

DOCKET: EXAMINER HEARING - THURSDAY – SEPTEMBER 14, 2006

**8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico**

Docket Nos. 30-06 and 31-06 are tentatively set for September 28, 2006 and October 12, 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. 13770: Application of Benson-Montin-Greer Drilling Corp. seeking approval of a Pilot Project, including an exception to Rules 4 and 7 of Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, for the purpose of establishing a pilot program to determine commercial feasibility for Fruitland Coal Gas Wells in Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico. More specifically, the application seeks approval for the drilling, completion and simultaneous production of five (5) Basin-Fruitland Coal Gas Wells in Section 34 of Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, four (4) of which will be drilled, completed, and produced in accordance with the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool. The fifth (5th) of the proposed wells will be drilled at a non-standard location in the NE/4 of Section 34 and will be one of three wells to which the E/2 of Section 34 is dedicated. The application has been assigned Case No. 13770 by the New Mexico Oil Conservation Division and has been set for hearing before a Hearing Examiner at 8:00 a.m. on Thursday, September 14, 2006 at the New Mexico Oil Conservation Division offices located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. The Applicant's address is 4900 College Blvd., Farmington, New Mexico 87402. The Applicant's contact person is its President, Mike Dimond, who can be contacted by phone at (505) 325-8874 ext. 6, by fax at (505) 327-9207, or by email at mikedimond@bmgdrilling.com.

CASE NO. 13771: Application of Kaiser-Francis Oil Company for Pool Creation, Promulgation of Special Pool Rules, for an Exception to the Gas-Oil Ratio Limitation, assignment of a Special Depth Bracket Allowable and Temporary Suspension of Drilling Permits within the Undesignated Portions of the Proposed Pool, Eddy, County, New Mexico. Applicant seeks an order creating a new pool in the Second Bone Spring formation comprised of the W/2 of Section 11, Township 22 South, Range 26 East, and for the promulgation of special pool rules establishing 320-acre spacing and proration units with the option for a second well and designated well locations, including 660' setback requirements. Applicant also seeks an exception from the gas oil ratio limitation under Division Rule 506 A that would permit wells drilled within the proration unit within the pool to produce up to a GOR limitation of three thousand cubic feet of gas for each barrel of oil produced, along with a commensurate increase in the depth bracket allowable under Division Rule 505. In addition, Applicant seeks the temporary suspension of drilling permits within the boundaries of the proposed pool and the undesignated portions thereof for wells to be drilled at locations that are inconsistent with the well setback requirements proposed for the pool. Applicant is the operator of the Mesa-Grande 11 Well No. 2 (API No. 30-015-3720) completed in the Second Bone Spring formation at a location 2661' FSL and 660' FWL (Unit L) of Section 11, T22S, R26E. The well and lands are located approximately ½ mile southwest of Carlsbad, New Mexico.

CASE NO. 13594 (Order No. 12459): Re-opened and Re-advertised. Application of Kaiser-Francis Oil Company To Amend Administrative Order NSL-5133 To Establish A Non-Standard Spacing and Proration Unit and for an Exception to Rule 104(B)(1), Eddy County, New Mexico. Applicant seeks the amendment of Administrative Order NSL-5133 to establish an 80-acre non-standard spacing and proration unit consisting of the SW/4 NW/4 and NW/4 SW/4 of Section 11, T-22-S R-26-E NMPM, Eddy County, New Mexico and for an exception to Rule 104(B)(1) for the completion of: its Mesa Grande "11" Well No. 2 in the Bone Spring and Delaware formations drilled at an unorthodox oil well location 2661' FSL and 660' FWL (Unit L) of Section 11. The subject lands and well are located approximately ½ mile southwest of Carlsbad, New Mexico.

CASE NO. 13759: Continued from August 17, 2006 Examiner Hearing. Application of Parallel Petroleum Corporation for compulsory pooling and an unorthodox well location, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration unit located in the W/2 of Section 22, Township 14 South, Range 26 East, N.M.P.M., Chaves County, New Mexico: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Wolfcamp Gas Pool. Said unit is to be dedicated to its Bernardini 1426-22 M Well No. 1 to be drilled at an unorthodox surface location 399 feet from the North line and 744

feet from the West line of Section 27 (set Kickoff point at 4177' and drill and advance hole to a Wolfcamp penetration point at approximately 662' FSL and 744' FWL of the Section 22 and continue drilling to BHL [9799' MD and 5235' TVD]) and a bottomhole location of 660 feet from the North line and 744 feet from the West line of Section 22, Township 14 South, Range 26 East to an approximate depth of 9,799 feet to test any and all formations from the surface to the base of the Wolfcamp. 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 Parallel Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 2 miles South of Hagerman, New Mexico.

CASE NO. 13760: Continued from August 17, 2006 Examiner Hearing.

Application of Parallel Petroleum Corporation for compulsory pooling and an unorthodox well location, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration unit located in the E/2 of Section 22, Township 14 South, Range 26 East, N.M.P.M., Chaves County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Wolfcamp Gas Pool. Said unit is to be dedicated to its Barbaro 1426-22 O Well No. 1 to be drilled at an unorthodox surface location 399 feet from the North line and 1910 feet from the East line of Section 27 (Set Kickoff point at 4192' and drill and advance hole to a Wolfcamp penetration point at approximately 662' FSL and 1910 FEL of the Section 22 and continue drilling to BHL [9814' MD and 5250' TVD]) and a bottomhole location of 660 feet from the North line and 1910 feet from the East line of Section 22, Township 14 South, Range 26 East to an approximate depth of 9,814 feet to test any and all formations from the surface to the base of the Wolfcamp. 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 Parallel Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 2 miles South of Hagerman, New Mexico.

CASE NO. 13772: Application of OXY USA WTP Limited Partnership 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 in the N/2 of Section 16, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the West Malaga-Morrow Gas Pool and the Undesignated West Malaga-Atoka Gas Pool. OXY proposes to dedicate the above-referenced spacing or proration units to its Big Spender State Com Well No. 1 to be drilled at a standard gas well location 660 feet from the North line and 700 feet from the West line (Unit D) of said Section 16. 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 OXY USA WTP Limited Partnership as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2 miles West of Malaga, New Mexico.

CASE NO. 13773: Application of OXY USA WTP Limited Partnership 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 in the following described spacing and proration units located in the S/2 of Section 29, Township 16 South, Range 32 East, N.M.P.M., Lea County, New Mexico: the S/2 for all formations and/or pools developed on 320-acre spacing; the SW/4 for all formations and/or pools developed on 160-acre spacing, and the E/2 SW/4 for all formations and/pools developed on 80-acre spacing. OXY proposes to dedicate the above-referenced spacing or proration units to its Oxy Miss Kite State Com Well No. 1 to be drilled at a standard gas well location 1980 feet from the South and West lines (Unit K) of said Section 29. 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 OXY USA WTP Limited Partnership as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3 miles NW of Maljamar, New Mexico.

CASE NO. 13774: Application of OXY USA WTP Limited Partnership 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 in the following described spacing and proration units located in the N/2 of Section 29, Township 16 South, Range 32 East, N.M.P.M., Lea County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing; the NW/4 for all formations and/or pools developed on 160-acre spacing, and the E/2 NW/4 for all formations and/pools developed on 80-acre spacing. OXY proposes to dedicate the above-referenced spacing or proration units to its Oxy Bat Hawk State Com Well No. 1 to be drilled at a standard gas well location 1650 feet from the North line and 1980 feet from the West line (Unit F) of said Section 29. 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,