

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date

OCTOBER 29, 1996

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Louis W Rose	Montgomery & Andrews	Santa Fe
Robert J. Menzie, Jr.	Marathon Oil Co.	Midland, TX
W. Yellchin	Kellahito Yellchin	Santa Fe
Thomas Lowry	Marathon Oil	Midland
William F. Sam	Samuelson, Fong & Sundan	Santa Fe
Maurice Trimmer	Bepco Report	"
Denny Foust	NMOCB	Albuquerque
Ron Johnson	Pub. Svc. Co. New Mexico	Albuquerque
Bill Olson	NMOCB	Santa Fe
Ned Kendrick	Montgomery & Andrews	SF
John McKay	NMUGA	S.F.
Don Neepes	NM Citizens Clean Air & Water	Los Alamos
Rand Carroll	UCD	
MARK ASHLEY	UCD	SF
James Bruce	Hughes Law Firm	SF

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

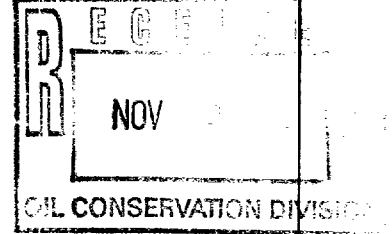
Hearing Date

OCTOBER 29, 1996

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Jim Brannigan	Read + Stevens Inc	Roswell
John Mapey	Read + Stevens Inc	Roswell
Ken Macho	MATADOR Pet	DALLAS
Tracy Evans	Matador Pet	Dallas
Bruce Osborne	MATADOR PETROLEUM	DALLAS

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



CASE NOS. 11,579 and 11,515

CONTINUED CASES

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: WILLIAM J. LEMAY, CHAIRMAN
WILLIAM WEISS, COMMISSIONER
JAMI BAILEY, COMMISSIONER

ORIGINAL

October 29th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, WILLIAM J. LEMAY, Chairman, on Tuesday, October 29th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, 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

October 29th, 1996
 Commission Hearing
 CASE NOS. 11,579 and 11,515 (Continued cases)

PAGE

REPORTER'S CERTIFICATE

5

* * *

A P P E A R A N C E S

FOR THE COMMISSION:

LYN S. HEBERT
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT (Case No. 11,579):

HINKLE, COX, EATON, COFFIELD & HENSLEY
 218 Montezuma
 P.O. Box 2068
 Santa Fe, New Mexico 87504-2068
 By: JAMES G. BRUCE

FOR WOOSLEY OIL COMPANY (Case No. 11,515):

MONTGOMERY & ANDREWS, P.A.
 325 Paseo de Peralta
 P.O. Box 2307
 Santa Fe, New Mexico 87504-2307
 By: EDMUND H. KENDRICK

* * *

1 WHEREUPON, the following proceedings were had at
2 9:08 a.m.:

3 CHAIRMAN LEMAY: Okay, we shall call a couple
4 cases here which the docket shows will be continued.

5 First will be Case Number 11,579, which is the
6 Application of Pogo Producing Company for a pressure
7 maintenance project, Lea County, New Mexico. This is a *de*
8 *novo* hearing.

9 Is there a motion by any of the lawyers present
10 to continue this to the December 12th hearing?

11 MR. BRUCE: Mr. Chairman, Jim Bruce from the
12 Hinkle law firm in Santa Fe. I had previously submitted a
13 letter requesting continuance of this motion for two
14 months.

15 CHAIRMAN LEMAY: Two months. Is there any
16 objection to that continuance?

17 If not, Case Number 11,579 will be continued to
18 the December 12th hearing. The Commission does plan to
19 hold a hearing that date.

20 * * *

21 I shall now call Case Number 11,515, which is in
22 the matter of the hearing called by the Oil Conservation
23 Division on its own motion to permit the operator, Woosley
24 Oil Company, American Employees Insurance Company and all
25 other interested parties to show cause on a plugging case.

1 My notes here show this has been -- This case
2 will be continued to December 12th; is that correct?

3 Mr. Kendrick?

4 MR. KENDRICK: Yes, Chairman LeMay, we have
5 requested a continuance to December 12th on behalf of the
6 two insurance companies.

7 CHAIRMAN LEMAY: Okay. Is there any objection to
8 continuance to December 12th? In that case, Case Number
9 11,515 will be continued to the December 12th hearing.

10 (Thereupon, these proceedings were concluded at
11 9:10 a.m.)

12 * * *

13

14

15

16

17

18

19

20

21

22

23

24

25


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 Commission 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 November 1st, 1996.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

NOTICE

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.

The Oil Conservation Commission may vote to close the open meeting to deliberate the Read & Stevens, Inc. et. al. v. Oil Conservation Commission, et al. case that was remanded to the Commission by the Honorable William P. Lynch. Any final action taken as a result of such deliberations on the case will be taken in open meeting.

The Oil Conservation Commission may vote to close the open meeting to deliberate any De Novo case heard at this hearing.

The appointment of a hearing officer to hear preliminary matters before the Commission will be made.

CASE 11931: The Oil Conservation Division is calling a hearing to consider proposed April, 1998 - September, 1998 gas allowables for the prorated gas pools in New Mexico. Allowable assignment factors are being distributed with an OCD Memorandum dated February 6, 1998. If requests for changes are not received at the February 26, 1998 hearing, these factors will be used to assign allowables for the April - September period.

CASE 11705: (Continued from September 25, 1997, Commission Hearing)

Proposed amendments may be viewed on the net.

Application of the Oil Conservation Division to amend Order R-8170, as amended, "General Rules for the Prorated Pools of New Mexico." Applicant seeks to amend Order No. R-8170, as amended, to simplify the testing and proration rules as applied to the prorated pools of Northwest New Mexico.

CASE 11579: (De Novo - Continued from December 11, 1997, Commission Hearing.)

Application of Pogo Producing Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to institute a pressure maintenance project in the West Red Tank-Delaware Pool within its federal oil and gas lease (No. NM-86149) comprising the W/2 of Section 26, Township 22 South, Range 32 East, by the injection of natural gas through the perforated interval from approximately 8,399 feet to 8,471 feet into its existing Red Tank "26" Federal Well No. 1 located 1880 feet from the South and West lines (Unit K) of said Section 26. Said project area is located approximately 29 miles west by south of Eunice, New Mexico. Upon application of Pogo Producing Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11844: (De Novo - Continued from December 11, 1997, Commission Hearing.)

Application of Chesapeake Operating, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval to drill its proposed Gandy "19" Well No. 1 at an unorthodox oil well location 2523 feet from the North line and 2370 feet from the East line (Unit G) of Section 19, Township 16 South, Range 36 East, to the base of the Strawn formation, said location being unorthodox for any and all oil producing formations, and if productive, to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the SW/4 NE/4 of said Section 19. Said location is located approximately 3 ½ miles southwest of Lovington, New Mexico. Upon application of Marathon Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11807: (De Novo)

Application of Stevens & Tull, Inc. for salt water disposal, Lea County, New Mexico. Applicant seeks authority to dispose of water produced from the Yates-Seven Rivers formation back into the Yates-Seven Rivers formation of the West Teas Yates-Seven Rivers Pool in the interval from 2989 feet to 3212 feet in its State "BF" Well No. 4 located 330 feet from the North and East lines (Unit A) Section 16, Township 20 South Range 33 East. In addition, applicant seeks approval of a surface injection pressure of 1,000 psi and an administrative procedure for obtaining further increases in said limitation. Said well is located approximately 3 ½ miles northeast of the intersection of US Highway 180 and New Mexico Highway 176 in New Mexico. Upon application of Stevens & Tull, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11894: (De Novo)

Application of Chesapeake Operating Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval to drill its Salbar "16" Well No. 1 at an unorthodox oil well location within a standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 (Unit E) of Section 1, Township 16 South, Range 36 East (located approximately 1.5 miles southwest of the intersection of U.S. Highway 82 and New Mexico State Highway No. 18) 2456 feet from the North line and 1028 feet from the West line (Unit E) of said Section 16 for all formations and/or pools developed on statewide 40-acre spacing which presently includes, but is not necessarily limited to the Undesignated Diamond-Strawn Pool and Undesignated West Lovington-Pennsylvanian Pool. Upon application of Yates Petroleum Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11838: (De Novo - Continued from December 11, 1997, Commission Hearing.)

Application of Premier Oil & Gas, Inc. to have a wellbore of its included in the Avalon (Delaware) Unit operated by Exxon Company USA, Eddy County, New Mexico. Applicant seeks to include its FV-1 Well located 1980 feet from the North line and 990 feet from the East line (Unit H) of Section 25, Township 20 South, Range 27 East, as a unit wellbore in the Avalon (Delaware) Unit, including but not limited to amending Exhibit H of the Unit Operating Agreement to include said wellbore and to qualify said wellbore as a useable wellbore committed to its Avalon (Delaware) Unit prior to October 1, 1997. Said unit is located approximately 7 miles southeast of Lakewood, New Mexico. Upon application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

THIS HEARING WILL BE LIMITED TO ARGUMENTS REGARDING DISMISSAL OF THIS CASE AT THE DIVISION LEVEL.

CASE 11808: (De Novo - Continued from December 11, 1997, Commission Hearing.)

Application of Burlington Resources Oil & Gas Company for compulsory pooling and a non-standard gas proration and spacing unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests, including working interests, royalty interests and overriding royalty interests, below the base of the Dakota formation (base of the Cretaceous aged formation) to the top of the Pre-Cambrian aged formation underlying all of Irregular Section 9, Township 31 North, Range 10 West, forming a non-standard 636.01-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Said unit is to be dedicated to its Scott Well No. 24 to be drilled at a standard gas well location 1535 feet from the North line and 2500 feet from the West line (Unit F) of said Section 9. 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 well is located approximately 2 1/2 miles southeast of Cedar Hills, New Mexico. Upon the application of Total Minatone Corporation, Timothy B. Johnson, Trustee for Ralph A. Bard, Jr. Trust U/A/D February 12, 1983 et al., and Lee Wayne Moore and Joann Montgomery Moore, Trustees, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11809: (De Novo - Continued from December 11, 1997, Commission Hearing.)

Application of Burlington Resources Oil & Gas Company for compulsory pooling, an unorthodox gas well location and a non-standard proration unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral owners, including working interests, royalty interests and overriding royalty interests below the base of the Dakota formation (base of the Cretaceous aged formation) to the top of the Pre-Cambrian aged formation underlying all of Irregular Section 8, Township 31 North, Range 10 West, forming a non-standard 639.78-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Said unit is to be dedicated to its Marcotte Well No. 2 to be drilled at an unorthodox gas well location 1540 feet from the South line and 935 feet from the East line (Unit D) of said Section 8. 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 well is located approximately 2 1/2 miles southeast of Cedar Hills, New Mexico. Upon the applications of Total Minatone Corporation, Timothy B. Johnson, Trustee for Ralph A. Bard, Jr. Trust U/A/D February 12, 1983 et al., Lee Wayne Moore and Joann Montgomery Moore, Trustees, and Bert Harris, this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 11, 1997**9:00 A.M. - 2040 SOUTH PACHECO - SANTA FE, NEW MEXICO****The Land Commissioner's designee for this hearing will be Jami Bailey or Gary Carlson****CASE 11844: (De Novo)**

Application of Chesapeake Operating, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval to drill its proposed Gandy "19" Well No. 1 at an unorthodox oil well location 2523 feet from the North line and 2370 feet from the East line (Unit G) of Section 19, Township 16 South, Range 36 East, to the base of the Strawn formation, said location being unorthodox for any and all oil producing formations, and if productive, to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the SW/4 NE/4 of said Section 19. Said location is located approximately 3 ½ miles southwest of Lovington, New Mexico. Upon application of Marathon Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11838: (De Novo)

Application of Premier Oil & Gas, Inc. to have a wellbore of its included in the Avalon (Delaware) Unit operated by Exxon Company USA, Eddy County, New Mexico. Applicant seeks to include its FV-1 Well located 1980 feet from the North line and 990 feet from the East line (Unit H) of Section 25, Township 20 South, Range 27 East, as a unit wellbore in the Avalon (Delaware) Unit, including but not limited to amending Exhibit H of the Unit Operating Agreement to include said wellbore and to qualify said wellbore a useable wellbore committed to its Avalon (Delaware) Unit prior to October 1, 1997. Said unit is located approximately 7 miles southeast of Lakewood, New Mexico. Upon application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

THIS HEARING WILL BE LIMITED TO ARGUMENTS REGARDING DISMISSAL OF THIS CASE AT THE DIVISION LEVEL.

CASE 11808: (De Novo)

Application of Burlington Resources Oil & Gas Company for compulsory pooling and a non-standard gas proration and spacing unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests, including working interests, royalty interests and overriding royalty interests, below the base of the Dakota formation (base of the Cretaceous aged formation) to the top of the Pre-Cambrian aged formation underlying all of Irregular Section 9, Township 31 North, Range 10 West, forming a non-standard 636.01-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Said unit is to be dedicated to its Scott Well No. 24 to be drilled at a standard gas well location 1535 feet from the North line and 2500 feet from the West line (Unit F) of said Section 9. 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 well is located approximately 2 ½ miles southeast of Cedar Hills, New Mexico. Upon the application of Total Minatone Corporation, Timothy B. Johnson, Trustee for Ralph A. Bard, Jr. Trust U/A/D February 12, 1983 et al., and Lee Wayne Moore and Joann Montgomery Moore, Trustees, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11809: (De Novo)

Application of Burlington Resources Oil & Gas Company for compulsory pooling, an unorthodox gas well location and a non-standard proration unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral owners, including working interests, royalty interests and overriding royalty interests below the base of the Dakota formation (base of the Cretaceous aged formation) to the top of the Pre-Cambrian aged formation underlying all of Irregular Section 8, Township 31 North, Range 10 West, forming a non-standard 639.78-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Said unit is to be dedicated to its Marcotte Well No. 2 to be drilled at an unorthodox gas well location 1540 feet from the South line and 935 feet from the East line (Unit I) of said Section 8. 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 well is located approximately 2 ½ miles southeast of Cedar Hills, New Mexico. Upon the applications of Total Minatome Corporation, Timothy B. Johnson, Trustee for Ralph A. Bard, Jr. Trust U/A/D February 12, 1983 et al., Lee Wayne Moore and Joann Montgomery Moore, Trustees, and Bert Harris, this case will be heard De Novo pursuant to the provisions of Rule 1220.

THE FOLLOWING CASES ARE AWAITING FINAL COMMISSION ACTION:

CASE 11856: Application of Burlington Resources Oil & Gas Company to amend New Mexico Oil Conservation Division Rule 1105.C to expand and extend the confidentiality provisions of said rule.

CASE 11723: Application of Mewbourne Oil Company for an unorthodox gas well location and non-standard gas proration unit, Eddy County, New Mexico.

CASE 11755: Application of Fasken Oil and Ranch, Ltd. for a non-standard gas proration and spacing unit and two alternate unorthodox gas well locations, Eddy County, New Mexico.

CASE 11868: Application of Texaco Exploration and Production Inc. for clarification or, in the alternative, an exception to the special pool rules and regulations for the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico.

DOCKET: COMMISSION HEARING - THURSDAY - JUNE 5, 1997

9:00 A.M. - 2040 SOUTH PACHECO - SANTA FE, NEW MEXICO
The Land Commissioner's designee for this hearing will be Jami Bailey

CASE 11793: Application of the Oil Conservation Division upon its own motion to amend Rule 1104 of its General Rules and Regulations to eliminate the requirement of filing Form C-104 for change of transporter.

CASE 11772: (De Novo - Continued from January 16, 1997, Commission Hearing - This Case will be Continued to December 11, 1997.)

Application of Pogo Producing Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to institute a pressure maintenance project in the West Red Tank-Delaware Pool within its federal oil and gas lease (No. NM-86149) comprising the W/2 of Section 26, Township 22 South, Range 32 East, by the injection of natural gas through the perforated interval from approximately 8,399 feet to 8,471 feet into its existing Red Tank "26" Federal Well No. 1 located 1880 feet from the South and West lines (Unit K) of said Section 26. Said project area is located approximately 29 miles west by south of Eunice, New Mexico. Upon application of Pogo Producing Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11599: (De Novo - Continued from April 10, 1997, Commission Hearing.)

Application of Gillespie-Crow, Inc. for an allowable reduction, Lea County, New Mexico. Applicant seeks an order restricting production from wells completed in the West Lovington-Strawn Pool that are in communication with wells in the West Lovington Strawn Unit, and which adjoin but are outside the unit, to rates equal to the average producing rate for wells within the unit. The unit comprises all of Section 33 and the W/2 of Section 34, Township 15 South, Range 35 East; Lots 1 through 8 of Section 1, Township 16 South, Range 35 East; and Lots 3 through 5 of Section 6, Township 16 South, Range 36 East. Said unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico. Upon application of Yates Petroleum Corporation and Hanley Petroleum, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

THE FOLLOWING CASES ARE AWAITING FINAL COMMISSION ACTION:

CASE 11720: Application of the Oil Conservation Division for an order amending Rule 103 of its General Rules and Regulations pertaining to signs on wells.

CASE 11515: OCD Plugging Case - Woosley Oil Company.

CASE 11615: Thornton Operating Corporation for Pool Contraction, Pool Creation, Special Pool Rules, Non-Standard Spacing or Proration Unit, Directional Drilling and an Unorthodox Well Location, Chaves County, New Mexico.

CASE 11635: OCD to enact a new rule establishing methods and standards for the prevention and abatement of water pollution with operations in the oil and gas industry.

CASE 11762: OCD to amend Rule 111 of its General Rules and Regulations.