

DOCKET: COMMISSION HEARING – TUESDAY – MARCH 26, 2002

9:00 A.M. – Porter Hall
1120 So. St. Francis
Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey.

The minutes of the February 15, 2002, Commission hearing will be adopted.

This Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

Final action may be taken in the following cases:

CASE 12605: Application of Sapient Energy Corporation for special pool rules, Lea County, New Mexico.

CASE 12587: Amended application of Sapient Energy Corp for an unorthodox well location and (i) two non-standard 160-acre spacing units, or in the alternative (ii) one non-standard 160-acre spacing and proration unit, Lea County, New Mexico.

CASE 12459: De Novo – Continued from February 15, 2002, Commission Hearing.

Application of the Oil Conservation Division for an order requiring I. T. Properties to properly plug one well, Eddy County, New Mexico. Applicant seeks an order requiring I. T. Properties to appear and show cause why one (1) well located in Section 23, Township 19 South, Range 28 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.* Upon application of I. T. Properties, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12744: De Novo – Continued from February 15, 2002, Commission Hearing.

Application of TMBR/Sharp Drilling, Inc. appealing to the Director of the New Mexico Oil Conservation Division the Hobbs District Supervisor's decision denying approval of two applications for permit to drill ("APDs") filed by TMBR/Sharp Inc., Lea County, New Mexico. Applicant requests that the Director order the District Supervisor to approve TMBR/Sharp's permit to drill its Blue Fin 25 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the W/2 of Section 25, Township 16 South, Range 35 East and TMBR/Sharp's permit to drill its Leavelle 23 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 23, Township 16 South, Range 35 East. These wells are located approximately 5 miles southwest of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12731: De Novo – Continued from February 15, 2002, Commission Hearing.

Application of TMBR/Sharp Drilling, Inc. for an order staying Division approval of two applications for permit to drill obtained by David H. Arrington Oil & Gas, Inc., Lea County, New Mexico. Applicant seeks an order staying David H. Arrington Oil & Gas, Inc.'s applications for permit to drill the Triple Hackle Dragon 25 Well No. 1, W/2 of Section 25, Township 16 South, Range 35 East and the Blue Drake 23 Well No. 1, E/2 of Section 23, Township 16 South, Range 35 East, pending a final adjudication of ownership. These wells are located approximately 4 miles north of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12758: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring Kersey and Company To Bring One (1) Well into Compliance with Rule 201-B, and Assessing Appropriate Civil Penalties, Lea County, New Mexico. The Applicant seeks an order requiring Kersey and Company, the operator of one inactive well located in Lea County, New Mexico, to bring said well into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof. The affected well is as follows:

<u>WELL NAME AND NUMBER</u>	<u>API NO.</u>	<u>ULSTR</u>
Hover "1" #001	30-025-00789	A-32-17S-32E

Upon application of Kersey and Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12733: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring General Minerals Corporation To Bring One (1) Well into Compliance with Rule 201.B and Assessing Appropriate Civil Penalties, Eddy County, New Mexico.

The Applicant seeks an order requiring General Minerals Corporation, the operator of one inactive well located in Eddy County, New Mexico, to bring said well into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof. The affected well is as follows:

<u>Well</u>	<u>API No.</u>	<u>Twsp.</u>	<u>Range</u>	<u>Sec.</u>	<u>Unit</u>
Federal "CCC" #1	30-015-25477	16S	31E	4	K

Upon application of General Minerals Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12739: De Novo

Application of the New Mexico Oil Conservation Division for an Order Requiring Coulthurst Management & Investments Inc. to Bring Twelve (12) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties, Sandoval County, New Mexico.

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The Applicant seeks an order requiring Coulthurst Management & Investments Inc., the operator of twelve inactive wells located in Sandoval County, New Mexico, to bring said wells into compliance with OCD Rule 201.B by either restoring said wells to production or beneficial use, plugging and abandoning said wells or securing Division approval for temporary abandonment thereof. The affected wells are the following:

<u>WELL NAME AND NUMBER</u>	<u>API NO.</u>	<u>UNIT/SEC/TWSHP/RANGE</u>
Ann #003	30-043-05040	A-33-18N-03W
Ann #005	30-043-07011	A-33-18N-03W
Ann #006	30-043-60003	A-33-18N-03W
Ann #015	30-043-20248	A-33-18N-03W
Darla #001	30-043-20678	H-33-18N-03W
Darla #002	30-043-05035	H-33-18N-03W
Darla #007	30-043-07017	H-33-18N-03W
Darla #016	30-043-20247	H-33-18N-03W
Erin #001	30-043-20861	C-33-18N-03W
Erin #003	30-043-20868	F-33-18N-03W
Erin #004	30-043-20869	F-33-18N-03W
Jenny #001	30-043-20894	O-28-18N-03W

Upon application of Coulthurst Management & Investments Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: COMMISSION HEARING – FRIDAY – FEBRUARY 15, 2002

9:00 A.M. - OCD Hearing Room
1120 So. St. Francis
Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey.

The minutes of the December 4, 2001, Commission hearing will be adopted.

This Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

The Oil Conservation Commission will adopt its annual resolution setting forth reasonable notice standards for Commission Public Meetings, pursuant to the New Mexico Open Meetings Act, 10-15-1.D. NMSA 1978.

Final action may be taken in the following cases:

CASE 12605: Application of Sapient Energy Corporation for special pool rules, Lea County, New Mexico.

CASE 12587: Amended application of Sapient Energy Corp for an unorthodox well location and (i) two non-standard 160-acre spacing units, or in the alternative (ii) one non-standard 160-acre spacing and proration unit, Lea County, New Mexico.

CASE 12601: Application of Bettis, Boyle & Stovall to Reopen Case 12601 and amend Order No. R-11573 to address the appropriate royalty burdens on the proposed well for purposes of the charge for risk involved in drilling said well, Lea County, New Mexico.

CASE 12459: De Novo – Continued from January 18, 2002, Commission Hearing.

Application of the Oil Conservation Division for an order requiring I. T. Properties to properly plug one well, Eddy County, New Mexico. Applicant seeks an order requiring I. T. Properties to appear and show cause why one (1) well located in Section 23, Township 19 South, Range 28 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.* Upon application of I. T. Properties, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12567: De Novo – Continued from January 18, 2002, Commission 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 Mississippian 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 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. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12535: De Novo - Continued from January 18, 2002, Commission 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 Mississippian 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 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. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12590: De Novo - Continued from January 18, 2002, Commission Hearing.

Application of Yates Petroleum Corporation for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation in Lots 1 through 8 (N/2 Equivalent) of Irregular Section 3, Township 16 South, Range 35 East, to form a non-standard 355.80-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Shoe Bar-Atoka Gas Pool and the Undesignated North Shoe Bar-Morrow Gas Pool. Said unit is to be

dedicated to Yates Daisy AFS State Well No. 2 to be drilled at a standard location 660 feet from the North and East lines of said Section 3 to a depth sufficient to test all formations from the surface to the base of the Mississippian 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 Yates Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 6 miles west-northwest of Lovington, New Mexico. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12569: De Novo - Continued from January 18, 2002, Commission Hearing.

Amended Application of Yates Petroleum Corporation for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation in Lots 1 through 8 (N/2 Equivalent) of Irregular Section 3, Township 16 South, Range 35 East, to form a non-standard 355.80-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated North Shoe Bar-Atoka Gas Pool and the Undesignated North Shoe Bar-Morrow Gas Pool. Said unit is to be dedicated to Yates Daisy AFS State Well No. 2 to be drilled at a standard location 660 feet from the North and East lines of said Section 3 to a depth sufficient to test all formations from the surface to the base of the Mississippian 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 Yates Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 6 miles west-northwest of Lovington, New Mexico. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12738: Continued from January 18, 2002, Commission Hearing.

Application of Yates Petroleum Corporation for two non-standard gas spacing and proration units, Lea County, New Mexico. Applicant seeks an exception to the provisions of Division Rule 104.C (2) to create two non-standard gas spacing and proration units for all formations developed on 320-acre spacing which include but are not necessarily limited to the Undesignated North Shoe Bar-Atoka Gas Pool, the Undesignated Townsend-Morrow Gas Pool, the Undesignated North Shoe Bar-Morrow Gas Pool and the Undesignated North Hume-Morrow Gas Pool comprising: (i) Lots 1, 2, 7 and 8 (NE/4 equivalent) to form a 178.59-acre non-standard gas spacing and proration unit ; and (ii) Lots 3 through 6 (NW/4 equivalent) to form a 177.21-acre non-standard gas spacing and proration unit. Said area is located approximately 6 miles west-northwest of Lovington, New Mexico.

CASE 12794: Continued from January 18, 2002, Commission 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, NMPM, 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 3 to form a non-standard 48.78-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 to applicant's Townsend State Com. Well No. 10, to be located at an orthodox location in Lot 3 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 12744: De Novo

Application of TMBR/Sharp Drilling, Inc. appealing to the Director of the New Mexico Oil Conservation Division the Hobbs District Supervisor's decision denying approval of two applications for permit to drill ("APDs") filed by TMBR/Sharp Inc., Lea County, New Mexico. Applicant requests that the Director order the District Supervisor to approve TMBR/Sharp's permit to drill its Blue Fin 25 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the W/2 of Section 25, Township 16 South, Range 35 East and TMBR/Sharp's permit to drill its Leavelle 23 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 23, Township 16 South, Range 35 East. These wells are located approximately 5 miles southwest of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12731: De Novo

Application of TMBR/Sharp Drilling, Inc. for an order staying Division approval of two applications for permit to drill obtained by David H. Arrington Oil & Gas, Inc., Lea County, New Mexico. Applicant seeks an order staying David H. Arrington Oil & Gas, Inc.'s applications for permit to drill the Triple Hackle Dragon 25 Well No. 1, W/2 of Section 25, Township 16 South, Range 35 East and the Blue Drake 23 Well No. 1, E/2 of Section 23, Township 16 South, Range 35 East, pending a final adjudication of ownership. These wells are located approximately 4 miles north of the center of the City of Lovington, New Mexico. Upon application of TMBR/Sharp Drilling, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.