

DOCKET: EXAMINER HEARING - THURSDAY - FEBRUARY 22, 1996

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos 7-96 and 8-96 are tentatively set for March 7, 1996 and March 21, 1996. 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 11469: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Alphabet Unit Agreement for an area comprising 2,077.01 acres, more or less, of state and fee lands consisting of all or parts of Sections 7, 8, 9, 17 and 18 of Township 21 South, Range 34 East. Said unit area is located approximately 18 miles west of Eunice, New Mexico.

CASE 11437: (Continued from December 7, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its Vandiver "DO" Com Well No. 2 at an unorthodox gas well location 660 feet from the South line and 800 feet from the East line (Unit P) of Section 7, Township 18 South, Range 26 East, NMPM. Applicant also seeks authority to simultaneously dedicate the S/2 of said Section 7 in the West Atoka-Morrow Gas Pool to this well and its Vandiver "DO" Com Well No. 1 located 660 feet from the South line and 2310 feet from the West line of Section 7. Applicant further requests approval of the unorthodox location as to all prospective pools or formations from the surface to the base of the Morrow formation. Said well is located approximately 5 miles south of Artesia, New Mexico.

CASE 11464: (Continued from February 8, 1996, Examiner Hearing.)

Application of Penwell Energy, Inc. for pool creation, special pool rules and a discovery allowable, Eddy County, New Mexico. Applicant seeks the creation of a new pool for the production of oil from the Bone Spring formation comprising the W/2 NE/4 of Section 7, Township 22 South, Range 26 East, the assignment of a discovery allowable, and the promulgation of special pool rules therefor including provisions for 80-acre oil spacing units and designated well location requirements. Said area is located approximately 15 miles south of Loving, New Mexico.

CASE 11470: Application of Energy Development Corporation for salt water disposal, Sandoval County, New Mexico. Applicant seeks authority to inject produced water into the Menefee formation through perforations from 2,438 - 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Said well is located approximately 8 miles southwest of Cuba, New Mexico.

CASE 11460: (Continued from February 8, 1996, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Tom Cat Unit Agreement for an area comprising 2,560 acres, more or less, of federal, state, and fee lands consisting of all or parts of Sections 15-17 and 20-22, Township 23 South, Range 32 East. Said unit area is centered approximately 5 miles northeast of the intersection of State Highway 128 with the Eddy/Lea County line.

CASE 11461: (Continued from February 8, 1996, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the following described acreage in Section 29, Township 22 South, Range 34 East, and in the following manner: All of Section 29 to form a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent, including the Undesignated North Bell Lake-Devonian Gas Pool; and the E/2 of Section 29 to form 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, including the Undesignated Antelope Ridge-Atoka Gas Pool. Said units are to be dedicated to the applicant's Shamrock "29" Fed Com. Well No. 1 to be drilled at an orthodox gas well location 1330 feet from the North and East lines (Unit G) of the Section. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said units are located approximately 16 miles southwest of Eunice, New Mexico.

CASE 11456: (Continued from February 8, 1996, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NE/4 NE/4 of Section 18, Township 23 South, Range 32 East, 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 the applicant's Tomcat 18 Fed. Well No. 1 to be drilled at an orthodox oil well location. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 4 miles north of the intersection of Highway FAS 1271 and the border between Lea and Eddy Counties.

CASE 11471: **Application of GECKO for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described acreage in Section 28, Township 15 South, Range 37 East, and in the following manner: the SE/4 NE/4 to form 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, and the E/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent. Said unit(s) is to be dedicated to its proposed GECKO Wilks "28" Well No. 1 to be drilled at a standard location in the SE/4 NE/4 of said Section 28. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said well is located approximately 9 miles northeast of Lovington, New Mexico.

CASE 11472: **Application of T. H. McElvain Oil and Gas Limited Partnership for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the NW/4 of Section 28, Township 30 North, Range 4 West, to form a standard 160-acre gas spacing and proration unit for that formation. Said unit is to be dedicated to the applicant's Simms Com Well No. 1 to be drilled at a standard gas well location 989 feet from the North line and 851 feet from the West line (Unit D) of said Section 28. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 16 miles southwest of Dulce, New Mexico.

CASE 11473: **Application of Enserch Exploration, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 NE/4 of Section 21, Township 25 South, Range 36 East, to form 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 Moberly "21" Well No. 1 to be drilled at a standard well location 1980 feet from the North and East lines (Unit G) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 4 miles west of Jal, New Mexico.

CASE 11453: (Continued from February 8, 1996, Examiner Hearing.)

Application of Oxy USA Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Government S Well No. 9 at an unorthodox gas well location 660 feet from the North line and 660 feet from the East line (Unit A) of Section 3, Township 20 South, Range 28 East. The N/2 of Section 3 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool, the Winchester-Atoka Gas Pool and the Burton Flat-Morrow Gas Pool. Said well is located approximately 10 miles east

CASE 11474: **Application of Marathon Oil Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval of an unorthodox gas well location in the Blinebry Oil and Gas Pool for its existing Walter Lynch Well No. 6 located 2310 feet from the North line and 1980 feet from the West line (Unit F) of Section 1, Township 22 South, Range 37 East. Said well is to be simultaneously dedicated with the Walter Lynch Well No. 8, located at a standard gas well location in Unit "E" of said Section 1, to a non-standard 119.84-acre gas spacing and proration unit comprising Lot 3 and the S/2 NW/4 of said Section 1. Said unit is located approximately 2 miles east southeast of Eunice, New Mexico.

CASE 10748: (Reopened - Continued from January 25, 1996, Examiner Hearing.)

In the matter of Case No. 10748 being reopened pursuant to the provisions of Division Order No. R-9922-B, which order continued Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, in full force and effect until January, 1996. Operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations. Said pool is located approximately 16 miles west of Carlsbad, New Mexico.

CASE 11475: **Application of Texaco Exploration and Production Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23 for all formations developed on 160-acre spacing, in the W/2 SW/4 of Section 23 for all formations developed on 80-acre spacing and in the SW/4 SW/4 of Section 23 for all formations developed on 40-acre spacing, in Township 26 South, Range 37 East. Said units are to be dedicated to its Rhodes "23" Fed. Com Well No. 1 to be drilled at a standard location 660 feet from the South line and 660 feet from the West line in the SW/4 of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 5 miles south-southeast of Jal, New Mexico.

CASE 11476: **Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator, for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23, Township 26 South, Range 37 East for all formations developed on 160-acre spacing. Said unit is to be dedicated to a well to be drilled at a standard location 1980 feet from the South line and 660 feet from the West line of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 5 miles south-southeast of Jal, New Mexico.

CASE 11467: (Continued from February 8, 1996, Examiner Hearing.)

Application of the Oil Conservation Division for a show cause hearing requiring Southwest Water Disposal, Inc. (SWD) to appear and show cause why it should not be ordered to comply with its permit requirements and close its commercial clay lined surface evaporation pond located in the SE/4 SW/4, Section 32, Township 30 North, Range 9 West, San Juan County, New Mexico. Said facility is located approximately 3 miles north-northeast of Blanco, New Mexico.

CASE 11457: (Continued from February 8, 1996, Examiner Hearing.)

In the matter of the application of the New Mexico Oil Conservation Division for a show cause hearing requiring Petro-Thermo Corporation to appear and show cause why its Goodwin Treating Plant located in the SW/4 NW/4 of Section 31, Township 18 South, Range 37 East, Lea County, New Mexico should not: (1) be ordered to cease operations, (2) have its permit to operate revoked, (3) be closed and cleaned up, (4) be closed by the Division if Petro-Thermo does not close it, (5) have the costs of closure and cleanup assessed against Petro-Thermo if closed by the Division, and (6) have its \$25,000 bond forfeited. Said plant is located approximately 9 miles west of Hobbs, New Mexico.

CASE 11477: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Lea and Roosevelt Counties, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the East Bilbrey-Delaware Pool. The discovery well is the Pogo Producing Company Tomahawk Unit Well No. 1 located in Unit L of Section 31, Township 21 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 31: SW/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the North Bilbrey-Delaware Pool. The discovery well is the Santa Fe Energy Resources Inc. Bilbrey 27 A Federal Well No. 1 located in Unit F of Section 27, Township 21 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 27: NW/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Hat Mesa-Wolfcamp Pool. The discovery well is the Hallwood Petroleum Inc. Bass Federal Well No. 1 located in Unit F of Section 30, Township 20 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH. RANGE 33 EAST. NMPM

Section 30: NW/4

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Seven Rivers production and designated as the South Nadine-Yates Seven Rivers Pool. The discovery well is the LBO New Mexico Inc. Alyssa Well No. 1 located in Unit H of Section 27, Township 19 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH. RANGE 38 EAST. NMPM

Section 26: NW/4

Section 27: NE/4

- (e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Ojo Chiso-Wolfcamp Gas Pool. The discovery well is the BTA Oil Producers Chiso C-8711 JV-P Well No. 1 located in Unit C of Section 23, Township 22 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH. RANGE 34 EAST. NMPM

Section 23: N/2

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Red Hills-Bone Spring Pool. The discovery well is the Meridian Oil Inc. Madera Ridge 25 Federal Well No. 1 located in Unit L of Section 25, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH. RANGE 33 EAST. NMPM

Section 24: S/2

Section 25: W/2

- (g) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the San Simon Sink-Morrow Gas Pool. The discovery well is the Yates Petroleum Corporation San Simon Unit Well No. 1 located in Unit O of Section 18, Township 23 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH. RANGE 35 EAST. NMPM

Section 18: S/2

- (h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the South Young-San Andres Pool. The discovery well is the Snow Oil & Gas Inc. Vandiver Federal Well No. 1 located in Unit K of Section 33, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH. RANGE 32 EAST. NMPM

Section 33: SW/4

- (i) EXTEND the East Bell Lake-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH. RANGE 34 EAST. NMPM

Section 33: SE/4

- (j) EXTEND the Chaveroo-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH. RANGE 34 EAST. NMPM

Section 20: NE/4

Section 21: N/2

- (k) EXTEND the Dean-Permo Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH. RANGE 37 EAST. NMPM

Section 4: Lots 1, 2, 7, and 8

- (l) EXTEND the EK-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 4: W/2
- (m) EXTEND the North Hardy Tubb-Drinkard Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 36: N/2 NE/4 and SE/4 NE/4
- (n) EXTEND the Humble City-Strawn Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 15: NW/4
- (o) EXTEND the Southeast Lea-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM
Section 26: NE/4
- (p) EXTEND the Legg Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 28: S/2
- (q) EXTEND the East Livingston Ridge-Delaware Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 7: SE/4
- (r) EXTEND the West Lovington-Strawn Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 32: SE/4
Section 34: SE/4
- (s) EXTEND the Mesa Verde-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM
Section 7: NW/4
- (t) EXTEND the South Midway-Strawn Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 17: SE/4
- (u) EXTEND the Monument-Tubb Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 7: N/2
- (v) EXTEND the Pearsall-Queen Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 27: NW/4
- (w) EXTEND the South Quail Ridge-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 4: N/2

- (x) EXTEND the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 2: W/2
- (y) EXTEND the Red Hills-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM
Section 18: W/2 and SE/4
- (z) EXTEND the Red Tank-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 36: SE/4
- (aa) EXTEND the East Red Tank-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM
Section 31: NW/4
- (bb) EXTEND the Red Tank-Morrow Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 8: All
- (cc) EXTEND the Sand Dunes-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 7: SE/4
- (dd) EXTEND the South Sand Dunes-Bone Spring Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 19: SE/4
Section 28: NW/4
Section 29: E/2
- (ee) EXTEND the Southwest Teague Glorieta-Upper Paddock Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 4: SW/4
Section 5: SE/4
- (ff) EXTEND the North Teague Lower Paddock-Blinebry Associated Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 4: SE/4
- (gg) EXTEND the North Teague-Tubb Associated Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 4: SE/4
- (hh) EXTEND the West Teas Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 16: E/2 NE/4
- (ii) EXTEND the West Tonto-Delaware Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 12: NE/4

CASE 11478: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order extending certain existing pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) EXTEND the Angels Peak-Gallup Associated Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM

Sections 20 and 21: All

- (b) EXTEND the South Bisti-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Section 7: N/2

Section 8: N/2

TOWNSHIP 23 NORTH, RANGE 11 WEST, NMPM

Section 1: W/2 NW/4 and SW/4

Section 12: N/2

- (c) EXTEND the Gobernador-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 4 WEST, NMPM

Section 29: All

- (d) EXTEND the La Jara-Pictured Cliffs Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM

Section 2: NW/4

Section 3: All

TOWNSHIP 30 NORTH, RANGE 7 WEST, NMPM

Section 34: SW/4

- (e) EXTEND the Otero-Chacra Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM

Sections 1 and 2: All

Section 3: N/2 and SE/4

Section 4: NE/4

Section 10: E/2

Sections 11 through 14: All

Section 15: E/2

Section 23: All

Section 24: N/2 and SE/4

Section 25: NE/4

Section 26: NE/4