

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 7, 2000

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 36-00 and 1-01 are tentatively set for December 21, 2000 and January 11, 2001. 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 12546: Application of McKay Oil Corporation for an unorthodox infill gas well location, Chaves County, New Mexico. Applicant seeks an exception to the well location requirements provided within the "Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool" set forth in Division Order No. R-9976-C for an unorthodox Abo infill gas well location within an existing standard 160-acre gas spacing unit for the West Pecos Slope-Abo Gas Pool comprising the SW/4 of Section 17, Township 6 South, Range 23 East, which is located approximately 13 miles south of Mesa, New Mexico. The Five Mile Tank "B" Federal Well No. 5 (API No. 30-005-63288) is to be drilled 1760 feet from the South line and 588 feet from the West line (Unit L) of Section 17. This unit is currently dedicated to McKay Oil Corporation's Five Mile Tank Well No. 5 (API No. 30-005-62429), located at a standard gas well location 1650 feet from the South line and 1980 feet from the West line (Unit K) of Section 17. FURTHER, the applicant shall show cause: (i) why an "Application for Permit to Drill" ("APD") for a third gas well was filed on this unit, its proposed Five Mile Tank "B" Federal Well No. 3 (API No. 30-005-63293) to be drilled at a standard infill gas well location 880 feet from the South line and 1760 feet from the East line (Unit N) of Section 17, which is in violation of Rule 2 of the special pool rules for the West Pecos Slope-Abo Gas Pool; (ii) why the Five Mile Tank Well No. 3 can not be utilized as the infill gas well on this existing unit instead of the proposed Five Mile Tank Well No. 5; and (iii) why the APD for this proposed Five Mile Tank Well No. 3 has not been formally withdrawn.

CASE 12547: Application of McKay Oil Corporation for an unorthodox infill gas well location, Chaves County, New Mexico. Applicant seeks an exception to the well location requirements provided within the "Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool" set forth in Division Order No. R-9976-C for an unorthodox Abo infill gas well location within an existing standard 160-acre gas spacing unit for the West Pecos Slope-Abo Gas Pool comprising the SE/4 of Section 18, Township 6 South, Range 23 East, which is located approximately 13 miles south of Mesa, New Mexico. The Snakeweed Federal "B" Well No. 4 is to be drilled 880 feet from the South line and 588 feet from the East line (Unit P) of Section 18. This unit is currently dedicated to McKay Oil Corporation's Snakeweed Federal Well No. 4 (API No. 30-005-62432), located at a standard gas well location 1980 feet from the South line and 1780 feet from the East line (Unit J) of Section 18.

CASE 12535: Continued from November 16, 2000, Examiner Hearing.

Application of Ocean Energy Resources, Inc. for compulsory pooling and four non-standard oil and gas spacing and proration units, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1-8 of irregular Section 3, Township 16 South, Range 35 East, and in the following manner: Lots 1-8 to form a non-standard 355.80-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Shoe Bar-Atoka Gas Pool and Undesignated North Shoe Bar-Morrow Gas Pool; Lots 3-6 to form a non-standard 177.21-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; Lots 3 and 4 to form a non-standard 97.21-acre oil spacing and proration unit for any formations and/or pools developed on 80-acre spacing within that vertical extent, including the Undesignated South Big Dog-Strawn Pool; and Lot 4 to form a non-standard 48.43-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Townsend-Permo Upper Pennsylvanian Pool. The units are to be dedicated

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to applicant's Townsend State Com. Well No. 10, to be located at an orthodox location 800 feet from the North line and 660 feet from the West line of Section 3. Also to be considered will be the cost of drilling and completing the 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 the risk involved in drilling and completing the well. The units are located approximately 6 miles west-northwest of Lovington, New Mexico.

CASE 12501: Continued from November 2, 2000, Examiner Hearing.

Application of Santa Fe Snyder Corporation for pool creation and special pool rules, Eddy County, New Mexico. Applicant seeks the creation of the North Hackberry-Bone Spring Pool, covering the SE/4 of Section 6, Township 19 South, Range 31 East, and the promulgation of Special Pool Rules for the North Hackberry-Bone Spring Pool, including provisions for 160-acre spacing, special well location requirements, and a gas:oil ratio of 30,000 cubic feet of gas for each barrel of oil produced. The proposed pool is centered approximately 10 miles southeast of Loco Hills, New Mexico.

CASE 12548: **Application of Concho Resources, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations and pools developed on 320-acre spacing in the S/2 and for all formations and pools developed on 160-acre spacing in the SW/4 of Section 5, Township 22 South, Range 26 East. Said units are to be dedicated to its Rifleman "5" Com Well No. 1 to be drilled as a wildcat well at a standard location 660 feet from the South and West lines of said Section 5 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. 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 3 miles West of Carlsbad, New Mexico.

CASE 12498: Continued from November 16, 2000, Examiner Hearing.

Application of Yates Petroleum Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant seeks authorization to drill its Chosa "ATR" Federal Well No. 1 (API No. 30-015-31215) to the Morrow formation, Undesignated Chosa Draw-Morrow Gas Pool, at an unorthodox well location 2250 feet from the South line and 1060 feet from the West line (Unit L) of Section 8, Township 25 South, Range 26 East. The W/2 of Section 8 is to be dedicated to the well. The unit is located approximately 18 miles southwest of Carlsbad, New Mexico.

CASE 12549: **Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea County, New Mexico.** Applicant seeks approval of the North Papalotes State Exploratory Unit for an area comprising 1600 acres more or less, of State lands in Sections 25, 26 and 36 of Township 14 South, Range 34 East, which is located approximately 10 miles northwest of Lovington, New Mexico.

CASE 12542: Continued from November 16, 2000, Examiner Hearing.

Application of David H. Arrington Oil and Gas, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying the S/2 for all formations developed on 320 acre spacing including but not limited to the Penasco Draw-Permo Penn Gas Pool, the Undesignated Antelope Sink-Atoka Gas Pool, and the Undesignated North Antelope Sink-Morrow Gas Pool, and the SE/4 for all formations developed on 160-acre spacing, all in Section 15, Township 18 South, Range 24 East.

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formations developed on 160-acre spacing, all in Section 15, Township 18 South, Range 24 East. Applicant proposes to dedicate these pooled units to its Gold Stonefly Federal "15" Well No. 1 to be drilled at a standard gas well location in the SE/4 of Section 15. Also to be considered will be the cost of drilling and completing the 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 the well. The area is located approximately 8 miles southwest of Artesia, New Mexico.

CASE 12550: **Application of TMBR/Sharp Drilling, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Atoka and Morrow formations developed on 320-acre spacing in the W/2 of Section 21, Township 18 South, Range 32 East, which includes but is not necessarily limited to the Undesignated North Lusk-Morrow Gas Pool and the Undesignated Querecho Plains-Atoka Gas Pool. Said unit is to be dedicated to its Federal "21" Well No. 1 to be drilled at a standard location 1980 feet from the South line and 990 feet from the West line of Section 21 to a depth sufficient to test the Atoka and Morrow formations. 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 2.5 miles south of Maljamar, New Mexico.

CASE 12551: **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the following described spacing and proration units in Section 14, Township 21 South, Range 34 East, as follows: the S/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Wilson-Morrow Gas Pool and the Undesignated South Wilson- Pennsylvanian Gas Pool; and the SE/4 for all formations and/or pools developed on 160-acre spacing. Said units are to be dedicated to its Side Pocket "14" State Com Well No. 1 to be drilled at a standard location 1980 feet from the South line and 660 feet from the East line of Section 14 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. 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 Nearburg Producing Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 20 miles Southeast of Halfway, New Mexico.

CASE 12552: **Application of EOG Resources, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface through the top 100 feet of the Mississippian Chester formation underlying the S/2 of Section 23, Township 22 South, Range 32 East, for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Bootleg-Ridge Morrow Gas Pool and the Undesignated East Red Tank-Atoka Gas Pool. Applicant proposes to dedicate the pooled units to its Red Tank "23" Federal Com Well No. 1 to be drilled at a standard gas well location in the NW/4 SE/4 of 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 area is located approximately 30 miles west of Eunice, New Mexico.

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CASE 12320: Continued from November 2, 2000, Examiner Hearing.

Application of Chevron U.S.A. Production Co. for Approval to convert the EMSU Wells No. 210, 212, 222, 252 and 258 to Injection in the Eunice Monument South Unit, Lea County, New Mexico. Applicant seeks approval to convert its EMSU Wells No. 210, 212, 222, 252 and 258 to injection in the Eunice Monument South Unit (EMSU). These wells are designed to improve recovery efficiency of the waterflood patterns and enhance production of the EMSU secondary recovery project. The wells are located in the following locations: No. 210 - Section 4, Unit K, Township 21 South, Range 36 East; No. 252 - Section 5, Unit I, Township 21 South, Range 36 East; No. 222 - Section 6, Unit O, Township 21 South, Range 36 East; No. 252 - Section 6, Unit W, Township 21 South, Range 36 East; No. 258 - Section 4, Unit U, Township 21 South, Range 36 East. Water will be injected into the unitized interval of the Eunice Monument Grayburg-San Andres Pool which has an upper limit of 100 feet below mean sea level or the top of the Grayburg formation, whichever is higher, to a lower limit of the base of the San Andres formation. Injection will occur at an expected maximum pressure rate of 1500 barrels of water per day and an expected maximum pressure of 750 pounds per square inch. This area is approximately one mile west-southwest of Oil Center, New Mexico

CASE 12533: Continued from November 16, 2000, Examiner Hearing.

Application of David H. Arrington Oil & Gas Inc. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the N/2 of Section 26, Township 18 South, Range 24 East, for any and all formations and/or pools developed on 320-acre gas spacing within the vertical extent, including the Penasco-Morrow Gas Pool, and the Penasco Draw Permo-Penn (Cisco) Gas Pool. This unit is to be dedicated to its Yellow Stonefly "26" Federal Com Well No. 1 which will be located at an unorthodox gas well location 1980 feet from the North line and 2600 feet from the West line of this section (Unit F). Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 9 miles south of Artesia, New Mexico.

CASE 12553: **Application of Burlington Resources Oil & Gas Company for an unorthodox coal gas well location, San Juan County, New Mexico.** Applicant seeks approval to drill its proposed Farmington A Well No. 100 at an unorthodox coal gas well location ("off-pattern") 660 feet from the South line and 705 feet from the East line (Unit P) of Section 1, Township 29 North, Range 13 West, to be dedicated to a standard 320-acre coal-gas spacing unit consisting of the S/2 of this section for any and all coal-gas production from the Basin Fruitland Coal Gas Pool. This well is located within the City of Farmington, New Mexico.

CASE 12534: Continued from November 16, 2000, Examiner Hearing.

Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the W/2 SW/4 of Section 1, Township 16 South, Range 36 East, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within the vertical extent, including the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its Burnett "1" Well No. 1 which will be

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located at an unorthodox location 1549 feet from the South line and 712 feet from the West line of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs 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 this well. This unit is located approximately 1 mile east of the center of the City of Lovington, New Mexico.

CASE 12554: **Application of Chesapeake Operating Inc. 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 W/2 NW/4 of Section 12, Township 16 South, Range 36 East, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, including the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its Hartgrave "12" Well No. 1 which will be located at a standard oil well location in Unit E of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for the risks involved in this well. This unit is located approximately 1 mile east of the center of the City of Lovington, New Mexico.

CASE 12555: **Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox subsurface well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the S/2 SE/4 of Section 11, Township 16 South, Range 36 East, forming a standard 80-acre oil spacing unit within this vertical extent including the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its City "11" Well No. 1 which will be drilled commencing at an unorthodox surface location 1170 feet from the South line and 1112 feet from the East line of this section and terminating within a 100 foot radius of a point 1017 feet from the South line and 1748 feet from the East line being an unorthodox subsurface location at the top of the Strawn formation. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for the risks involved in this well. This unit is located approximately 1 mile south-southeast of the center of the City of Lovington New Mexico.

CASE 12556: **Application of Conoco Inc. to amend Division Order No. R-11139, Rio Arriba County, New Mexico.** Applicant seeks to amend Division Order No. R-11139 to provide for the expansion of a pilot project within its San Juan 28-7 Unit including an exception from the well density and well location requirements of the Special Rules and Regulations for the Basin-Dakota Gas Pool and the authorization to drill wells at unorthodox locations anywhere in a gas proration and spacing unit ("GPU") provided such wells are located not closer than 660 feet to the outer boundary of the San Juan 28-7 Unit or closer than 10 feet to any outer boundary of the quarter section on which the well is located and to increase the well density from the current maximum of two (2) wells per standard 320-acre GPU provided in Order No. R-8170 to a maximum of four (4) wells (80-acre infill) per standard 320-acre GPU for wells dedicated to the Basin Dakota Gas Pool within the San Juan 28-7 Unit but not more than one well per 160 acres for those GPUs contiguous to the outer boundary of the San Juan 28-7 Unit. Applicant further seeks approval for 9 additional infill pilot project wells with 8 of those wells being at unorthodox locations as follows:

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<u>Wells</u>	<u>Location</u>	<u>Footages</u>
131E	34-28N-7W	2305 feet from the South line and 2485 feet from the West line
225F	34-28N-7W	740 feet from the North line and 2170 feet from the East line
190F	27-28N-7W	250 feet from the South line and 2300 feet from the East line (bottomhole)
189F	35-28N-7W	2460 feet from the North line and 2280 feet from the East line
133G	35-28N-7W	2170 feet from the South line and 320 feet from the West line
133F	35-28N-7W	295 feet from the South line and 2390 feet from the East line
130E	2-27N-7W	2200 feet from the North line and 1900 feet from the West line
181F	3-27N-7W	2200 feet from the South line and 1400 feet from the West line

Applicant further seeks an administrative process for expanding the pilot project to include additional wells. This unit is located approximately 14 miles southwest of Gobernador Camp, New Mexico.