

DOCKET: EXAMINER HEARING - THURSDAY – OCTOBER 12, 2006**8:15 A.M. - 1220 South St. Francis****Santa Fe, New Mexico**

Docket Nos. 35-06 and 36-06 are tentatively set for October 26, 2006 and November 9, 2006. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 1211.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant's request. The following Cases will be heard by an Examiner.

CASE NO. 13793: *Application of Lance Oil & Gas Company, Inc. for compulsory pooling, San Juan County, New Mexico.* Applicant seeks an order pooling all mineral interests to the Basin Fruitland Coal-Gas Pool underlying the W/2 of Section 18, T29N, R14W, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from the Basin Fruitland Coal Gas Pool. This unit is to be dedicated to its KLOG "18" Well No. 2 to be drilled at a standard gas well location in the SW/4 NW/4 (Unit E) of this section for production from the Basin Fruitland Coal Gas Pool. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Lance Oil & Gas Company, Inc. as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 1/2 mile Southeast from the center of Kirkland, New Mexico. In the absence of objection, this matter will be taken under advisement.

CASE NO. 13794: *Application of Peoples Energy Production – Texas L.P. for an unorthodox well location and an exception to the well density requirements for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.* Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to simultaneously produce the following three Mesaverde wells located in the same quarter section (SE/4) on a standard 322.24 spacing and proration unit comprised of the E/2 of Section 26, Township 32 North, Range 9 West, NMPM:

A. The Gardner Well No. 5A (API No. 30-045-30280) drilled as a vertical well at a location 787 feet from the South line and 1625 feet from the East line (Unit O);

B. The Gardner Well No. 12 (API No. 30-045-33630) directionally drilled from a surface location 700 feet from the South line and 1665 feet from the East line of Section 26 to an unorthodox bottomhole location 2024 feet from the South line and 2453 feet from the East line (Unit J); and

C. The Gardner Well No. 14 (API No. 30-045-33631) directionally drilled from a surface location 795 feet from the South line and 1600 feet from the East line of Section 26 to a bottomhole location 2300 feet from the South line and 774 feet from the East line (Unit I) of the Section 26.

Applicant also seeks approval of the unorthodox bottomhole location of the Gardner Well No. 12.

Said wells are located approximately 18 miles northeast of Aztec, New Mexico.

CASE NO. 13786: *Continued from the September 28, 2006 Examiner Hearing.*

Application of Cimarex Energy Co. for compulsory pooling, Lea County, New Mexico. Cimarex Energy Co. seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in Section 17, Township 15 South, Range 36 East, NMPM, and in the following manner: The N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Caudill-Atoka Gas Pool and Undesignated Caudill-Mississippian Gas Pool.; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Caudill-Permo Upper Penn Pool. The units are to be dedicated to the Caudill West 17 Fee Well No. 1, to be drilled at an orthodox location in the NE/4 NE/4 of Section 17. 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 5-1/2 miles north-northeast of Lovington, New Mexico.

CASE NO. 13795: *Application of Devon Energy Production Company, L.P. for simultaneous dedication and an unorthodox gas well location, Eddy County, New Mexico.* Applicant seeks approval to drill its Todd "23A" Federal Well No. 38 (.API No. 30-015-35076) as an infill well within an existing standard 640-acre gas spacing unit within the Undesignated Sand Dunes-Atoka Gas Pool (84600) comprising all of Section 23, Township 23 South, Range 31 East, at an unorthodox gas well location 660 feet from the North line and 860 feet from the East line (Unit A) of Section 23. Applicant further seeks authorization to simultaneously dedicate production attributed to the Sand Dunes-Atoka Gas Pool within this 640-acre unit from its: (i) existing Todd "23J" Federal Well No. 3 (.API No. 30-015-24257), located at a standard gas well location 1980 feet from the South line and 1800 feet from the East line (Unit J) of Section 23; and (ii) above-described Todd "23A" Federal Well No. 38. This unit is located approximately 39 miles south of Maljamar, New Mexico.

CASE NO. 13776: *Continued from the September 28, 2006 Examiner Hearing.*

Application of XTO Energy Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Blanco-Mesaverde Gas Pool underlying the N/2 of Section 10, Township 30 North, Range 11 West, NMPM, to form a 320-acre gas spacing unit within that vertical extent. The unit is to be dedicated to the Hampton Well No. 2, to be drilled at an orthodox gas well location in the NE/4 NE/4 of Section 10. 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 unit is located approximately 1 mile East of Aztec, New Mexico. IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.

CASE NO. 13755 (amended and readvertised): *Continued from the September 28, 2006 Examiner Hearing.*

Application of Unit Petroleum Company for compulsory pooling and to address the appropriate overriding royalty burdens for purposes of the charge for risk involved in drilling wells on the well unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from approximately 11,920 feet subsurface to the base of the Morrow formation underlying the E/2 of Section 23, Township 20 South, Range 35 East, NMPM, to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, including the West Osudo-Morrow Gas Pool. The unit is to be dedicated to the Byers Well No. 2, to be drilled at an orthodox gas well location in the SE/4 NE/4 of Section 23. 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. Applicant also requests that an overriding royalty owned by Magnolia, L.L.C. be disallowed for purposes of recovering the risk charge under the pooling orders for the existing Byers Well No. 1 (Order No. R-12050) and for the proposed Byers Well No. 2. The well unit is located approximately 10-1/2 miles southwest of Monument, New Mexico.

CASE NO. 13780: *Continued from the September 28, 2006 Examiner Hearing.*

Application of Unit Petroleum Company for compulsory pooling and approval of 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 Morrow formation underlying the N/2 of Section 17, Township 20 South, Range 36 East, NMPM, and in the following manner: The N/2 to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320 acre spacing within that vertical extent; the N/2 to form a non-standard 320-acre gas spacing and proration unit in the North Osudo-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160 acre spacing within that vertical extent; and the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Monument 17 Well No. 1, to be drilled in the NE/4 NE/4 of Section 17. 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, as well as approval of the non-standard gas well unit. The well units are located approximately 7 miles southwest of Monument, New Mexico.

CASE NO. 13711: *(Re-advertised) Application of the New Mexico Oil Conservation Division for an Order Requiring Tempo Energy, Inc., Peterson Petroleum Company and/or Joe D. Peterson to Plug 1 Well and Ordering Forfeiture of Applicable Financial Assurance in Event of Operator's Non-Compliance, Lea County, New Mexico.* Applicant seeks an order requiring Tempo Energy, Inc. to plug the following well and to forfeit applicable security: