

DOCKET: SPECIAL EXAMINER HEARING - THURSDAY – JULY 11, 2002

8:15 A.M. – Aztec City Council Chamber

Aztec City Hall

201. W. Chaco

Aztec, New Mexico

Docket Nos. 23-02 and 24-02 are tentatively set for August 1, 2002 and August 22, 2002. 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 12889: Application of Maralex Resources, 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 Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 36, Township 25 North, Range 11 West, 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 Basin-Fruitland Coal Gas Pool. The unit is to be dedicated to the Trading Post 36 Well No. 1, to be drilled at an orthodox location in the NE/4 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 applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 13 miles west-northwest of Nageesi, New Mexico.

CASE 12890: Application of Permian Resources, Inc. for compulsory pooling and unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the Strawn formation, Northeast Shoe Bar-Strawn Pool, underlying the W/2 SE/4 of Section 7, Township 16 South, Range 36 East, to form a standard 80-acre spacing and proration unit to be dedicated to Applicant's Chambers Well No. 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Applicant further seeks approval to drill its well at an unorthodox surface location 990 feet from the South line and 1100 feet from the East line to an unorthodox bottomhole location 1350 feet from the South line and 1500 feet from the East line in the NW/4 SE/4 (Unit J) of said Section 7. The proposed well location is approximately 4 miles East of Lovington, New Mexico.

CASE 12873: Continued from June 27, 2002, Examiner Hearing.

Application of Gruy Petroleum Management Co. and Wadi Petroleum, Inc. to amend the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool, or, in the alternative, for approval of four unorthodox infill gas well locations, two unorthodox gas well locations, and one infill gas well location, Eddy County, New Mexico. Applicants seek an order amending the Special Rules and Regulations for the White City-Pennsylvanian Gas Pool to provide for the option to drill one well on each quarter section within a standard 640 gas spacing unit and for the setback requirement for wells to be relaxed such that wells can be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line or subdivision inner boundary. The pool covers all of Sections 8, 9, 15-17, 19-22, and 26-35, Township 24 South, Range 26 East, Sections 1-4 and 10-14, Township 25 South, Range 26 East, and Section 7, Township 25 South, Range 27 East. In the alternative, applicants seek approval of four unorthodox infill gas well locations, two unorthodox gas well locations, and one infill gas well location for wells to be located in Sections 9, 15, 16, and 22, Township 24 South, Range 26 East. The pool is centered approximately 5 miles east of White City, New Mexico.

CASE 12891: Application of Seely Oil Company for contraction of the unitized formation in the E-K Queen Unit, Lea County, New Mexico. Applicant seeks an order approving the contraction of the unitized formation in the E-K Queen Unit located in portions of Sections 13, 14, 23, and 24 of Township 18 South, Range 33 East, and Sections 18 and 19 of Township 18 South, Range 34 East, to exclude the lowermost 100 feet of the unitized formation thereby excluding from the unit the Penrose Sand Member of the Queen formation, E-K Queen-Yates-Seven Rivers-Queen Pool. The unit is located approximately 14 miles southwest

of Lovington, New Mexico.

CASE 12790: Continued from June 13, 2002, Examiner Hearing.

Amended Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the following described spacing and proration units in Section 17, Township 20 South, Range 34 East as follows: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool, Undesignated South Quail Ridge-Atoka Gas Pool, and the Undesignated Lea Pennsylvanian Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing ; the W/2 NW/4 for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated Featherstone-Bone Springs Pool, and the NW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Southeast Teas-Delaware Pool, Undesignated Teas-Bone Springs Pool and the Undesignated Teas Yates-Seven Rivers Pool Said well is to be dedicated to its Mesquite "17" Federal Well No. 1 to be drilled at a standard location 660 feet from the North and West lines of said Section 17 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, provisions governing subsequent operations on the pooled units, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 9 miles East of Halfway, New Mexico.

CASE 12892: Application of Mallon Oil Company for approval of a pilot project including unorthodox well locations and exceptions to Division Rule 104.C(3) for the purpose of establishing a pilot program in the Pictured Cliffs and Tertiary formations to determine proper well density requirements for Pictured Cliffs and Tertiary formation wells, Rio Arriba County, New Mexico. Pursuant to Division Rule 104.D(3) applicant seeks approval for a 25 well pilot program in the Pictured Cliffs formation, East Blanco-Pictured Cliffs Pool, and the overlying Tertiary formation, Cabresto Canyon-Tertiary Pool, to gather data to determine the appropriate well density in the Pictured Cliffs and Tertiary formations for wells in pools governed by Division Rule 104.C(3) which currently limits well density to one well per 160-acre gas spacing unit. Applicant further seeks approval of 25 pilot project wells to be drilled within the project area at orthodox and unorthodox well locations. The pilot project area encompasses all or a portion of the following acreage in Rio Arriba County, New Mexico:

Township 30 North, Range 3 West, NMPM

Sections: 6, 8, 17, 18, 19, 20, 29, 30, 33, 34 and 35

Township 29 North, Range 2 West, NMPM

Sections: 4, 5, 8 and 9

The project area is located approximately 4 miles to 6 miles SW of Burns, New Mexico.

CASE 12893: Application of EOG Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface through the base of the Morrow formation underlying the S/2 of Section 23, Township 19 South, Range 27 East, to form a standard spacing and proration unit for any formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Angell Ranch Atoka-Morrow Gas Pool. Applicant proposes to dedicate these pooled units to its Gordon "23" State Com Well No. 1 to be drilled at a standard location 997 feet from the South line and 1445 feet from the West line (Unit N) of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in