

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 4, 2004**8:15 A.M. - 1220 South St. Francis****Santa Fe, New Mexico**

Docket Nos. 8-04 and 9-04 are tentatively set for March 18, 2004 and April 1, 2004. 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 13225: Application of Chi Energy, Inc. for compulsory pooling and a non-standard gas spacing and proration unit, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, E/2 NW/4 and NE/4 (the N/2 equivalent) of Section 30, Township 22 South, Range 27 East, to form a non-standard 314.60-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the South Carlsbad-Strawn Gas Pool and South Carlsbad-Morrow Gas Pool. The unit is to be dedicated to applicant's Merlin Well No. 2, to be located at an orthodox gas well location in the NE/4 NW/4 of Section 30. 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 Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 3½ miles south of Carlsbad, New Mexico.

CASE 13217: Continued from February 19, 2004, Examiner Hearing.

Application of Concho 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 Morrow formation underlying the following described acreage in Section 21, Township 21 South, Range 35 East, and in the following manner: The W/2 to form a standard 320-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 Grama Ridge-Wolfcamp Gas Pool and Undesignated South Osudo-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool and Undesignated South Osudo-Wolfcamp Pool; and the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool. The units are to be dedicated to applicant's San Simon State Com. Well No. 2, to be located at an orthodox location in the SW/4 NW/4 of Section 21. 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 200% charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles southwest of Oil Center, New Mexico.

CASE 13226: Application of OXY USA WTP Limited Partnership for rescission of the approval of an application for permit to drill and for compulsory pooling, Eddy County, New Mexico. Applicant seeks rescission of the Division's prior approval of an Application for Permit to Drill covering the W/2 of Section 15, Township 22 South, Range 27 East, and an order pooling all mineral interests in the W/2 of said Section 15 in all formations and/or pools developed on 320-acre spacing and proration units which includes but is not necessarily limited to the Undesignated South Carlsbad-Morrow Gas Pool. Applicant proposes to dedicate the pooled unit to its Redemption Well No. 1 to be drilled at a standard gas well location 660 feet from the South and West lines of said Section 15. 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 miles east of Carlsbad, New Mexico.

CASE 13222: Continued from February 19, 2004, Examiner Hearing

Application of Yates Petroleum Corporation for pool creation and the adoption of special pool rules, Eddy County, New Mexico. Applicant seeks creation of a new pool comprised of the N/2 of Section 36, Township 21 South, Range 21 East, as a result of the discovery of hydrocarbons in the Abo formation in its Duvel "BCD" State Com Well No. 1 located 710 feet from the North line and 1980 feet from the West line of Section 36. Applicant also seeks the adoption of Special Pool Rules and Regulations for the pool including provisions for 320-acre gas spacing and proration units. This pool is located approximately 26 miles south of Hope, New Mexico.

Case No. 13217

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

MAR 18 2004

CONTINUED AND DISMISSED CASES

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 4th, 2004

Santa Fe, New Mexico

These matters came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 4th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

March 4th, 2004
Continued and Dismissed Cases

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REPORTER'S CERTIFICATE

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* * *

1 WHEREUPON, the following proceedings were had at
2 8:18 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. Please note today's date, Thursday, March 4th,
5 2004. We're here to consider Docket Number 7-04. I'm
6 Michael Stogner, appointed Hearing Officer for today's
7 cases.

8 I'll go over the dismissals and continuances, and
9 then I'll make a short announcement about the schedule for
10 today, and then we'll proceed.

11 Okay, the first case to be dismissed is Case
12 13,225. This is the Application of Chi Energy, Inc., for
13 compulsory pooling and a nonstandard gas spacing and
14 proration unit, Eddy County, New Mexico. This case is
15 dismissed.

16 Page 2, down at the bottom, Case 13,229, this is
17 the Application of Yates Petroleum Corporation for an
18 unorthodox location and exception to Division Rule
19 104.C.(2).(b) and a retroactive approval date for any order
20 issued in this case, Chaves County, New Mexico. This case
21 will be continued to April 1st.

22 On page 3, the first one, Case 13,230, this is
23 the Application of Yates Petroleum Corporation for approval
24 of a unit agreement in Chaves County, New Mexico. This
25 case will be continued and readvertised to the March 18th

1 hearing.

2 The last two cases, 13,211 and 13,212, both of
3 these Applications are for compulsory pooling, Eddy County,
4 New Mexico. The Applicant in both cases is Nadel and
5 Gussman Permian, L.L.C. Both of these cases will be
6 dismissed.

7 Are there any other continuances or dismissals?

8 MR. CARR: ~~May please the Examiner, on the first~~
9 ~~page of the docket --~~

10 EXAMINER STOGNER: Yes, sir.

11 MR. CARR: ~~-- is the Application of Concho~~
12 ~~Resources.~~

13 EXAMINER STOGNER: ~~Yes, that's 13,217. I~~
14 ~~understand that case was heard by Mr. Catanach on February~~
15 ~~19th; is that correct?~~

16 MR. CARR: ~~That is correct, and it was continued~~
17 ~~because Concho and some other parties in the subject~~
18 ~~acreage were working on an agreement. They have continued~~
19 ~~to work. They have a document now that I believe is being~~
20 ~~reviewed by Concho, but it has not yet been executed, and~~
21 ~~on behalf of Derrel Melton, who I represent, we're~~
22 ~~requesting that the case be continued for two additional~~
23 ~~weeks, and I believe that Concho does not oppose that.~~

24 MR. BRUCE: Yes, Mr. Examiner, I represent the
25 Applicant, and we would ask that it be continued for two

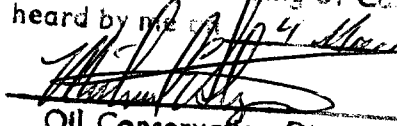
1 weeks to allow the parties to complete their negotiations.

2 EXAMINER STOGNER: Case 13,217 will be continued
3 to the March 18th hearing. Any other continuances or
4 dismissals at this time.

5 We have one contested case that I know of on the
6 docket today, and that is 13,226. That's the Application
7 of OXY for rescission of an APD and compulsory pooling.
8 This case will be put on the docket last, so we can get the
9 uncontested cases out first.

10 (Thereupon, these proceedings were concluded at
11 8:20 a.m.)

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17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiners Hearing of Case No. 13217
20 heard by me on 18 March 2004.
21  , Examiner
22 Oil Conservation Division
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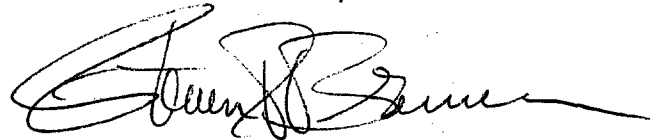
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 5th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006