

Dockets Nos. 21-91 and 22-91 are tentatively set for July 25, 1991 and August 8, 1991. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JULY 11, 1991

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO**

The following cases will be heard before Jim Morrow, Examiner or Michael E. Stogner, or David R. Catanach, Alternate Examiners:

CASE 10334: (Continued from June 27, 1991, Examiner Hearing. This case will be continued to July 25, 1991.)

Application of the United States Department of the Interior, Bureau of Land Management to plug and abandon a certain well in Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to properly plug and abandon, pursuant to the provisions of Section 70-2-38, N.M.S.A. 1978, the A. D. Raby for James T. Raby, Keys Well No. 1 located on a Federal tract of land 990 feet from the North line and 330 feet from the West line (Unit D) of Section 33, Township 6 South, Range 26 East, which is approximately 13 miles north-northeast of the Pecos River Bridge on U.S. Highway 70.

CASE 10335: (Continued from June 27, 1991, Examiner Hearing. This case will be continued to July 25, 1991.)

Application of the United States Department of the Interior, Bureau of Land Management to plug and abandon a certain well in San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to properly plug and abandon, pursuant to the provisions of Section 70-2-38, N.M.S.A. 1978, the Paramount Petroleum Corp. Central Totah Unit Well No. 1 located on a Federal tract of land 820 feet from the South line and 675 feet from the West line (Unit M) of Section 21, Township 29 North, Range 13 West, which is approximately 1 mile south-southeast of the San Juan Bridge on New Mexico Highway 371.

CASE 10323: (Continued from June 27, 1991, Examiner Hearing.)

Application of Collins & Ware, Inc. for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation or to a depth of 15,100 feet, whichever is deeper, underlying Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 31, Township 21 South, Range 32 East, forming a non-standard 334.72-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Red Tank-Atoka Gas Pool and Undesignated Bilbrey-Morrow Gas Pool. Said 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 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. Said unit is located approximately 32.75 miles west of Eunice, New Mexico.

CASE 10344: Application of Collins & Ware, Inc. for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 330 feet from the South line and 990 feet from the East line (Unit P) of Section 14, Township 8 South, Range 27 East, to test the Ordovician formation, the S/2 of said Section 14 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. The proposed well site is located approximately 8.25 miles southwest of Elkins, New Mexico.

CASE 10252: (Continued from April 4, 1991, Examiner Hearing.)

Application of Amerada Hess Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its proposed North Monument Grayburg/San Andres Unit Area (Division Case No. 10253) located in portions of Townships 19 and 20 South, Ranges 36 and 37 East, by the injection of water into the Eunice Monument Grayburg-San Andres Pool through 108 certain wells to either be recompleted or converted from producing or abandoned wells to water injection wells. Said project area surrounds Monument, New Mexico.

CASE 10280: (Continued from June 27, 1991, Examiner Hearing.)

Application of Knox Industries Inc. for special pool rules, Lea and Roosevelt Counties, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special pool rules for the Milnesand-Abo Pool, including a provision for 80-acre spacing and designated well location requirements. Said pool is located in portions of Sections 33 and 34, Township 8 South, Range 35 East, and Section 3, Township 9 South, Range 35 East, straddling the Roosevelt/Lea County line approximately 4 miles north by west of Crossroads, New Mexico.

SE 10345: Application of BHP Petroleum (Americas) Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 23, Township 29 North, Range 13 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its existing Gallegos Canyon Unit Well No. 390 located at a previously approved unorthodox coal gas well location 245 feet from the South line and 1530 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 drilling said well. Said unit is located at the southeast edge of Farmington, New Mexico.

CASE 10346: Application of BHP Petroleum (Americas) Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 23, Township 29 North, Range 13 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its existing Gallegos Canyon Unit Well No. 391 drilled at a standard location 975 feet from the North line and 870 feet from the East line (Unit A) 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 drilling said well. Said unit is located at the southeast edge of Farmington, New Mexico.

CASE 10331: (Continued from June 13, 1991, Examiner Hearing.)

Application of Veteran Exploration Inc. to amend Division Order No. R-9330, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to modify Rule 7 of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit in the Rio Puerco-Mancos Oil Pool as promulgated by Division Order No. R-9330 allowing for the administrative approval of 640-acre oil spacing and proration units formed for the purpose of dedicating high angle/horizontal wellbores that cross Section lines. Said Unit Area is located approximately 5 to 13 miles west-southwest of Cuba, New Mexico.

CASE 10347: Application of Warrior, Inc. for a waterflood pilot project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a one well waterflood pilot project on a portion of its Federal "D" Lease underlying the W/2 of Section 26 and the NE/4 of Section 27, Township 20 South, Range 36 East, by the injection of water into the Eumont Oil and Gas Pool, through the perforated interval from approximately 3804 feet to 3964 feet in its Federal "D" Well No. 2, located 1980 feet from the North line and 660 feet from the West line of Section 26. Applicant further seeks an administrative procedure for the expansion of the leasehold waterflood project by the drilling of new injection wells or the conversion of producers to injection within the leasehold. Said project area is located approximately 6.5 miles southwest by south of Monument, New Mexico.

CASE 10348: Application of KLM Oil & Gas for a high angle/ horizontal directional drilling pilot project, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project within a standard 640-acre oil spacing and proration unit in the West Puerto Chiquito-Mancos Oil Pool comprising all of Section 33, Township 24 North, Range 1 West. The applicant proposes to drill vertically from a well to be located on the surface at a standard oil well location in the NE/4 SW/4 (Unit K) of said Section 33 to a depth of approximately 6900 feet, evaluate the pay zone, plug back to an appropriate depth of 6137 feet and kick-off in a northeasterly direction, build angle to approximately 90 degrees in 587 feet (10 degrees per 100 feet), and continue to drill horizontally in the Mancos formation for approximately 2800 feet. The applicant proposes to keep the horizontal displacement of said well's producing interval within the allowed 1650 foot offsetting provisions for said pool, pursuant to the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool, as promulgated by Division Order No. R-6469-B, as amended. Said unit is located approximately 6 miles north of Regina, New Mexico.

CASE 10349: (This case will be continued to August 22, 1991.)

Application of Doyle Hartman, Oil Operator, for two non-standard gas proration units, unorthodox gas well locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to rededicate acreage in the Jalmat Gas Pool and form two non-standard gas spacing and proration units in the N/2 equivalent of Section 7, Township 23 South, Range 37 East. The Stevens "B-7" Com Well No. 1 located at an unorthodox gas well location 990 feet from the North and West lines (Unit D) of said Section 7 is to be dedicated to Lot 1, N/2 NE/4 and NE/4 NW/4 (N/2 N equivalent) comprising 157.34 acres and the Stevens "B" Well No. 13 located at an unorthodox gas well location 1980 feet from the North line and 330 feet from the West line (Unit E) and Stevens "B-7" Com Well No. 2 also located at an unorthodox gas well location 1650 feet from the North and East lines (Unit G) are to be simultaneously dedicated to Lot 2, S/2 NE/4 and SE/4 NW/4 (S/2 N/2 equivalent) of said Section 7 comprising 157.31 acres. Said area is located approximately 14 miles north of Jal, New Mexico.

DOCKET: COMMISSION HEARING - THURSDAY - JULY 18, 1991

**9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

(The Land Commissioner's designee for this hearing will be Bruce Stockton)

CASE 9931: (De Novo) (Continued from June 12, 1991, Commission Hearing.)

Application of Arco Oil & Gas Company for pressure maintenance expansion and an unorthodox gas injection well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Empire-Abo Unit Pressure Maintenance Project, authorized by Division Order No. R-4549, as amended, by converting its Empire-Abo Unit "J" Well No. 10, located 2310 feet from the North and West lines (Unit F) of Section 3 and Empire Abo Unit "J" Well No. 13, located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 2, both in Township 18 South, Range 27 East, Empire-Abo Pool, Empire-Abo Unit Area, from producing oil wells to gas injection wells. Applicant further seeks an exception to Rule 7A of the Special Rules and Regulations for the Empire-Abo Unit Pressure Maintenance Project, as promulgated by said Order No. R-4549, as amended, for the "J" Well No. 13 which is located at an unorthodox gas injection well location. Both wells are located in an area approximately 4.25 miles south-southeast of Riverside, New Mexico. Upon application of Arco Oil & Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10251: (De Novo) (Continued from June 12, 1991, Commission Hearing.)

Application of Kaiser-Francis Oil Company for a pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the Delaware formation comprising the SE/4 of Section 8, Township 21 South, Range 26 East. Said area is located approximately 7 miles northwest of Carlsbad, New Mexico. Upon application of Kaiser-Francis Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

Do ~~not~~ we want to get
into drilling block
requirements ~~in~~ ~~the~~
in rules?

Union Pac - 6200' in Lee Co, TX

Veterans Rotary Drills
the horizontal part of
the well.

OIL CONSERVATION DIVISION

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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July 3, 1991

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LISA K. SMITH*

*NOT LICENSED IN NEW MEXICO

Mr. Michael E. Stogner
Mr. Robert G. Stovall
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 10,331; Application of Veteran Exploration, Inc. to Amend Order No. R-9330

Dear Gentlemen:

The above application requests the amendment of Order No. R-9330 to allow an operator to apply for administrative approval for horizontal/high angle wellbores which cross section lines. Such a well may also have dedicated to it acreage from more than one section. At the hearing on June 13th, the case was continued to July 11th with a request that Veteran Exploration submit additional evidence to support its Application. We are uncertain what additional information you need. Therefore, this letter will summarize the evidence presented and the land matters applicable to the San Isidro (Shallow) Unit. Based thereon, please call me so that we may prepare and present such further information as you may desire.

1. Land Matters Pertaining to Unit: Evidence in Case Nos. 10,099 and 10,100 showed that the Unit is comprised of 100% federal minerals, subject to various leases. Exhibit No. 1 in Case No. 10,099 (attached hereto) outlines the Unit boundary and identifies the federal lease numbers.

The Unit is an undivided unit. See Section 11 of the Unit Agreement (Exhibit No. 2 in Case No. 10,099). Thus, there are not separate participating areas for the producing wells. Of course, a participating area is not determined until after a well is completed. Therefore, the cost of a particular well is initially borne by the working interest owners in a well unit.

Mr. Michael E. Stogner
Mr. Robert G. Stovall
July 3, 1991
Page 2

(If the operator does not obtain the required consents and joinders, he is liable for the well costs.)

2. Geological Basis for Drilling Across Section Lines:

Tracy Chancellor testified at hearing that the sole reason for an operator to request permission to drill across section lines is to stay near the line of maximum flexure in the Mancos formation. Enclosed is Exhibit B from the hearing, with the maximum flexure line from Exhibit D superimposed on it. It can be seen that virtually all of the good conventional wells in the Unit are near this line. This is borne out by the success of the horizontal San Isidro 12-10 Well in Section 12-20 North-3 West.

Thus, in certain instances it may be geologically favorable, even necessary, to drill horizontally across section lines, in order to achieve a commercial well. For example, based on the attached Exhibit B, it may be necessary to drill a well from Section 11 South to Section 14 (20 North - 3 West) in order to achieve optimum results. However, it does not mean that every well will cross section lines. For instance, wells in Section 15 (20 North-3 West) may be contained within the section or half-section.

In short, this application is aimed at obtaining maximum flexibility dependent upon the geology in a localized area.

3. Correlative Rights: Concern was expressed at hearing about correlative rights where wells cross section and lease lines. However, we believe this is no different than a situation where a well contained within a half-section crosses lease lines.

For example (referring to Exhibit No. 1), a well drilled solely within Section 5-20 North-2 West may have acreage from 2 or 3 leases dedicated to it. Similarly a well drilled from Section 11 to Section 14 (20 North-3 West) may have 2 or 3 leases dedicated to it. In either case, well costs will be allocated on an acreage basis within the spacing unit, and (assuming a producing well is obtained) production well be allocated on acreage basis within the enlarged participating area. There will be no impairment of correlative rights so long as the setback requirement of Special Operating Rule 3 is complied with.

4. Amendments to Operating Rules: There are several amendments which may be necessary:

(a) Rule 2 would need to be changed to allow acreage from more than one section to be dedicated to a well.

Mr. Michael E. Stogner

Mr. Robert G. Stovall

July 3, 1991

Page 3

(b) Rule 8 would remain essentially the same. However, for a well crossing section lines we suggest that the operator be required to submit the following additional evidence:

(i) If there will be simultaneous dedication to an existing conventional well, a copy of the existing well's dedication plat should be submitted to show that the existing well's unit is contained wholly within the proposed horizontal well unit;

(ii) Geological evidence that drilling a well across section lines is necessary to be near the maximum flexure line; and

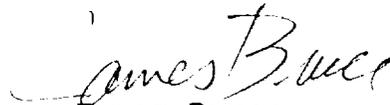
(iii) BLM approval of the proposed well.

The other Special Operating Rules would remain unchanged.

After you have reviewed this material, I would like to speak with you on these issues.

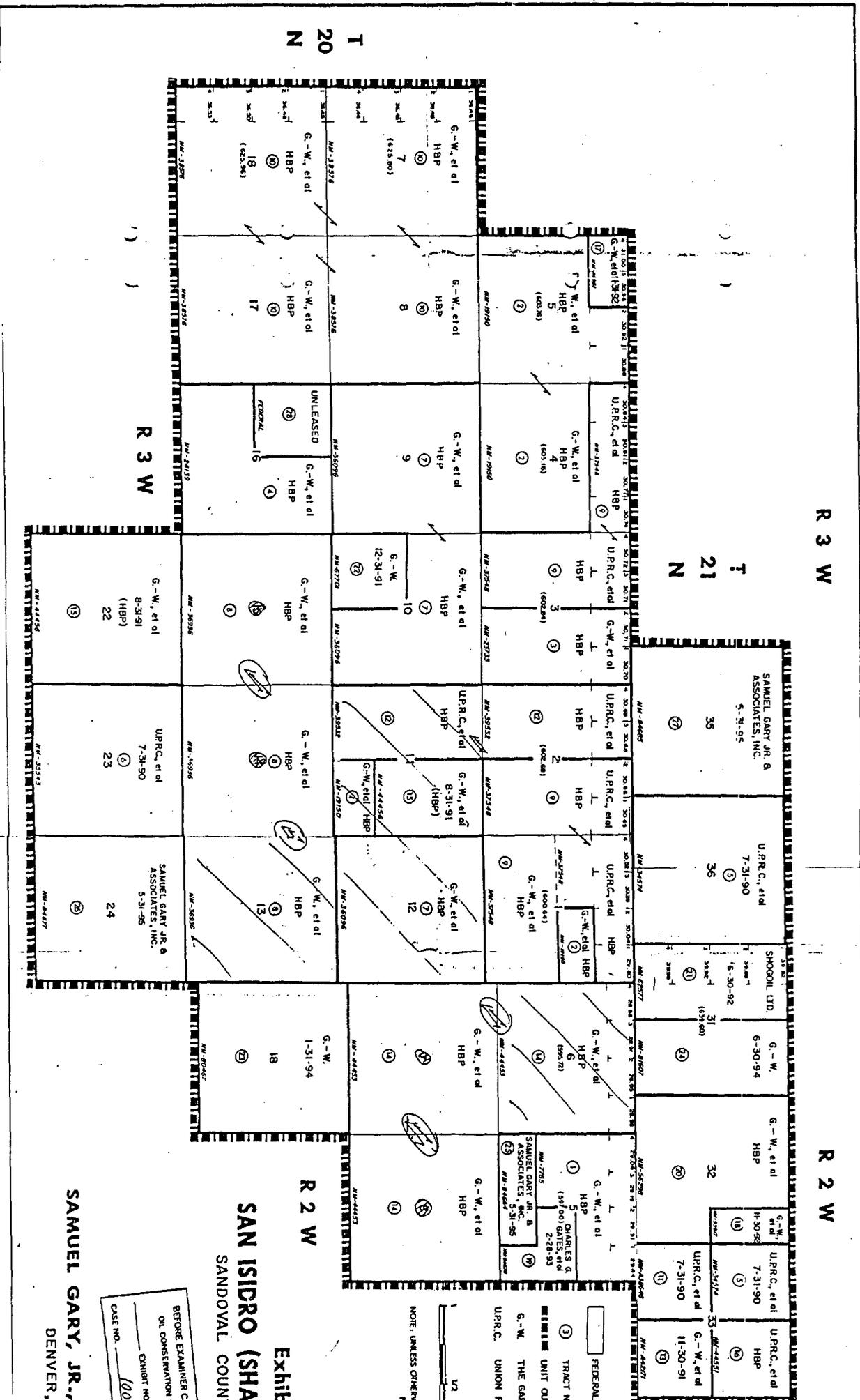
Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le

cc: Robert P. Jacobsen



R 3 W

T 21 N

R 2 W

T 21 N

T 20 N

R 3 W

R 2 W

SAN ISIDRO (SHALLOW) UNIT AREA
SANDOVAL COUNTY, NEW MEXICO

SAMUEL GARY, JR., & ASSOCIATES, INC.
DENVER, COLORADO

BEFORE EXAMINER CANTANCI
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 10055

Exhibit "A"

NOTE: UNLESS OTHERWISE INDICATED THE VARIOUS SECTIONS ON THIS PLAN CONTAIN 640.00 ACRES.

- 1 FEDERAL LANDS 18,897.16
- 2 TRACT NUMBER
- 3 UNIT OUTLINE
- G-W THE GARY WILLIAMS COMPANY
- UPRC UNION PACIFIC RESOURCES COMPANY



ACREAGE PERCENTAGE
100.00%

UNIT OUTLINE

BASEMENT TRACK

PROPOSED LOCATION #7-3

R3W

T2N

Line of Maximum Flexure



VETERAN EXPLORATION, INC
Dedicated to Expanding Horizontal Horizons

Field Office
P.O. Box 1542
Cuba, NM 87013
(505) 289-3106

4643 S. Ulster St.
Suite 1190
Denver, CO 80237
(303) 740-8885

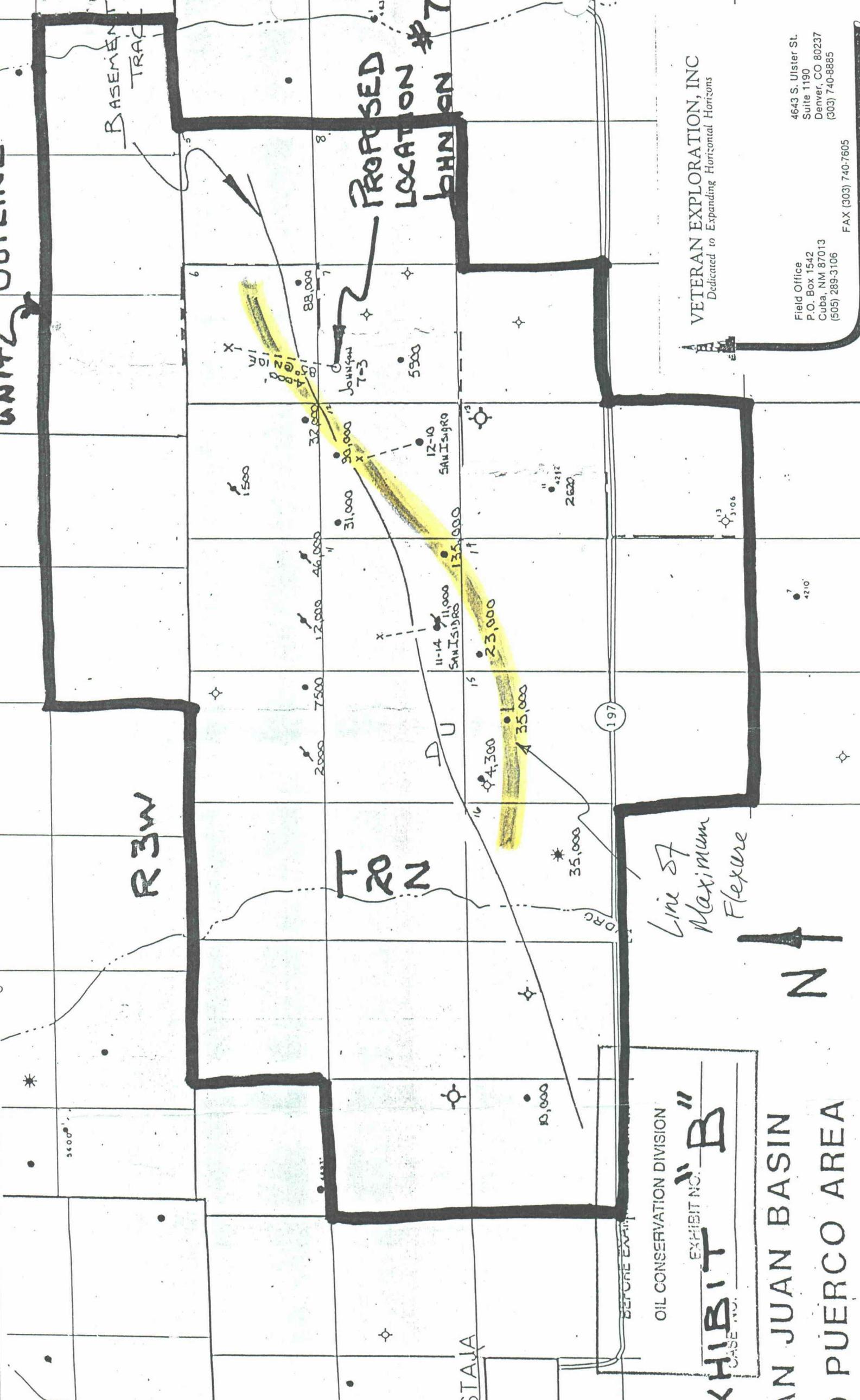
FAX (303) 740-7605

OIL CONSERVATION DIVISION

EXHIBIT NO. "B"

EXHIBIT

AN JUAN BASIN
O PUERCO AREA



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

RECEIVED
JUL 11 1991

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

OIL CONSERVATION DIVISION

APPLICATION OF VETERAN EXPLORATION,
INC. TO AMEND ORDER NO. R-9330,
SANDOVAL COUNTY, NEW MEXICO.

Case No: 10,331
(Continued from
6/13/91 hearing)

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Applicant as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Veteran Exploration, Inc.
4643 South Ulster, Suite 1190
Denver, Colorado 80237
(303) 740-8885
Attention: Frank Grey

ATTORNEY

James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

OPPOSITION OR OTHER PARTY

ATTORNEY

STATEMENT OF CASE

APPLICANT

Applicant seeks to amend Order No. R-9330 to allow administrative approval of horizontal wells to be drilled across section lines, and to allow dedication of acreage from two or more sections to form a well unit for such wells.

OPPOSITION OR OTHER PARTY

PROPOSED EVIDENCE

APPLICANT

WITNESS	EST. TIME	EXHIBITS
Robert Jacobsen (President)	30 minutes	(a) Unit Agreement

OPPOSITION

WITNESS	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which
need to be resolved prior to the hearing)

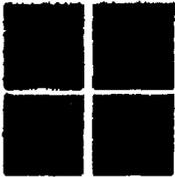
Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

James Bruce
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Attorneys for Applicant



HINKLE, COX, EATON, COFFIELD & HENSLEY

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TELEPHONE: (505) 768-1500

TELECOPIER: (505) 768-1529

TELECOPIER LEAD SHEET

7-9-91

(DATE)

PLEASE DELIVER THE FOLLOWING DOCUMENT

TO:

Robert Stevall

COMPANY:

Oil Conservation Division

TELECOPIER:

505 827-5241

TOTAL PAGES:

3 pgs

(INCLUDING THIS COVER SHEET)

FROM:

James Bruce

OPERATOR:

C/M#:

9012178-4100

MESSAGE(S)

HEREWITH THE FOLLOWING:

PLEASE CALL:

() TO CONFIRM RECEIPT

() AFTER REVIEW

()

CONFIRMATION

BY _____

WITH _____

DATE: _____

TIME: _____

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 VETERAN EXPLORATION,
INC. TO AMEND ORDER NO. R-9330,
SANDOVAL COUNTY, NEW MEXICO.

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Attention: Frank Grey

ATTORNEY

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OPPOSITION OR OTHER PARTY

HINKLE, COX, EATON, COFFIELD & HENSLEY

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W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

May 28, 1991

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AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

218 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554
FAX (505) 982-8623

Ms. Florene Davidson
New Mexico Oil Conservation
Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Case 10 371
RECEIVED
MAY 27 1991

OIL CONSERVATION DIVISION

Dear Florene:

Enclosed are an original and two copies of two applications filed on behalf of Veteran Exploration Inc. I understand that my client called in these Applications, and the enclosed Applications are the written follow-up required by Division Rules.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

By: *James Bruce*
James Bruce

JB:le
Enclosures

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF VETERAN EXPLORATION,
INC. TO AMEND THE SPECIAL OPERATING
RULES FOR THE SAN ISIDRO (SHALLOW)
UNIT, SANDOVAL COUNTY, NEW MEXICO.

No. 10331
RECEIVED

MAY 20 1991

APPLICATION

OIL CONSERVATION DIVISION

Veteran Exploration, Inc. hereby makes application to amend the Special Operating Rules for Drilling Horizontal/High Angle Wellbores in the Mancos formation within the San Isidro (Shallow) Unit ("the Unit") to permit administrative approval of horizontal wells crossing section lines, and to permit units to be comprised of lands in two or more sections, and in support thereof states:

1. Applicant is a working interest owner in, and the successor unit operator of, the Unit.

2. The Unit comprises 18,897.16 acres, described on Exhibit I attached hereto, located in Sandoval County, New Mexico. All Unit lands are federal minerals. One hundred percent of working interests in the Unit are committed to the Unit, and the Bureau of Land Management has approved the Unit.

3. By Order No. R-9330, the Division approved special operating rules for drilling horizontal/high angle well bores in the Mancos formation within the Unit.

4. The special operating ruels provide for administrative approval of horizontal wellbores which do not cross section lines. (See Rule 8.)

5. Applicant has drilled two horizontal wells in the unit, and desires to drill additional wells. For geological reasons, Applicant believes it is necessary for certain horizontal wells to cross section lines. Applicant seeks the amendment of Rule 8 to allow administrative approval of horizontal wells which cross section lines.

6. The special operating rules provided for 320 acre units consisting of one-half of a governmental section, or 640 acre units consisting of a single governmental section. (See Rule 2.)

7. Applicant seeks the amendment of Rule 2 to allow it to dedicate acreage (320 or 640 acres) from two or more sections to a horizontal well.

8. This application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Applicant requests approval of the matters requested above.

Dated: _____

5/29/91

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By _____

James Bruce
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

Exhibit I

San Isidro (Shallow) Unit Area
Sandoval County, New Mexico

Township 21 North, Range 2 West
Sections 31, 32 & 33

Township 21 North, Range 3 West
Sections 35 & 36

Township 20 North, Range 2 West
Sections 5, 6, 7, 8 & 18

Township 20 North, Range 3 West
Sections 1, 2, 3, 4, 5, 7, 8, 9,
10, 11, 12, 13, 14, 15,
16, 17, 18, 22, 23 & 24

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF VETERAN EXPLORATION,
INC. TO AMEND THE SPECIAL OPERATING
RULES FOR THE SAN ISIDRO (SHALLOW)
UNIT, SANDOVAL COUNTY, NEW MEXICO.

No. 10331
RECEIVED

APPLICATION

MAY 20 1991

OIL CONSERVATION DIVISION

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5/29/91

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By _____

James Bruce
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

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Sandoval County, New Mexico

Township 21 North, Range 2 West
Sections 31, 32 & 33

Township 21 North, Range 3 West
Sections 35 & 36

Township 20 North, Range 2 West
Sections 5, 6, 7, 8 & 18

Township 20 North, Range 3 West
Sections 1, 2, 3, 4, 5, 7, 8, 9,
10, 11, 12, 13, 14, 15,
16, 17, 18, 22, 23 & 24

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF VETERAN EXPLORATION,
INC. TO AMEND THE SPECIAL OPERATING
RULES FOR THE SAN ISIDRO (SHALLOW)
UNIT, SANDOVAL COUNTY, NEW MEXICO.

No. 10331

RECEIVED

APPLICATION

MAY 30 1991

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Dated: _____

5/29/91

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By _____

James Bruce
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

Exhibit I

San Isidro (Shallow) Unit Area
Sandoval County, New Mexico

Township 21 North, Range 2 West
Sections 31, 32 & 33

Township 21 North, Range 3 West
Sections 35 & 36

Township 20 North, Range 2 West
Sections 5, 6, 7, 8 & 18

Township 20 North, Range 3 West
Sections 1, 2, 3, 4, 5, 7, 8, 9,
10, 11, 12, 13, 14, 15,
16, 17, 18, 22, 23 & 24

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
505/927-5800

MEMORANDUM

TO: INDUSTRY OPERATORS, PURCHASERS AND ALL INTERESTED PARTIES

FROM: WILLIAM J. LEMAY, Director, Oil Conservation Division

SUBJECT: ANNUAL STATE OF THE INDUSTRY MEETING - JUNE 7, 1991

DATE: MAY 28, 1991

This year's oil and gas State of the Industry meeting will be held in Morgan Hall, State Land Office Building, Santa Fe, New Mexico, on June 7, 1991 beginning at 9:00 AM. Navajo Refining Company will be hosting a welcoming reception for everyone attending the State of Industry meeting. It will be held on Thursday night, June 6, 1991, from 6:30 to 8:00 pm, in the New Mexico Room of the La Fonda Hotel. Cocktails and hor d'oeuvres will be served. This year's program has excellent speakers covering a variety of critical industry issues. The agenda is as follows:

- 9:00 - 9:10** **WELCOME AND OPENING REMARKS**
William J. LeMay, Director, Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 9:10 - 9:30** **THE DOMESTIC CRUDE OIL OUTLOOK**
R. G. Bautch, Manager of Lease Crude Operations
Chevron, U.S.A.
- 9:30 - 9:50** **INTERNATIONAL CRUDE OUTLOOK**
Mike Mirabagheri, Vice President
Holly Corporation

- 9:50 - 10:10** ***OIL AND GAS ISSUES FOR NEW MEXICO'S INDEPENDENTS***
Bob Bayless, Independent Producer
- 10:10 - 10:30** ***COFFEE BREAK***
- 10:30 - 10:50** ***REGULATORY UPDATE***
Jim Morrow, Chief Engineer
Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 10:50 - 11:10** ***WHAT'S NEW FOR NEW MEXICO'S NATURAL GAS***
Ron Merrett, Director
Natural Gas Programs
Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 11:10 - 11:30** ***ENVIRONMENTAL ISSUES IN NEW MEXICO'S OIL AND GAS
INDUSTRY***
David G. Boyer, Environmental Bureau Chief
Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 11:30 - 11:50** ***NEW MEXICO'S STATE LANDS' POLICY AND INITIATIVES***
Jim Baca, State Land Commissioner
- 11:50 - 12:00** ***CONCLUDING REMARKS***
William J. LeMay, Director
Oil Conservation Division
Energy, Minerals and Natural Resources Department

DOCKET: COMMISSION HEARING - WEDNESDAY - JUNE 12, 1991**9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO****(The Land Commissioner's designee for this hearing will be Jami Bailey)****CASE 9931:** (De Novo) (Continued from May 9, 1991, Commission Hearing.)

Application of Arco Oil & Gas Company for pressure maintenance expansion and an unorthodox gas injection well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Empire-Abo Unit Pressure Maintenance Project, authorized by Division Order No. R-4549, as amended, by converting its Empire-Abo Unit "J" Well No. 10, located 2310 feet from the North and West lines (Unit F) of Section 3 and Empire Abo Unit "J" Well No. 13, located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 2, both in Township 18 South, Range 27 East, Empire-Abo Pool, Empire-Abo Unit Area, from producing oil wells to gas injection wells. Applicant further seeks an exception to Rule 7A of the Special Rules and Regulations for the Empire-Abo Unit Pressure Maintenance Project, as promulgated by said Order No. R-4549, as amended, for the "J" Well No. 13 which is located at an unorthodox gas injection well location. Both wells are located in an area approximately 4.25 miles south-southeast of Riverside, New Mexico. Upon application of Arco Oil & Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10251: (De Novo) (Continued from May 9, 1991, Commission Hearing.)

Application of Kaiser-Francis Oil Company for a pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the Delaware formation comprising the SE/4 of Section 8, Township 21 South, Range 26 East. Said area is located approximately 7 miles northwest of Carlsbad, New Mexico. Upon application of Kaiser-Francis Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10266: (De Novo)

Application of Fina Oil and Chemical Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests below a depth of 10,907 feet underlying the E/2 of Section 28, Township 16 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the South Kemnitz Atoka-Morrow Gas Pool. Said 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 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. Said unit is located approximately 7 miles northwest by north of Buckeye, New Mexico. Upon application of Marathon Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10226: (De Novo)

Application of Bird Creek Resources for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations for the East Loving-Delaware Pool including a provision for a limiting gas-oil ratio of 5000 cubic feet of gas per barrel of oil. Said pool is located in Township 23 South, Range 28 East, being approximately 2 miles east of Loving, New Mexico. Upon application of Bird Creek Resources, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 9955: (De Novo)

Application of Sunco Trucking Water Disposal for a permit to construct and operate a commercial wastewater evaporation pond, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authorization, pursuant to Division General Rule 711, to construct a synthetically double lined wastewater evaporation pool equipped with proper leak detection for the purpose of commercially disposing of nonhazardous wastewater associated with the completion and production operations of oil and gas wells. Said pond is to be located in the SW/4 NW/4 (Unit E) of Section 2, Township 29 North, Range 12 West, which is approximately 2.75 miles south by east of Flora Vista, New Mexico. Upon application of Harold W. Horner and Doris J. Horner, this case will be heard De Novo pursuant to the provisions of Rule 1220.

Dockets Nos. 18-91 and 19-91 are tentatively set for June 27, 1991 and July 11, 1991. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 13, 1991

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO**

The following cases will be heard before Michael E. Stogner, Examiner or David R. Catanach, or Jim Morrow, Alternate Examiners:

CASE 10320: Application of McKay Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the April State Unit Agreement for an area comprising 22,298.45 acres, more or less, of State and Fee lands in portions of Townships 3 and 4, South, Range 20 East, which is located approximately 10 miles west-northwest of Mesa, New Mexico.

CASE 10321: Application of McKay Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Charlotte State Unit Agreement for an area comprising 12,655.25 acres, more or less, of State lands in portions of Township 5 South, Range 20 East, which is located approximately 13 miles southwest of Mesa, New Mexico.

CASE 10280: (Continued from May 30, 1991, Examiner Hearing.)

Application of Knox Industries Inc. for special pool rules, Lea and Roosevelt Counties, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special pool rules for the Milnesand-Abo Pool, including a provision for 80-acre spacing and designated well location requirements. Said pool is located in portions of Sections 33 and 34, Township 8 South, Range 35 East, and Section 3, Township 9 South, Range 35 East, straddling the Roosevelt/Lea County line approximately 4 miles north by west of Crossroads, New Mexico.

CASE 9789: (Reopened)

In the matter of Case 9789 being reopened pursuant to the provisions of Division Order No. R-9085, which order promulgated special rules and regulations for the Badland Hills-Mancos Oil Pool in Rio Arriba County, New Mexico, including provisions for 640-acre spacing and proration units and designated well location requirements. Operators in said pool may appear and show cause why the Badland Hills-Mancos Oil Pool should not be abolished and/or the special rules and regulations promulgated herein should not be rescinded.

CASE 10310: (Continued from May 30, 1991, Examiner Hearing.)

Application of Amoco Production Company for surface commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks exceptions to Division (General) Rules 303.A. and 309.A. for the surface commingling of North Loving-Morrow Gas Pool production from its Brantley Gas Com Well No. 1 located in Unit K of Section 22, Township 23 South, Range 28 East with East Loving-Delaware Pool production from wells on its Brantley and McClary Leases and its Jasso Unit, all in the S/2 of said Section 22, which is located approximately 1 mile east of Loving, New Mexico.

CASE 10322: Application of Nearburg Producing Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the SE/4 NE/4 (Unit H) of Section 24, Township 8 South, Range 33 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing which presently includes but is not necessarily limited to the Undesignated West Milnesand-Pennsylvanian Pool, said unit 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 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. Said unit is located approximately 2.5 miles north of the point common to Lea, Roosevelt, and Chaves Counties.

CASE 10323: Application of Collins & Ware, Inc. for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation or to a depth of 15,100 feet, whichever is deeper, underlying Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 31, Township 21 South, Range 32 East, forming a non-standard 334.72-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Red Tank-Atoka Gas Pool and Undesignated Bilbrey-Morrow Gas Pool. Said 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 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. Said unit is located approximately 32.75 miles west of Eunice, New Mexico.

CASE 10290: (Continued from May 2, 1991, Examiner Hearing.)

Application of Avon Energy Corporation for amendment of Division Order Nos. R-3185, R-3185-A and R-3528 to expand the vertical limits and to establish an injection pressure limitation for the Turner "B" Lease Waterflood Project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-3185, R-3185-A, and R-3528 to expand the vertical limits and to establish an injection pressure limitation for the Turner "B" Lease Waterflood Project to 450 psi above the formation parting pressure as determined from step-rate tests for four (4) certain injection wells in the entire Grayburg-San Andres formation of the Grayburg-Jackson Pool within the project area being all or parts of Sections 17, 20, 29, and 30 of Township 17 South, Range 31 East. Said project area is located approximately 4.5 miles east of Loco Hills, New Mexico.

CASE 10324: Application of Meridian Oil, Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, an exception to Rule 2(b) of the special rules governing the Blanco-Mesaverde pool, and a special project gas allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a high angle/horizontal directional drilling pilot project in the equivalent E/2 (Lots 1, 3, 7, 8, 9, 10, 13, and 14) of Section 21, Township 31 North, Range 9 West, forming a 314.96-acre gas spacing and proration unit in the Blanco-Mesaverde Pool, by commencing its Sunray "G" Well No. 2R at a standard gas well location in the SW/4 SE/4 equivalent (Lot 13) of said Section 21, drill vertically to a depth of approximately 4766 feet, kick-off in a northeasterly direction, build angle up to 80 to 90 degrees and drill horizontally for approximately 3600 feet. Applicant further requests that special operating provisions and rules be established for said project area including the designation of a prescribed area limiting the horizontal displacement of the well's producing interval such that it can be no closer than 790 feet to the outer boundary of said proration unit and for a special project gas allowable. Also an exception to Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, is being sought allowing a third well to be drilled and produced on an existing proration unit in which are dedicated the Sunray "G" Wells Nos. 2 and 2A located in Units G and P, respectively, of said Section 21. Said unit is located approximately 12 miles east-northeast of Aztec, New Mexico.

CASE 10325: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Angel Peak-Gallup Associated Pool underlying Lots 3 and 4, E/2 SW/4, and SE/4 (S/2 equivalent) of Section 31, Township 27 North, Range 10 West, which is considered a standard 328.18-acre gas spacing and proration unit for said pool but is an unorthodox oil proration unit, all pursuant to the special pool rules as promulgated by Division Order No. R-5353, as amended. The applicant purposes to drill from a tentative unorthodox surface location 1450 feet from the South line and 1060 feet from the East line (Unit D) of Section 31, Township 27 North, Range 10 West, kick-off from vertical in a westerly direction until an angle of 75 to 90 degrees is achieved and continue drilling horizontally for approximately 3450 feet. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of said well's producing interval such that it can be no closer than 790 feet to the outer boundary of the aforementioned 328.18-acre spacing and proration unit and for a special project allowable. Said unit is located approximately 12.5 miles south by east of Bloomfield, New Mexico.

CASE 10326: Application of Burnett Oil Company, Inc. for area expansion of its Gissler B-11 Waterflood Project and for waterflood expansion of its Grayburg Jackson San Andres Unit Waterflood Project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the Gissler B-11 Waterflood Project Area, authorized by Division Order No. R-4676, to include an additional 200 acres on its Gissler and Gissler "A" Leases comprising the S/2 SE/4 of Section 11, N/2 NE/4 of Section 14, and the SW/4 SW/4 of Section 12, all in Township 17 South, Range 30 East. Applicant also seeks to expand said project by converting the Gissler "A" Well Nos. 12 and 14 located, respectively, in Unit P of Section 11 and Unit A of Section 14 to water injection wells in the Grayburg formation of the Grayburg Jackson Pool. The applicant further seeks to expand its Grayburg Jackson San Andres Unit Waterflood Project to include both wells by extending the injection intervals into the San Andres formation as well. Said area is located approximately 3 miles northeast of Loco Hills, New Mexico.

CASE 10327: Application of Yates Petroleum Corporation for pool extension and the assignment of a special depth bracket oil allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to extend the horizontal limits of the Los Medanos-Delaware Pool to include the S/2 of Section 9, the N/2 and SE/4 of Section 16, and the N/2 of Section 21, all in Township 23 South, Range 31 East. Further, the applicant seeks a special depth bracket oil allowable, pursuant to Division (General) Rule 505(d), for said pool whereby the allowable would be based on the deepest perforation (rather than the shallowest as provided for in General Rule 505(a)) in its Medano "VA" State Well No. 1 located in Unit K of said Section 16. Said pool area is located approximately 5.5 miles northwest of the Lea/Eddy County Line on New Mexico State Highway No. 128.

CASE 10328: Application of Sage Energy Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the NE/4 NE/4 (Unit A) of Section 12, Township 13 South, Range 37 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing which presently includes but is not necessarily limited to the Undesignated South Gladiola-Wolfcamp Pool, Undesignated West Bronco-Devonian Pool, and Undesignated Stallion-Devonian Pool. Said 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 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. Said unit is located approximately 3.5 miles southeast by south of Gladiola, New Mexico.

CASE 10317: (Continued from May 30, 1991, Examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 17, Township 17 South, Range 29 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Grayburg-Atoka Gas Pool, Undesignated North Grayburg-Atoka Gas Pool, and South Empire-Morrow Gas Pool, said unit 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 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. Said unit is located approximately 7 miles west by north of Loco Hills, New Mexico.

CASE 10329: Application of Mewbourne Oil Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Strawn formation comprising the S/2 SW/4 of Section 2, Township 18 South, Range 30 East, and the promulgation of special rules therefor including provisions for 80-acre spacing and designated well location requirements. Said area is located approximately 4 miles southeast by south of Loco Hills, New Mexico.

CASE 10330: Application of Mewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described area in Section 20, Township 19 South, Range 27 East, and in the following manner: the N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not limited to the Undesignated East Lake McMillan-Wolfcamp Gas Pool, Undesignated McMillan-Upper Pennsylvanian Gas Pool, Undesignated McMillan-Atoka Gas Pool, Undesignated Angell Ranch Atoka-Morrow Gas Pool, Undesignated East Lake-Morrow Gas Pool, and Undesignated North McMillan-Morrow Gas Pool and the NE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to a single well to be drilled 990 feet from the North and East lines (Unit A) of said Section 20 being a standard gas well location for 160-acre spacing units but an unorthodox gas well location for zones developed on 320-acre spacing. 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. Said area is located approximately 4 miles east-northeast of Lakewood, New Mexico.

CASE 10331: Application of Veteran Exploration Inc. to amend Division Order No. R-9330, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to modify Rule 7 of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit in the Rio Puerco-Mancos Oil Pool as promulgated by Division Order No. R-9330 allowing for the administrative approval of 640-acre oil spacing and proration units formed for the purpose of dedicating high angle/horizontal wellbores that cross Section lines. Said Unit Area is located approximately 5 to 13 miles west-southwest of Cuba, New Mexico.

CASE 10332: Application of Veteran Exploration Inc. for a non-standard oil proration unit, a high angle/horizontal wellbore that exceeds the set-back requirements for the San Isidro (Shallow) unit area, and simultaneous dedication, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 7 of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit, as promulgated by Division Order No. R-9330, authorizing the formation of a non-standard 617.79-acre oil spacing and proration unit comprising Lots 3 and 4, S/2 NW/4, and SW/4 (W/2 equivalent) of Section 6 and the W/2 of Section 7, both in Township 20 North, Range 2 West, Rio Puerco-Mancos Oil Pool, said unit to be simultaneously dedicated to a high angle/horizontal well to be drilled from a standard surface location 660 feet from the North line and 1452 feet from the West line (Unit C) of said Section 7 and to its existing Johnson 7 Well No. 11 located at a standard location 2074 feet from the South line and 1650 feet from the West line (Unit K) of said Section 7. The applicant further requests an exception to Special Rule 8(2) allowing for a larger drilling window for the proposed horizontal wellbore such that the wellbore can be no closer than 528 feet to the outer boundary of said proration unit. Said unit is located approximately 7.5 miles west-southwest of Cuba, New Mexico.

CASE 10313: (Continued from May 30, 1991, Examiner Hearing.)

Application of BWA Oil and Gas for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pitchfork Ranch-Strawn Pool underlying the SW/4 NE/4 (Unit G) of Section 34, Township 24 South, Range 34 East, forming a standard 40-acre oil spacing and proration unit for said pool, said unit to be dedicated to its existing Moore "34" Com Well No. 1 located 1980 feet from the North and East lines of said Section 34, which was plugged and abandoned in January 1988 and was re-entered on March 30, 1990. Also to be considered will be the cost of re-entering and recompleting 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 the re-entering and completion of said well. Said unit is located approximately 16 miles west by north of Jal, New Mexico.

CASE 10291: (Reopened and Readvertised.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider:

The creation of the following pool in Lea County:

South Shoe Bar-Wolfcamp Pool in Township 17 South, Range 35 East, the discovery well to be assigned a discovery allowable of 51,240 barrels of oil to be made retroactive to the date of completion is said pool, January 26, 1991.

The assignment of a discovery allowable of 37,930 barrels of oil to the discovery well for the Geronimo-Delaware Pool in Lea County.

CASE 10333: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain existing pools in Lea County, New Mexico:

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Baum-Wolfcamp Pool. The discovery well is the Petroleum Production Management Inc. State 19 Well No. 1 located in Unit I of Section 19, Township 13 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 19: SE/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the North Bell Lake-Delaware Pool. The discovery well is the Ray Westall Federal 30 Well No. 1 located in Unit G of Section 30, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: NE/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Diamondtail-Delaware Pool. The discovery well is the Strate Production Company Urraca Federal Well No. 1 located in Unit N of Section 11, Township 23 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM

Section 11: SW/4

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Blinebry production and designated as the House-Blinebry Pool. The discovery well is the Seay Exploration Inc. House Well No. 1 located in Unit D of Section 13, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 13: NW/4

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Seven Rivers production and designated as the West Pearl-Seven Rivers Pool. The discovery well is the Hondo Oil & Gas Company West Pearl Federal Well No. 1 located in Unit L of Section 27, Township 19 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 27: SW/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the East Red Tank-Cisco Canyon Gas Pool. The discovery well is the Mercury Exploration Company Connally Federal Well No. 1 located in Unit J of Section 15, Township 22 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 15: S/2

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the North Young-San Andres Pool. The discovery well is the Meridian Oil Inc. Mitchell 16 State Well No. 3 located in Unit G of Section 16, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 16: NE/4

- (h) EXTEND the Bilbrey-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM

Section 31: E/2

Section 34: N/2

- (i) EXTEND the Brinninstool-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM

Section 2: SW/4

Section 10: NE/4

Section 11: NW/4

- (j) EXTEND the Buffalo-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 36: SE/4

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 1: NE/4

- (k) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 5: S/2

Section 7: SW/4

- (l) EXTEND the EK-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 19: NW/4

- (m) EXTEND the East Lusk-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 35: NE/4

- (n) EXTEND the Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: E/2

- (o) EXTEND the North Pearl-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 35: NE/4
Section 36: W/2

- (p) EXTEND the Scharb-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 4: S/2

- (q) EXTEND the South Shoe Bar-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 36: SE/4

- (r) EXTEND the Sombrero-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 10: N/2
Section 11: N/2

- (s) EXTEND the South Tonto Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 31: NW/4

- (t) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 11: SE/4

- (u) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 3: NW/4

- (v) EXTEND the North Young-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 17: W/2

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: 10,331

APPLICATION OF VETERAN EXPLORATION,
INC. TO AMEND ORDER NO. R-9330,
SANDOVAL COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Applicant as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Veteran Exploration, Inc.
4643 South Ulster, Suite 1190
Denver, Colorado 80237
(303) 740-8885
Attention: Frank Grey

ATTORNEY

James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

OPPOSITION OR OTHER PARTY

ATTORNEY

STATEMENT OF CASE

APPLICANT

Applicant seeks to amend Order No. R-9330 to allow administrative approval of horizontal wells to be drilled across section lines, and to allow dedication of acreage from two or more sections to form a well unit for such wells.

OPPOSITION OR OTHER PARTY

Pre-hearing Statement
NMOCD Case No. 10,331
Page 2

PROPOSED EVIDENCE

APPLICANT

WITNESS	EST. TIME	EXHIBITS
Ted Chamberlain (Geologist)	30 minutes	(a) Structure Map. (b) Cross-Section. (c) Fracture Map.

OPPOSITION

WITNESS	EST. TIME	EXHIBITS
---------	-----------	----------

PROCEDURAL MATTERS

(Please identify any procedural matters which
need to be resolved prior to the hearing)

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

BY 
 James Bruce
 500 Marquette, N.W.
 Suite 800
 Albuquerque, N.M. 87102
 (505) 768-1500

Attorneys for Applicant

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800

ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

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JOE W. WOOD
RICHARD S. MORRIS

CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

June 6, 1991

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
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S. BARRY PAISNER
MARGARET CARTER LUDEWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH*

*NOT LICENSED IN NEW MEXICO

RECEIVED
JUN 10 1991
AM 9 10

700 UNITED BANK PLAZA

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Ms. Florene Davidson
New Mexico Oil Conservation
Division

P. O. Box 2088
Santa Fe, New Mexico 87504

Dear Florene:

Enclosed for filing are Pre-Hearing Statements for the following cases:

1. Case 10,329 (Mewbourne Oil Company);
2. Case 10,330 (Mewbourne Oil Company);
3. [REDACTED] (Veteran Exploration, Inc.)
4. Case 10,332 (Veteran Exploration, Inc.); and
5. Case 10,251 (De Novo).

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By:  James Bruce

JB:le
Enclosures

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

JUL 1 1981

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

OIL CONSERVATION DIVISION

Case No: 10,331

APPLICATION OF VETERAN EXPLORATION,
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4643 South Ulster, Suite 1190
Denver, Colorado 80237
(303) 740-8885
Attention: Frank Grey

James Bruce
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Coffield & Hensley
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Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

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ATTORNEY

STATEMENT OF CASE

APPLICANT

Applicant seeks to amend Order No. R-9330 to allow
administrative approval of horizontal wells to be drilled
across section lines, and to allow dedication of acreage
from two or more sections to form a well unit for such
wells.

OPPOSITION OR OTHER PARTY

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OPPOSITION

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PROCEDURAL MATTERS

(Please identify any procedural matters which
need to be resolved prior to the hearing)

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

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

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PROCEDURAL MATTERS

(Please identify any procedural matters which
need to be resolved prior to the hearing)

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By


James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

Florence
Please call

Frank Gray
303 740-8885

Veteran Expt.

re getting case
on docket for
June 13th hearing

~~FAX~~
505-827-5741

TO: Florene Davidson 5/21/91

FROM: FRANK FREY
VETERAN EXPLORATION 6331
303-740-8885

We are requesting a Hearing on
June 13th 1991 covering two
issues:

① Proposed Horizon Well;

Johnson 7-3
Surface Location: T20N 2W Sec 7
1452' FWL 660' FN

Bottom Hole Location: T20N 2W Sec 6
2112' FWL
1452' FN

Horizontal Section: 4000' - ^{Direction} N 10E
TD in Sec 6

ACREAGE Allocation: W 1/2 Sec 7 &
W 1/2 Sec 6

Kick off & Formation: 3471' in
a Direction of NE, Mancos shale
formations.

② AMEND ORDER - CASE # 10,100
SPECIAL POOL RULES - SAN ISIDRO
SHALLOW UNIT.

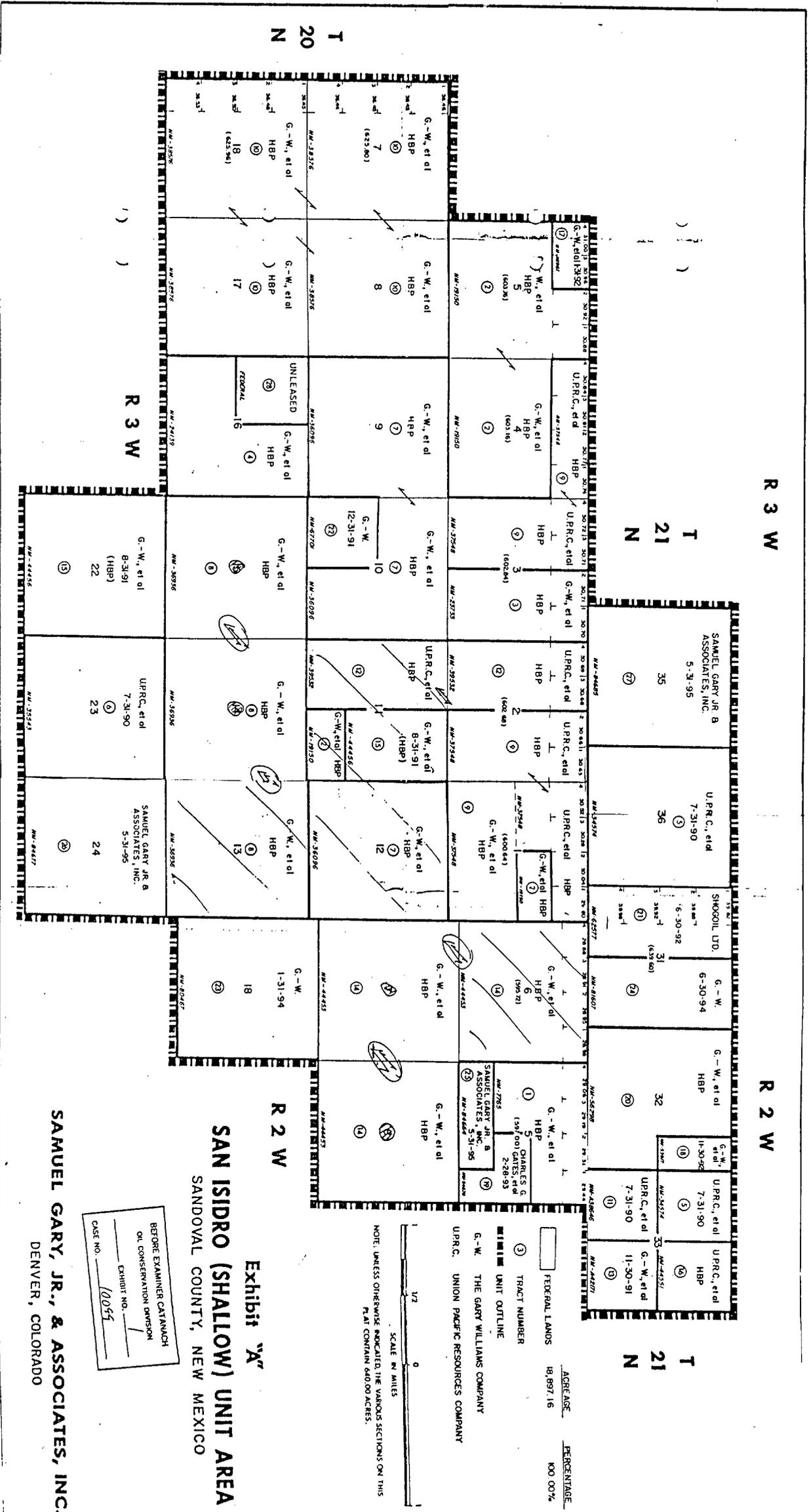
① ADMINISTRATIVE APPROVAL OF WELLS
CROSSING SECTION LINES.

FLORENE,

R 9300

JIM BRUCE OUR COUNSEL, SAID
HE WOULD FOLLOW UP IN 2 DAYS
WHEN HE RETURNS. THANK YOU.
PLEASE CALL IF YOU HAVE ANY
QUESTIONS.

Paul Guy



T 20 N

R 3 W

T 21 N

R 3 W

R 2 W

T 21 N

R 2 W

Exhibit "A"
SAN ISIDRO (SHALLOW) UNIT AREA
 SANDOVAL COUNTY, NEW MEXICO

SAMUEL GARY, JR., & ASSOCIATES, INC.
 DENVER, COLORADO

BEFORE EXAMINER CATAWACH
 OR CONSERVATION DIVISION
 EXHIBIT NO. 1055
 CASE NO. _____

ACREAGE: 18,897.16 PERCENTAGE: 100.00%

1 FEDERAL LANDS

3 TRACT NUMBER

UNIT OUTLINE

G-W THE GARY WILLIAMS COMPANY

UPRC UNION PACIFIC RESOURCES COMPANY

SCALE IN MILES
 1/2 0

NOTE: UNLESS OTHERWISE INDICATED, THE VARIOUS SECTIONS ON THIS PLAN CONTAIN 640.00 ACRES.

OUTLINE

BASEMENT FA
TRACE

PROPOSED
LOCATION #7-3
JOHNSON

R3W

T2N

Sec. 9.2

N ↑

BEFORE EXAMINER'S SIGNATURE

OIL CONSERVATION DIVISION

EXHIBIT "B"
CASE NO.

AN JUAN BASIN
O PUERCO AREA

VETERAN EXPLORATION, INC
Dedicated to Expanding Horizontal Horizons

4643 S. Ulster St.
Suite 1190
Denver, CO 80237
(303) 740-8885

Field Office
P.O. Box 1542
Cuba, NM 87013
(505) 289-3106

FAX (303) 740-7605

