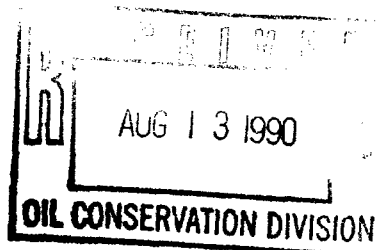


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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



EXAMINER HEARING

IN THE MATTER OF:

Continued and Dismissed Cases
Case 9958, Case 9924, Case 9939,
Case 9961, Case 9930, Case 9953

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 13, 1990

A P P E A R A N C E S

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FOR THE DIVISION: ROBERT G. STOVALL
 Attorney at Law
 Legal Counsel to the Divison
 State Land Office Building
 Santa Fe, New Mexico

1 HEARING EXAMINER: This hearing will come
2 to order for Docket No. 16-90. Today's date is June
3 13, 1990. I'm Michael E. Stogner, appointed hearing
4 officer for today's cases. I'll run through the
5 dismissed and continued cases first.

6 First page, I'll call Case 9958.

7 MR. STOVALL: Application of BWA Oil & Gas
8 for an unorthodox gas well location and compulsory
9 pooling, Lea County, New Mexico. Applicant requests
10 request this case be dismissed.

11 HEARING EXAMINER: Case No. 9958 will be
12 dismissed.

13 * * * * *

14 HEARING EXAMINER: Call next case, No.
15 9924.

16 MR. STOVALL: Application of Strata
17 Production Company to amend Division Order No. R-9097,
18 Eddy County, New Mexico. Applicant requests this case
19 be continued to June 27, 1990.

20 HEARING EXAMINER: Case No. 9924 is so
21 continued.

22 * * * * *

23 HEARING EXAMINER: Call next case, No.
24 9939.

25 MR. STOVALL: Application of Santa Fe

1 Energy Operating Partners, L.P., for compulsory
2 pooling and a nonstandard gas proration unit, Eddy
3 County, New Mexico. Applicant requests this case be
4 dismissed.

5 HEARING EXAMINER: Case No. 9939 will be
6 dismissed.

7 * * * * *

8 On the second page I'm going to call Case
9 No. 9961.

10 MR. STOVALL: Application of Mewbourne Oil
11 Company for compulsory pooling, Eddy County, New
12 Mexico. Applicant requests this case be continued to
13 June 27, 1990.

14 HEARING EXAMINER: Case No. 9961 will be so
15 continued.

16 * * * * *

17 HEARING EXAMINER: Call next case, No.
18 9930.

19 MR. STOVALL: Application of Union Oil
20 Company of California to amend Division Order No.
21 R-6375, as amended, Rio Arriba County, New Mexico.
22 Applicant requests this case be continued
23 indefinitely.

24 HEARING EXAMINER: Case No. 9930 will be
25 continued indefinitely.

1 * * * * *

2 HEARING EXAMINER: Call next case No.
3 9953.

4 MR. STOVALL: Application of Oryx Energy
5 Company for compulsory pooling, Lea County, New
6 Mexico. Applicant requests this case be continued to
7 June 27, but it will probably be the 28th by the time
8 we get to this one.

9 HEARING EXAMINER: So be it. Case No. 9953
10 will be continued to the Examiner's Hearing scheduled
11 for June 27, 1990.

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CERTIFICATE OF REPORTER


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STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

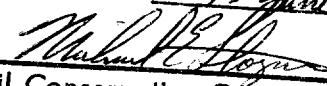
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 15, 1989.


DEBORAH O'BINE
CSR No. 127

My commission expires: August 10, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9930, heard by me on 13 June 1990.
, Examiner
Oil Conservation Division

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 9923, CASE 9924, CASE 9926,

CASE 9927, CASE 9911, CASE 9930,

CASE 9931, CASE 9918, CASE 9919,

CASE 9907, CASE 9898

EXAMINER HEARING

IN THE MATTER OF:

Continued Cases

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 2, 1990

1 WHEREUPON, the following proceedings were had
2 at 8:20 a.m.:

3 EXAMINER CATANACH: Call the hearing to order
4 this morning for Docket Number 12-90.

5 At this time we'll call the continuances.

6 At this time I'll call Case 9923, the
7 Application of Santa Fe Energy Operating Partners,
8 L.P., for surface commingling, Lea County, New Mexico.

9 At the Applicant's request, this case will be
10 continued to the May 16th, 1990, docket.

11 * * *

12 EXAMINER CATANACH: Call Case 9924, the
13 Application of Strata Production Company to amend
14 Division Order No. 9097, Eddy County, New Mexico.

15 At the Applicant's request, this case will be
16 continued to the May 16th, 1990, docket.

17 * * *

18 EXAMINER CATANACH: Call Case 9926, the
19 Application of Mewborn Oil Company for compulsory
20 pooling and an unorthodox gas well location, Eddy
21 County, New Mexico.

22 At the Applicant's request, this case will be
23 continued to May 30th, 1990.

24 * * *

25

1 EXAMINER CATANACH: Call Case 9927, the
2 Application of Pacific Enterprises Oil Company (USA)
3 for compulsory pooling, Eddy County, New Mexico.

4 At the Applicant's request, this case will be
5 continued to the May 16th, 1990, docket.

6 * * *

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8 EXAMINER CATANACH: At this time we'll call
9 Case 9911, Application of Union Oil Company of
10 California for a highly deviated directional drilling
11 pilot project and unorthodox coal gas well location,
12 Rio Arriba County, New Mexico.

13 At the Applicant's request, this case will be
14 continued to the May 16th, 1990, docket.

15 * * *

16
17 EXAMINER CATANACH: Case 9930, the
18 Application of Union Oil Company of California to amend
19 Division Order Number R-6375, as amended, Rio Arriba
20 County, New Mexico.

21 At the Applicant's request, this case will be
22 continued to the May 16th, 1990, docket.

23 * * *

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1 EXAMINER CATANACH: Case 9931, Application of
2 Arco Oil and Gas Company for a pressure maintenance
3 expansion, Eddy County, New Mexico.

4 At the Applicant's request, this case will be
5 continued to the May 16th, 1990, docket.

6 * * *

7
8 EXAMINER CATANACH: Case 9918, Application of
9 Mesa Operating Limited Partnership for compulsory
10 pooling, San Juan County, New Mexico.

11 At the Applicant's request, this case will be
12 continued to the May 16th, 1990, docket.

13 * * *

14
15 EXAMINER CATANACH: Case 9919, Application of
16 Mesa Operating Limited Partnership for compulsory
17 pooling, San Juan County, New Mexico.

18 At the Applicant's request, this case will be
19 continued to the May 16th, 1990, docket.

20 * * *

1 EXAMINER CATANACH: Case 9907, Application of
2 Enron Oil and Gas Company for compulsory pooling and an
3 unorthodox location, Eddy County, New Mexico.

4 At the Applicant's request, this case will be
5 continued to the May 16th, 1990, docket.

6 * * *

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8 EXAMINER CATANACH: And Case 9898,
9 Application of Doyle Hartman for compulsory pooling, a
10 non-standard gas proration unit and simultaneous
11 dedication, Lea County, New Mexico.

12 At the Applicant's request, this case will be
13 continued to the May 16th, 1990, docket.

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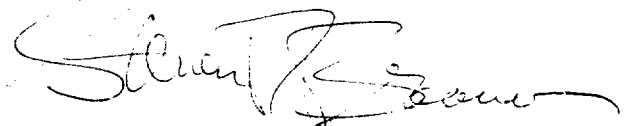
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.


WITNESS MY HAND AND SEAL May 24, 1990.



STEVEN T. BRENNER
 CSR No. 106

My commission expires: October 14, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9930, heard by me on May 2 19 90.


David R. Catam, Examiner
 Oil Conservation Division

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 1, 1990

Mr. Frank T. Chavez
District Supervisor
Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

*Set for
the April 4th
Hearing*
9930

Re: Rincon Unit Well No. 164; Allocation of Production Between Dakota and Gallup Zones

Dear Frank:

The purpose of this letter is to bring you up to date on my efforts to resolve the confusion which exists concerning the allocation of Dakota and Gallup production in the Rincon Unit Well No. 164. As you are aware, on June 18, 1980, the Division by Order R-6375 authorized El Paso Natural Gas Company to downhole commingle Basin-Dakota and Largo-Gallup production in the wellbore of this well and directed El Paso to consult the Supervisor of the Aztec District Office to determine an appropriate formula for the allocation of production to each zone.

By letter dated February 13, 1981 production from the well was allocated between the zones with 69% of the gas production and 87% of the oil production allocated to the owners of the Gallup formation and 31% of the gas production and 13% of the oil production was allocated to the Dakota formation.

My client, Union Oil Company of California ("Unocal") took over operation of this well in 1986 and has made payment to the interest owners in this well in accordance with your February 13, 1981 letter. However, after taking over operations, Unocal learned that prior to 1986, payments were made to the owners in this well based on a different formula.

Mr. Frank T. Chavez
District Supervisor
Oil Conservation Division
March 1, 1990
Page Two

Unocal has recently segregated the zones in this well and within a few days will have technical data upon which a new allocation of production can be based. We have discussed this matter with Bob Stovall and it is our opinion that the best way to resolve this matter is to set the allocation question for hearing before a Division Examiner. Accordingly, we have filed the enclosed application and are requesting an Examiner hearing on April 4, 1990.

I will keep you advised of all further developments in this matter.

Best regards.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/encs.: George Bennett, Esq.
Bill Herring
✓ Robert G. Stovall, Esq.
Arthur R. Formanek, Esq.
W. Perry Pearce, Esq.

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

IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR AMENDMENT OF ORDER R-6375 TO
ALLOCATE PRODUCTION BETWEEN ZONES
DOWNHOLE COMMINGLED IN THE
RINCON UNIT WELL NO. 164,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 9930

APPLICATION

UNION OIL COMPANY OF CALIFORNIA, hereby makes application to the Oil Conservation Division ("Division") for Amendment of Division Order R-6375 to provide for allocation of downhole commingled production from the Dakota and Gallup formations in the Rincon Unit Well No. 164, located in Unit L of Section 2, Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico and in support thereof states:

1. By Order R-6375 entered in Case No. 6909 on June 18, 1980, the Division authorized El Paso Natural Gas Company ("El Paso") to downhole commingle Basin-Dakota and Largo-Gallup production within the wellbore of the Rincon Unit Well No. 164 and, further directed El Paso to consult with the Supervisor of the Aztec District Office of the Division to determine an allocation formula for the allocation of production to each zone in the subject well. A copy of Order R-6375 is attached hereto as Exhibit "A".

2. The District Supervisor of the Division's Aztec Office, by letter dated February 13, 1981, determined that 69% of the gas production and 87% of the oil production from the Rincon Unit Well No. 164 should be allocated to the owners of the Gallup formation and 31% of the gas production and 13% of the oil production should be allocated to the owners of the Dakota formation. A copy of the District Supervisor's February 13, 1981 letter is attached hereto as Exhibit "B".

3. Certain payments were made by El Paso to the owners of production from the Rincon Unit Well No. 164 based on an allocation formula that is different from the formula set forth in the February 13, 1981 letter from the Division.

4. Unocal took over operation of this well in 1986 and has made payment based on the allocation formula prescribed by the District Supervisor's February 13, 1981 letter.

5. To resolve questions concerning the proper allocation of production between the Basin-Dakota and Largo-Gallup Pools in the Rincon Unit Well No. 164 and to enable the operator of the well to correctly allocate production between these commingled zones, Order R-6375 should be amended to establish a proper allocation formula.

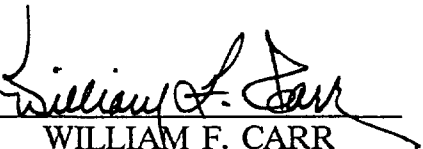
6. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Union Oil Company of California hereby requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on April 4, 1990 and that, after notice and hearing as prescribed by law, the Division enter its Order establishing an allocation formula for production which is

downhole commingled in the wellbore of the Rincon Unit Well No. 164 from the Basin-Dakota and the Gallup-Largo Pools.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

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

ATTORNEYS FOR UNION OIL
COMPANY OF CALIFORNIA

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6909
Order No. R-6375

APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR DOWNHOLE COMMINGLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 4, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of June, 1980, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, El Paso Natural Gas Company, is
the owner and operator of the Rincon Unit Well No. 164,
located in Unit L of Section 2, Township 26 North, Range 7
West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle
Basin-Dakota and Largo-Gallup production within the wellbore
of the above-described well.

(4) That from the Basin-Dakota zone, the subject well
is capable of low marginal production only.

(5) That from the Largo-Gallup zone, the subject well is
expected to be capable of low marginal production only.

(6) That the proposed commingling may result in the
recovery of additional hydrocarbons from each of the subject
pools, thereby preventing waste, and will not violate correla-
tive rights.

Exhibit A

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the wells, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

(10) That the Division should reserve the right to rescind the authority for downhole commingling of the subject zones in the subject well if the reservoir and producing characteristics of the Gallup zone prove to be incompatible with the Dakota zone and waste would be prevented by such rescission.

IT IS THEREFORE ORDERED:

(1) That the applicant, El Paso Natural Gas Company, is hereby authorized to commingle Basin-Dakota and Largo-Gallup production within the wellbore of the Rincon Unit Well No. 164, located in Unit L of Section 2, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in the subject well.

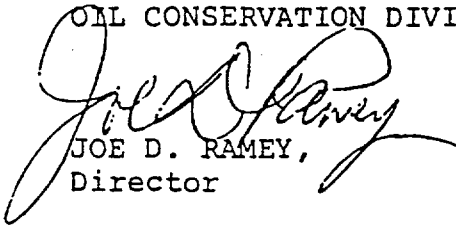
(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present to the Division, a plan for remedial action.

(4) That the Division reserves the right to rescind the commingling authority herein contained if the reservoir and producing characteristics of the Gallup zone in the subject well are incompatible to inefficient commingling of said zone with the Basin Dakota Pool and if it appears that waste will be prevented by such rescission.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

S E A L

dr/



ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICEBRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

February 13, 1981

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
ISOSI 334-6178El Paso Natural Gas Co.
P.O. Box 990
Farmington, N.M. 87401Re: Production Allocation
Rincon Unit #164 1-2-26N-7W

Gentlemen:

The recommended production allocation to the above well,
as per Order R-6375 will be accepted as follows:

	Gas	Oil
Gallup	69%	87%
Dakota	31%	13%

If you have any questions please contact this office.

Yours truly,

Frank T. Chavez
District Supervisor

Xc: Santa Fe

Exhibit B