the Mississippian formation, which includes the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated Shoe Bar-Atoka Gas Pool, Townsend-Morrow Gas Pool, and Undesignated North Townsend-Mississippian Gas Pool. This unit is located approximately one and one-half miles south-southwest of the Lovington Lea County - Zip Franklin Memorial Airport (E06).