

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 16, 1993
8:15 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

Dockets Nos. 1-94 and 2-94 are tentatively set for January 6, 1994 and January 20, 1994. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 10883: Application of PG&E Resources Company for a unit agreement, Sandoval County, New Mexico. Applicant seeks approval of the Hatch Lake Unit Agreement for an area comprising 24,852.84 acres, more or less, of State, Federal and Fee lands in a portion of Townships 21 and 22 North, Range 1 West, which is located in an area between the communities of Cuba and Regina, New Mexico.

CASE 10884: Application of Gecko, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks authority to drill its Gecko State "35" Well No. 1 at an unorthodox oil well location 434 feet from the North line and 1762 feet from the East line (Unit B) of Section 35, Township 16 South, Range 37 East, to test the Undesignated Casey-Strawn Pool, the N/2 NE/4 of said Section 35 is to be dedicated to said well forming a standard 80-acre oil spacing and proration unit for said pool. Said unit is located approximately 6 miles north of Humble City, New Mexico.

CASE 10870: (Continued from November 18, 1993, Examiner Hearing.)

Application of Pogo Producing Company for special pool rules for the Los Medanos-Delaware and West Sand Dunes-Delaware Pools, Eddy County, New Mexico. Applicant seeks the promulgation of special pool rules for both the Los Medanos-Delaware and West Sand Dunes-Delaware Pools including a provision for a gas-oil ratio limitation of 8,000 cubic feet of gas per barrel of oil. The Los Medanos-Delaware Pool covers all or parts of Sections 9, 16, and 17 and the West Sand Dunes-Delaware Pool covers all or parts of Sections 20, 21, 28, 29, 32, and 33, all in Township 23 South, Range 31 East. Said area is located approximately at mile marker 15 on State Highway 128.

CASE 10866: (Readvertised)

Application of OXY USA, Inc. to amend Division Order No. R-2901 and to either institute a new waterflood project or for waterflood expansion, Lea County, New Mexico. Applicant seeks to renew its authority, originally granted by Division Order No. R-2901, dated May 4, 1965, to inject water into the Eumont (Yates-Seven Rivers-Queen) Gas Pool within a portion of its East Eumont Unit located in Sections 33 and 34, Township 18 South, Range 37 East and in Sections 3, 4, 9, 10, 15 and 16, Township 19 South, Range 37 East, through 21 certain wells to be converted and one to be drilled. That portion of said Unit Area is covered in this application is located approximately 2 miles west of the Hobbs-Lea County, New Mexico.

CASE 10867: (Continued from November 18, 1993, Examiner Hearing.)

Application of OXY USA Inc. for Enhanced Oil Recovery Project Qualification for the recovered oil tax rate for the East Eumont Unit, Lea County, New Mexico. Applicant seeks an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Project and Certification for the Recovery Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying the north portion of the East Eumont Unit for the Recovered Oil Tax Rate under the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The portion of the East Eumont Unit to be included in the project area is as follows: Portions of Sections 33 and 34, Township 18 South, Range 37 East; portions of Sections 3, 4, 9, 10, 15, and 16, Township 19 South, Range 37 East. Said project is located south of Hobbs, New Mexico.

CASE 10874: (Continued from December 2, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, unorthodox well location, and non-standard spacing units, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying following described areas in Section 19, Township 19 South, Range 29 East, and in the following manner: the W/2 forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, the SW/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; the SW/4 SW/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Parkchester "19" State Well No. 1 to be drilled at an unorthodox location 990 feet from the South line and 740 feet from the West line of said Section 19. 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 the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 17 miles southeast of Artesia, New Mexico.

CASE 10885: Application of Meridian Oil, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks authority to drill its Ute Well No. 24 at an unorthodox gas well location 1595 feet from the North line and 1250 feet from the West line (Unit E) of Section 20, Township 32 North, Range 14 West, to be dedicated to a standard 640-acre spacing unit consisting of all of said Section 20. Said location is approximately 8 miles west-northwest of La Plata, New Mexico.

CASE 10886: Application of Exxon Corporation for acreage reorientation and for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to reorient the existing acreage currently dedicated in the Blinebry Gas Pool to its New Mexico "S" State Well No. 12, being the 79.50 acres comprising Lots 1 and 2 (N/2 NE/4 equivalent) of Section 2, Township 22 South, Range 37 East, and its New Mexico "S" State Well No. 14, being the 39.78 acres comprising Lot 3 (NE/4 NW/4 equivalent) of said Section 2, both non-standard units previously approved by Division Administrative Orders NSP-954-A and NSP-1599, respectively. The applicant now proposes to combine Lots 2 and 3 (the NW/4 NE/4 and NE/4 NW/4 equivalents) of said Section 2 to form a non-standard 79.52-acre gas spacing and proration unit in the Blinebry Gas Pool for the No. 14 well located at a standard gas well location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 2 and to dedicate the remaining 39.74 acres comprising Lot 1 (NE/4 NE/4 equivalent) to the No. 12 located 660 feet from the North and East lines (Unit A) of said Section 2. This acreage is located approximately two miles east southeast of Eunice, New Mexico.

CASE 10854: (Reopened)

Application of Phillips Petroleum Company for a special oil allowable for the Cabin-Lake Delaware Pool, Eddy County, New Mexico. Applicant seeks an order establishing a special oil allowable of 187 barrels of oil per day at a 2,000 to 1 GOR for the Cabin Lake-Delaware Pool located in portions of Townships 21 and 22 South, Range 30 East. Applicant further seeks the cancellation of any overproduction charged against any well in the pool as of the effective date of any order entered in this case. This pool is in the Nash Draw area and its center is located approximately 1 mile north of Smith, New Mexico.

CASE 10859: (Continued from November 18, 1993, Examiner Hearing.)

Application of Hallwood Petroleum, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the E/2 of Section 33, Township 30 North, Range 12 West. Said unit is to be dedicated to a well to be drilled at a standard location in the E/2 of said Section 33 to test any and all formations to the base of the Pictured Cliffs formation including the Fruitland formation, Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation, Fulcher Kutz-Pictured Cliffs Gas Pool. 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 the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2 miles southeast of Flora Vista, New Mexico.

CASE 10850: (Continued from November 18, 1993, Examiner Hearing.)

Application of Hallwood Petroleum, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the W/2 of Section 14, Township 29 North, Range 13 West. Said unit is to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 14 to test any and all formations to the base of the Pictured Cliffs formation including the Fruitland formation, Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation, West Kutz-Pictured Cliffs Pool. 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles south of Berry Park.

CASE 10851: (Continued from November 18, 1993, Examiner Hearing.)

Application of Hallwood Petroleum, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the S/2 of Section 28, Township 30 North, Range 12 West. Said unit is to be dedicated to a well to be drilled at a standard location in the S/2 of said Section 28 to test any and all formations to the base of the Pictured Cliffs formation including the Fruitland formation, Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation, Fulcher Kutz-Pictured Cliffs Pool. 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile south of Farmington Lake.

CASE 10878: (Readvertised - Continued from December 2, 1993, Examiner Hearing.)

Application of Kinlaw Oil Corporation for a leasewide high angle/horizontal directional drilling pilot project and for the promulgation of special operating rules therefor, Lea County, New Mexico. Applicant seeks to establish a high angle/horizontal directional drilling pilot project in the Denton-Devonian Pool within its Mexico "F" (State) Lease comprising Lots 1 through 4 (N/2 N/2 equivalent) and the SW/4 NE/4 and SW/4 NW/4 of Section 2, Township 15 South, Range 37 East. Further, the applicant seeks the promulgation of special operating rules and procedures for wells within said lease including provisions for administrative authorization for horizontal/high angle wellbores, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, and the assignment a special oil allowable or formula for the project area. The Mexico "F" Lease is located approximately 3.5 miles south southeast of Prairieview, New Mexico.

CASE 10856: (Continued from December 2, 1993, Examiner Hearing.)

Application of Hanson Operating Company, Inc., for a high angle/horizontal directional drilling pilot project and for special operating rules therefore, Roosevelt County, New Mexico. Applicant seeks authority to initiate a short-radius high angle/horizontal directional drilling pilot project in the NW/4 SE/4 of Section 17, Township 8 South, Range 37 East, being a standard 40-acre oil spacing and proration unit in the Undesignated North Allison-San Andres Pool. Applicant proposes to utilize its existing Tuxedo Federal Well No. 1 located 1990 feet from the South line and 2004 feet from the East line (Unit J) of said Section 17 by kicking-off from vertical at an approximate depth of 4825 feet, build angle to approximately 90 degrees with a short radius curve and continue with a horizontal drainhole in said pool. Applicant further seeks special rules and provisions within the project area including the designation of a prescribed area limiting the horizontal displacement of any drainhole in said project area to within 330 feet of the outer boundary of said 40-acre unit. Said project area is located approximately 9.75 miles south by east of Milnesand, New Mexico.

CASE 10887: Application of Kaiser-Francis Oil Company for directional drilling, Eddy County, New Mexico. Applicant seeks to test and develop the Undesignated Los Medanos-Delaware and/or Undesignated West Sand Dunes-Delaware Pools underlying the NE/4 of Section 20 and the W/2 NE/4 and NW/4 of Section 21, Township 23 South, Range 31 East, by drilling directional into the ten 40-acre standard oil well spacing and proration units comprising said area from ten various surface locations around its periphery in Sections 16, 17, 20 and 21. Said area is located approximately 5.5 miles northwest of the Lea/Eddy County line on State Highway No. 128.**CASE 10888:** Application of Merrion Oil & Gas Corporation for compulsory pooling and a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin Dakota Pool underlying Lots 1 through 8 (N/2 equivalent) of Section 24, Township 27 North, Range 7 West, being a non-standard 352.07 acre gas spacing and proration unit presently dedicated to a well located 1720 feet from the North line and 1000 feet from the East line (Unit H) of said Section 24. The applicant proposes to drill an infill well at a standard gas well location in Lot 3 (NE/4 NW/4 equivalent) of said Section 24 in which said unit is also to be simultaneously dedicated. Also to be considered will be the cost of drilling and completing said infill well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said infill well. Said area is located approximately 20 miles southeast by east of Blanco, New Mexico.**CASE 10748:** (Reopened)

In the matter of Case No. 10748 being reopened upon application of Yates Petroleum Corporation to amend the spacing requirements for the Indian Basin-Upper Pennsylvanian Associated Pool established by Order No. R-9922, Eddy County, New Mexico. Division Order No. R-9922 granted the application of Yates Petroleum Corporation for creation of the Indian Basin-Upper Pennsylvanian Associated Pool and the adoption of temporary Special Rules and Regulations therefor including 320-acre spacing. At this time Yates Petroleum Corporation requests the Division to amend the Special Rules and Regulations for said pool to provide for 160-acre spacing and proration units. Said area is located approximately 2 miles east of Lone Butte.

CASE 10882: (Continued from December 2, 1993, Examiner Hearing.)

Application of James C. Brown, Trustee, and Bayshore Production Co., Limited Partnership, to vacate and void Division Administrative Orders NSP-1632(L)(SD) and NSP-1633(L), Lea County, New Mexico. Applicants seeks approval of an order from the Division vacating and voiding Administrative Order NSP-1633(L) covering the N/2 N/2 (equivalent) and Administrative Order NSP-1632(L) (SD) covering the S/2 N/2 (equivalent) of Section 7, Township 23 South, Range 37 East, Jalmat Gas Pool. The said units are located approximately 8 miles south-southwest of Eunice, New Mexico.

CASE 10889: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Penn production and designated as the Dagger Draw-Upper Penn., Northwest Gas Pool. The discovery well is the Yates Petroleum Corp. Irish Hills KW State Well No. 3 located in Unit A of Section 2, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 2: N/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Indian Basin-Strawn, Northwest Gas Pool. The discovery well is the Central Resources, Inc. Shell Federal Well No. 1 located in Unit R of Section 6, Township 21 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
Section 6: S/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Livingston Ridge-Atoka, Northeast Gas Pool. The discovery well is the Mitchell Energy Corp. Apache 13 Federal Well No. 1 located in Unit H of Section 13, Township 22 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 13: E/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Livingston Ridge-Delaware, South Pool. The discovery well is the Devon Energy Corp. Barclay 11G Federal Well No. 7 located in Unit G of Section 11, Township 23 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 11: NE/4

- (e) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for Siluro-Devonian production and designated as the Long Arroyo-Siluro Devonian Pool. Further, assign a discovery allowable of approximately 39,655 barrels of oil to the discovery well, the Hanagan Petroleum Corp. Charlie State Well No. 1 located in Unit G of Section 7, Township 13 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 28 EAST, NMPM
Section 7: NE/4

- (f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the McMillan-Atoka, Southwest Gas Pool. The discovery well is the Barbara Fasken Lake McMillan Federal Well No. 1 located in Unit I of Section 30, Township 19 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 30: E/2

- (g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Poker Lake-Delaware, Southwest Pool. The discovery well is the Fortson Oil Co. Poker Lake Unit No. 78 located in Unit A of Section 25, Township 24 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM
Section 25: NE/4

- (h) EXTEND the Acme-San Andres, Southeast Pool in Chaves County, New Mexico, to include therein.

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM.
Section 1: SW/4
Section 12: NW/4

- (i) EXTEND the Avalon-Bone Spring, East Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM.

Section 29: S/2

Section 32: NW/4

- (j) EXTEND the Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM.

Section 9: N/2

- (k) EXTEND the Burton-Yates, South Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM.

Section 28: NW/4

- (l) EXTEND the Burton Flat-Strawn, West Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM.

Section 12: S/2

- (m) EXTEND the Cabin Lake-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM.

Section 2: NW/4

Section 12: SW/4

- (n) EXTEND the Dagger Draw-Upper Penn., South Associated Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM.

Section 34: E/2

- (o) EXTEND the Dos Hermanos-Morrow, Northeast Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM.

Section 12: W/2 and NE/4

- (p) EXTEND the Hackberry-Strawn, South Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM.

Section 4: N/2, N/2, SE/4 and SW/4, SE/4

- (q) EXTEND the Herradura Bend-Delaware, East Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM.

Section 1: NW/4

- (r) EXTEND the Illinois Camp-Morrow, North Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM.

Section 17: W/2

- (s) EXTEND the Indian Basin-Upper Penn Associated Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM.

Section 2: W/2

- (t) EXTEND the Indian Draw-Delaware, East Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM.
Section 3: SE/4

- (u) EXTEND the Indian Flats-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM.
Section 26: NE/4 and S/2

- (v) EXTEND the Ingle Wells-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM.
Section 23: SE/4
Section 24: NW/4
Section 36: NW/4

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 2: SW/4
Section 11: NW/4

- (w) EXTEND the La Huerta-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM.
Section 16: NE/4

- (x) EXTEND the Logan Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM.
Section 35: E/2 and NW/4

- (y) EXTEND the Los Medanos-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM.
Section 8: SE/4
Section 16: NE/4

- (z) EXTEND the Nash Draw-Brushy Canyon Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM.
Section 13: SE/4

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM
Section 18: NW/4

- (aa) EXTEND the Power-Grayburg San Andres Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM.
Section 1: SE/4

- (bb) EXTEND the Quahada Ridge-Delaware, Southeast Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM.
Section 1: N/2

- (cc) EXTEND the Red Lake-Atoka Morrow Gas Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM.
Section 14: W/2

- (dd) EXTEND the Sand Dunes-Delaware, South Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM.

Section 6: SE/4

- (ee) EXTEND the Sand Dunes-Delaware, West Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM.

Section 33: SW/4

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 4: NW/4

Section 5: E/2

- (ff) EXTEND the Walters Lake-Bone Spring Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM.

Section 11: NW/4

- (gg) EXTEND the Willow Lake-Delaware Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM.

Section 36: E/2

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 31: SW/4