

DOCKET: EXAMINER HEARING - THURSDAY – NOVEMBER 9, 2006

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

NOTICE: THE DECEMBER EXAMINER HEARING WILL BE HELD ON WEDNESDAY, DECEMBER 13, 2006.

Docket Nos. 38-06 and 39-06 are tentatively set for November 30, 2006 and December 13, 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. 13803: Application of LCX Energy, LLC for Approval of a Unit Agreement, Eddy County, New Mexico. Applicant seeks approval of the Big Dog State Exploratory Unit comprised of 1920 acres of State of New Mexico lands described as follows:

TOWNSHIP 18 SOUTH, RANGE 23 EAST, N.M.P.M

Section 16: All
Section 20: All
Section 21: All

The proposed unit area is located approximately 2 miles east of Hope, New Mexico.

CASE NO. 13804: Application of Read & Stevens, Inc. to limit the well spacing rules of the Lake Arthur-Pennsylvanian Gas Pool to its current horizontal extent, Chaves County, New Mexico. Applicant seeks an order limiting the well spacing rules of the Lake Arthur-Pennsylvanian Gas Pool to acreage currently within the designated horizontal extent of the pool. The pool is developed on 160-acre spacing. The pool covers the SE/4 of Section 36, Township 15 South, Range 26 East, NMPM and the SW/4 of Section 31, Township 15 South, Range 27 East, NMPM. The pool is centered approximately 11 miles northeast of Artesia, New Mexico.

CASE NO. 13805: Application of BP America Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Cisco formation to the base of the Morrow formation underlying Lots 3, 4, S/2 NW/4, and SW/4 (the W/2) of Section 3, Township 18 South, Range 34 East, NMPM. to form a standard 321.09-acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Vacuum-Morrow Gas Pool. The unit is to be dedicated to the South Sunflower "3" State Com. Well No. 1, drilled at an orthodox gas well location in Lot 4 of Section 3. Also to be considered will be the designation of applicant as operator of the well. The unit is located approximately 3-1/2 miles southwest of Buckeye, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

CASE NO. 13806: Application of Mewbourne Oil Company for approval of a unit agreement, Eddy County, New Mexico. Applicant seeks approval of the Horseshoe State Exploratory Unit Area, comprising 640.00 acres of state lands in Sections 28 and 33, Township 23 South, Range 25 East, NMPM. The proposed unit area is centered approximately 6 miles north-northwest of Whites City, New Mexico.

CASE NO. 13807: Application of Mewbourne Oil Company 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 following described acreage in Section 33, Township 21 South, Range 26 East, NMPM, and in the following manner: The E/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 Happy Valley-Strawn Gas Pool and Happy Valley-Morrow Gas Pool; and the SE/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. The units are to be dedicated to the proposed Rifle Range "33" State Com. Well No. 1, to be drilled at an orthodox location in the NE/4 SE/4 of Section 33. 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 4 miles west-northwest of Carlsbad, New Mexico.

CASE NO. 13808: Application of Mewbourne Oil Company 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 6, Township 20 South, Range 36 East, NMPM, and in the following manner: Lots 1-7, S 2 NE 4, SE 4 NW 4, E 2 SW 4, and SE 4 (All) to form a standard 637.18-acre gas spacing and proration unit for any and all formations or pools developed on 640-acre spacing within that vertical extent, including the North Osudo-Morrow Gas Pool; and Lots 1, 2, S 2 NE 4, and SE 4 (the E 2) to form a standard 320.31-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent. The units are to be dedicated to the proposed Osudo North "6" Well No. 1, to be drilled at an orthodox location in the NW 4 SE 4 of Section 6. 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 7-1/2 miles west-southwest of Monument, New Mexico.

CASE NO. 13809: Application of Mewbourne Oil Company 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 following described acreage in Section 11, Township 18 South, Range 29 East, NMPM, and in the following manner: The E 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 Sand Tank-Morrow Gas Pool; and 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. The units are to be dedicated to the proposed Pavo "11" State Com. Well No. 2, to be drilled at an orthodox location in the SE 4 NE 4 of Section 11. 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 southwest of Loco Hills, New Mexico.

CASE NO. 13799: Continued from the October 26, 2006 Examiner Hearing.

Application of COG Operating, L.L.C. for an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks to drill its proposed Harvard Federal Well No. 7 (API No. 30-015-35055) at an unorthodox Paddock oil well location 1090 feet from the North line and 330 feet from the West line (Unit D) of Section 12, Township 17 South, Range 30 East, which is located approximately four (4) miles northeast of Loco Hills, New Mexico. The NW 4 NW 4 of Section 12 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the Undesignated Loco Hills-Paddock Pool (96718).

CASE NO. 13800: Continued from the October 26, 2006 Examiner Hearing.

Application of Devon Energy Production Company, L. P. for an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks an exception to Division Rule 104.C (3) for its Northeast Blanco Unit Well No. 233 (API No. 30-045-32800) drilled to and completed in the South Los Pinos Fruitland Sand-Pictured Cliffs Pool (80690) from a surface location 1400 feet from the North line and 1 foot from the West line (Unit E) of Section 23, Township 31 North, Range 7 West, which is located approximately seven (7) miles north-northeast of the Navajo Dam on the San Juan River at the Navajo Reservoir. Applicant will submit proper evidence at the hearing, pursuant to Division Rule 111.B (4), to adequately show which acreage will be dedicated to this well in order to form a standard 160-acre gas spacing unit, either: (i) the NW 4 of Section 23; or (ii) the NE 4 of Section 22, Township 31 North, Range 7 West.

CASE NO. 13790: Continued from the October 26, 2006 Examiner Hearing.

Application of XTO Energy, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval to drill its proposed Butte Well No. 4 at an unorthodox coal gas well location within the S 2 equivalent (Lots 3 and 4, the E 2 SW 4, and the SE 4) of Irregular Section 18, Township 30 North, Range 13 West, being a 252.20-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629), 480 feet from the South line and 440 feet from the West line (Unit N) of Irregular Section 18. This unit is located approximately 4.5 miles north by west of the Four Corners Regional Airport in Farmington, New Mexico.

CASE NO. 13801: Continued from the October 26, 2006 Examiner Hearing.

Application of U. S. Enercorp, Ltd. for an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant seeks an exception to Rule 4 (a) of the "Special Rules and Regulations for the West Puerto Chiquito-Manco Oil Pool," as promulgated by Division Order No. R-6469-B, as amended, for its proposed Almagre Arroyo "30" Well No. 1 to be drilled as a high angle directional well through the Manco formation from a surface location 2605 feet from the South