

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. 9357
Order No. R-8656

APPLICATION OF EL RAN, INC FOR
A UNIT AGREEMENT, CHAVES AND
ROOSEVELT COUNTIES, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 27, 1988 and on May 11, 1988, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 19th day of May, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of the hearing this case was consolidated with Case No. 9358 for the purpose of presenting testimony.

(3) The applicant, El Ran, Inc., seeks approval of the Chaveroo San Andres Unit Agreement for all oil and gas in the San Andres formation underlying those lands described in Exhibit "A" attached hereto and made a part hereof.

(4) No interested party appeared and/or objected to the proposed unit area.

(5) All plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(6) Approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Chaveroo San Andres Unit Agreement is hereby approved for all oil and gas in the San Andres formation underlying those lands described in Exhibit "A" attached hereto and made a part hereof.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

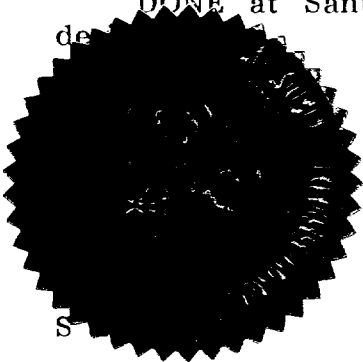
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Director of the appropriate agency of the United States Department of the Interior; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) 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 hereinabove
de



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

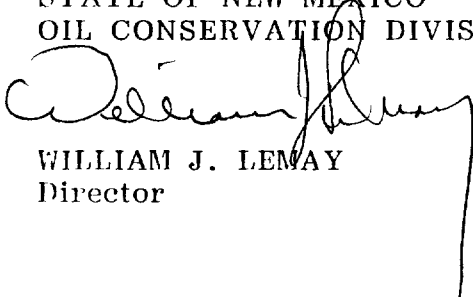

WILLIAM J. LEMAY
Director

EXHIBIT "A"

CASE NO. 9357
ORDER NO. R-8656
CHAUVEROO SAN ANDRES UNIT AREA

ROOSEVELT COUNTY, NEW MEXICO
TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 34: SE/4 and E/2 SW/4
Section 35: SW/4

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: All
Section 10: N/2 NW/4

Containing 1,120 acres, more or less, of
Federal and Fee lands; provided that
the unit shall extend only to the
vertical interval correlative to that
measured from 4177' to 4676' on the
Nuclear Log of the Roberts Well No. 1
located 440' FNL and 1980' FEL of
Section 3, T-8-S, R-32-E, NMPM,
Chaves County New Mexico.

Dockets Nos. 16-88 and 17-88 are tentatively set for May 25 and June 8, 1988. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 11, 1988

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1988, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1988, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9356: (Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amending the "Special Rules For Applications For Wellhead Price Ceiling Category Determinations," pursuant to the Natural Gas Policy Act of 1978 (NGPA), as promulgated by Division Order No. R-5878-B, as amended, by revising Forms C-132 and C-132-A to reflect the Department name change.

CASE 9368: Application of Siete Oil & Gas Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Blackhawk Federal Lease underlying the SE/4 of Section 23 and the SW/4 and SE/4 NW/4, of Section 24, both in Township 18 South, Range 31 East, by the injection of water into the Shugart Yates-Seven Rivers-Queen-Grayburg Pool in the perforated interval from approximately 3722 feet to 3747 feet in its Blackhawk Federal Well No. 3, located 2040 feet from the South line and 920 feet from the West line (Unit L) of said Section 24. Said well is located approximately one mile north of the Texas-New Mexico Pipeline Maljamar Plant No. 2 Booster Station.

CASE 9369: Application of Hixon Development Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 36, Township 26 North, Range 2 West, forming a standard 640-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to the applicant's Tapacitos Well No. 4 located at an unorthodox oil well location within the buffer zone as prescribed by Rule 2(b) of R-7407-E 1100 feet from the South line and 1600 feet from the East line (Unit O) of said Section 36 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and to which the E/2 of said Section 36 is presently dedicated. 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 southwest by south of Gavilan, New Mexico.

CASE 9377: Application of Hixon Development Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all overriding royalty interests in the Gavilan-Mancos Oil Pool underlying all of Section 25, Township 26 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to the applicant's Tapacitos Well No. 2 located at a previously approved unorthodox location (NSL-1404) 1545 feet from the South line and 790 feet from the West line (Unit L) of said Section 25 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and in which the S/2 of said Section 25 is presently dedicated. Said well is located approximately 4.5 miles north-northwest of Gavilan, New Mexico.

CASE 9370: Application of Union Texas Petroleum Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle production from the Basin-Dakota and Blanco-Mesa Verde Pools in the wellbore of its Jicarilla "G" Well No. 8, located 1650 feet from the North and East lines (Unit G) of Section 2, Township 26 North, Range 5 West. Said well is located approximately 9.5 miles northwest by west of the Southern Union Gas Company Ojito Camp.

CASE 9371: Application of Reading & Bates Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan Mancos Oil Pool underlying all of Section 15, Township 25 North, Range 2 West, forming a standard 640-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to the applicant's Howard Federal "15" Well No. 43 located at a standard oil well location 1650 feet from the South line and 790 feet from the East line of said Section 15 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and to which the E/2 of said Section 15 is presently dedicated. 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 overlaid by the community of Gavilan, New Mexico.

CASE 9376: Application of Nearburg Producing Company to amend Division Order No. R-8605 and the assignment of an oil allowable retroactive to April 1, 1988, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8605, dated March 8, 1988, by changing the non-standard oil proration unit to include Lots 3 and 4 of Section 19, Township 16 South, Range 37 East, to be dedicated to its Soledad "19M" Well No. 1 located at an unorthodox location 1000 feet from the South and West lines of said Section 19 thereby forming a non-standard oil spacing and proration unit consisting of 100.81 acres. Applicant also seeks the assignment of an oil allowable for said well to be made retroactive to April 1, 1988 based on the new acreage factor. Said well is located approximately 4.25 miles southeast of Lovington, New Mexico.

CASE 9350: (Continued from April 27, 1988, Examiner Hearing)

Application of Amerind Oil Company for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an 80-acre non-standard oil proration unit for production from the Strawn and Atoka formations comprising the SE/4 NE/4 and NE/4 SE/4 of Section 2, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool, Undesignated Humble City-Strawn Pool, and Undesignated Humble City-Atoka Pool, said unit to be dedicated to a well to be drilled at a standard oil well location thereon. Said unit is located approximately 4.5 miles north of Humble City, New Mexico.

CASE 9367: (Continued from April 27, 1988, Examiner Hearing)

Application of Marsh Operating Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of Section 34, Township 16 South, Range 34 East, to test the Undesignated South Kemnitz Atoka-Morrow Gas Pool, the N/2 of said Section 34 to be dedicated to the well. Said well is located approximately 5.5 miles North-Northwest of Buckeye, New Mexico.

CASE 9372: Application of Santa Fe Energy Operating Partners, L.P., for compulsory pooling, and a non-standard gas proration unit, 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 E/2 W/2 and Lots 1 through 4 of Section 30, Township 21 South, Range 28 East, forming a non-standard 313.12-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, 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 6 miles east-northeast of Carlsbad, New Mexico.

CASE 9374: Application of Bass Enterprises Production Company for compulsory pooling, and two non-standard gas proration units Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to either the base of the Morrow formation or to a depth of 12,100 feet, whichever is deeper, underlying the SE/4, E/2 SW/4, and Lots 3 and 4 of Section 30, Township 21 South, Range 28 East, to form a non-standard 316.44-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical limits and the E/2 SW/4 and Lots 3 and 4 of said Section 30 to form a non-standard 156.44-acre gas spacing and proration unit for any and all formations and or pools within said vertical limits developed on 160-acre spacing, both aforementioned units to be dedicated to a single 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 units are located approximately 6 miles east-northeast of Carlsbad, New Mexico.

CASE 9373: Application of Texaco Producing Inc. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Brushy Draw-Delaware Pool in the perforated interval from approximately 5417 feet to 6170 feet in its Salt Mountain "36" State Well No. 1 located 660 feet from the North and West lines (Unit D) of Section 36, Township 26 South, Range 29 East, which is located approximately 2.25 miles east by north of where the Pecos River crosses the Texas/New Mexico Stateline.

CASE 8334: (Reopened)

In the matter of Case No. 8834 being reopened pursuant to the provisions of Division Order No. R-8222, which promulgated temporary special pool rules and regulations for the Alston Ranch-Upper Pennsylvanian Pool in Lea County, New Mexico, including a provision for 160-acre spacing units. Operators in the subject pool may appear and show cause why the Alston Ranch-Upper Pennsylvanian Pool should not be developed on 40-acre proration units. The present horizontal extent of said pool consists of the W/2 of Section 25, Township 13 South, Range 34 East, which is located approximately 9 miles west by north of McDonald, New Mexico.

CASE 9357: (Readvertised)

Application of El Ran, Inc. for a unit agreement, Chaves and Roosevelt Counties, New Mexico. Applicant, in the above-styled cause, seeks approval of the Chaveroo San Andres Unit Area comprising 1,120 acres, more or less, of Federal and Fee lands underlying all or portions of Sections 34 and 35, Township 7 South, Range 32 East, and Sections 3 and 10, Township 8 South, Range 32 East. This area is located on the Chaves and Roosevelt County line and 20 miles south of Elida, New Mexico.

CASE 9358: (Readvertised)

Application of El Ran, Inc. for the reclassification of a pressure maintenance project to a waterflood project and for waterflood expansion, Chaves and Roosevelt Counties, New Mexico. Applicant, in the above-styled cause, seeks to reclassify the El Ran Chaveroo Pressure Maintenance Project (Division Order No. R-7044) to a waterflood project and to expand said project to include the area underlying the proposed Chaveroo San Andres Unit Area comprising all or portions of Sections 34 and 35, Township 7 South, Range 32 East, and Sections 3 and 10, Township 8 South, Range 32 East. Applicant also seeks to expand said project by including 13 additional injection wells into the San Andres formation. Said area is located on the Chaves and Roosevelt County line and 20 miles south of Elida, New Mexico.

CASE 9375: (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Vada-Devonian Pool. Further, assign approximately 63,160 barrels of discovery allowable to the discovery well, the Union Pacific Resources Company State 26 Well No. 1 located in Unit N of Section 26, Township 10 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 26: SW/4

(b) RECLASSIFY the Fowler-Upper Silurian Oil Pool in Lea County, New Mexico, to the Fowler-Upper Silurian Gas Pool as the only two wells producing from this pool are gas wells.

(c) EXTEND the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 34: W/2
Section 35: N/2

(d) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NW/4

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

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 25: NE/4

(f) EXTEND the King-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 38 EAST, NMPM
Section 19: SW/4

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

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 11: SE/4
Section 14: NE/4

(h) EXTEND the Lea-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 25: S/2
Section 36: NW/4

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

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 33: SE/4
Section 34: SW/4

- (j) EXTEND the West Lusk-Delaware Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 31: NW/4
- (k) EXTEND the North Lusk-Seven Rivers Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 4: NE/4
- (l) EXTEND the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 26: NW/4
- (m) EXTEND the Sanmal-Queen Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 11: W/2
- (n) EXTEND the Scharb-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 20: NW/4
- (o) EXTEND the West Teas Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 9: SE/4
- (p) EXTEND the West Tonto Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 13: NW/4
- (q) EXTEND the Tubb Oil and Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: NW/4
- (r) EXTEND the North Vacuum Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 16: W/2
- (s) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 21 SOUTH, RANGE 38 EAST, NMPM
Section 6: Lots 11, 12, 13, and 14
- (t) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 25: SW/4
Section 36: NW/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 18: NE/4

DOCKET: COMMISSION HEARING - THURSDAY - MAY 19, 1988

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

CASE 9378: In the matter of the hearing called by the Oil Conservation Division on its own motion to promulgate a new Rule 711 to provide for the administrative approval and regulation of commercial surface waste disposal facilities and the requirement of a \$25,000 bond for such facilities.

CASES 7980, 8946, 8950, AND 9111: (Reopened)

A pre-hearing conference is hereby called by the Oil Conservation Commission to establish procedures, determine issues, and to set forth a hearing agenda for Cases Nos. 7980, 8946, 8950, and 9111, all concerning the Gavilan-Mancos Oil Pool and/or West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico, all set for an evidentiary hearing to be held commencing at 9:00 A.M. on Monday, June 13, 1988.

The Oil Conservation Commission on June 8, 1987, entered Order No. R-7407-E adopting Permanent Special Rules and Regulations for the Gavilan-Mancos Oil Pool and also entered Order No. R-6469-D which modified the allowable and gas-oil ratio in the West Puerto Chiquito-Mancos Oil Pool so that both subject pools had the same allowables and gas-oil ratios.

These orders included provisions for production and bottomhole pressure monitoring in both pools which were conducted from June 27, 1987 to February 19, 1988.

All interested parties are hereby notified to appear with their attorneys at the regularly scheduled Commission hearing on May 19, 1988, at 9:00 A.M., Morgan Hall, State Land Office Building, Santa Fe, New Mexico, to enter their appearances and be prepared as follows:

- (a) To declare their position on the issues set forth herein;
- (b) Identify witnesses and substances of testimony and approximate length of time for direct presentation;
- (c) Determine other issues that should be considered; and
- (d) Raise any objection, amendment, or modification to proposed procedures.

Following the conclusion of the pre-hearing conference on May 19, 1988, the Commission will enter a statement of procedure binding all parties to the conduct of the June, 1988 hearing. A proposed statement of procedure is available at the Oil Conservation Division Office in Santa Fe.

CASE 9355: (Continued and Readvertised)

Application of Jack J. Grynberg to amend Commission Order No. R-6873, as amended, for simultaneous dedication and for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Commission Order No. R-6873, as amended, to: (1) allow for the drilling of a second well in the Four Ranch-PrePermian Gas Pool to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 18, Township 9 South, Range 27 East, on an established 320-acre, more or less, gas spacing and proration unit comprising the W/2 of said Section 18, which is presently dedicated to the Harvey E. Yates Company Seymour State Com Well No. 1 located at a standard gas well location in the SW/4 NW/4 (Unit E) of said Section 18; (2) declare the applicant to be the operator of the second well or, in the alternative, to be named the operator of said unit; and (3) establish a risk factor and overhead charges for the new well. Said unit is located approximately 8.75 miles south-southwest of Campbell's Switch.