

DOCKET: EXAMINER HEARING - THURSDAY - FEBRUARY 20, 1997

8:15 AM - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos 7-97 and 8-97 are tentatively set for March 6, 1997 and March 20, 1997. 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 11708: (Readvertised)

Application of Phillips Petroleum Company for the establishment of a downhole commingling reference case for its San Juan 29-5 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, Rio Arriba County, New Mexico. Applicant in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 29-5 Unit located in Township 29 North, Range 5 West. The center of said area is located approximately 1 mile east of the Gobernador Camp, New Mexico.

CASE 11709: (Readvertised)

Application of Phillips Petroleum Company for the establishment of a downhole commingling reference case for its San Juan 30-5 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, Rio Arriba County, New Mexico. Applicant in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 30-5 Unit located in Township 30 North, Range 5 West. The center of said area is located approximately 7 miles north-northwest of the Gobernador Camp, New Mexico.

CASE 11722: Application of Nearburg Exploration Company, L.L.C. 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 E/2 of Section 28, Township 20 South, Range 33 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the Halfway-Atoka Gas Pool and the South Salt Lake-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 28 for any and all formations/pools developed on 160-acre gas spacing. Said unit is to be dedicated to its Tomahawk "28" Federal Com Well No. 1 to be drilled and completed at a standard well location in Unit I of said Section 28. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles east of the intersection of State Highway 176/FAS 1217 and U.S. Highway 180 (Laguna Gatuna Area), New Mexico.

CASE 11089 (Reopened - Continued from February 6, 1997, Examiner Hearing.)

In the matter of Case No. 11089 being reopened pursuant to the provisions of Division Order No. R-46-A, which order promulgated Temporary Special Pool Rules and Regulations for the Parker Dome-Akah/Upper Barker Creek, Barker Dome-Desert Creek and Barker Dome-Ismael Pools in San Juan, County, New Mexico. Operators should appear and show cause why the rules should not be rescinded.

CASE 11723: Application of Mewbourne Oil Company for an unorthodox gas well location and non-standard gas proration unit, Eddy County, New Mexico. Applicant seeks authorization to drill a well at an unorthodox gas well location 660 feet from the South line and 2310 feet from the East line (Lot 31-Unit W) of Irregular Section 1, Township 21 South, Range 25 East, to test the Catclaw Draw-Morrow Gas Pool. Lots 29, 30, 31, and 32 and the SW/4 (S/2 equivalent) of said irregular Section 1 is to be dedicated to said well to form a non-standard 297.88-acre, more or less, gas spacing and proration unit for said pool. Said unit is located approximately 9 miles northwest of Carlsbad, New Mexico.

CASE 11632: (Continued from January 23, 1997, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the N/2 of Section 8, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing. Applicant proposes to dedicate this pooled unit to its Scoggin Draw "8" State Well No. 1, to be drilled at an orthodox location 660 feet from the North line and 2250 feet from the East line (Unit B) 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles southwest of Artesia, New Mexico.

- CASE 11724:** Application of Gillespie-Crow, Inc. for unit expansion, statutory unitization, and qualification of the expanded unit area for the recovered oil tax rate and certification of a positive production response pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks an order expanding the West Lovington Strawn Unit and unitizing all mineral interests in the designated and Undesignated West Lovington-Strawn Pool underlying the S/2 SE/4 of Section 28, all of Section 33, and the W/2 and W/2 SE/4 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, comprising 1618.95 acres, more or less, of state, federal, and fee lands. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, Sections 70-7-1 et. seq., will be: the necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate. Applicant further seeks to qualify the expanded unit area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), and to certify two wells within the expanded unit area for a positive production response. Said unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.
- CASE 11725:** Application of Manzano Oil Corporation for compulsory pooling and an unorthodox oil well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, underlying the following described acreage in Section 2, Township 16 South, Range 36 East, and in the following manner: (a) the S/2 SE/4 to form a standard 80-acre oil spacing and proration unit for any pools developed on 80-acre spacing within said vertical extent, which presently includes the Undesignated North Lovington-Wolfcamp Pool and the Undesignated Northeast Lovington-Pennsylvanian Pool; and, (b) the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to a single well to be drilled at an unorthodox oil well location for both the 40 and 80-acre tracts 487 feet from the South line and 1270 feet from the East line (Unit O) of said Section 2. 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 the operator of the well, and a charge for risk involved in drilling said well. Said well location is approximately one mile east of Lovington, New Mexico.
- CASE 11726:** Application of ARCO Permian, a unit of Atlantic Richfield for compulsory pooling, directional drilling and unorthodox well locations, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2, in all formations developed on 160-acre spacing underlying the SW/4, in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SE/4 SW/4, from below 3300 feet to the base of the Upper Mississippian formation, of Section 8, Township 18 South, Range 28 East. Said units are to be dedicated to its Mimosa 8 State Com Well No. 1 which will be directionally drilled from an unorthodox surface location 350 feet from the South line and 2003 feet from the West line (Unit N) to an unorthodox bottomhole location in the Mississippian and Morrow formations, within 55 feet of a point 404 feet from the South line and 1749 feet from the West line of said Section 36. 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 the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 14 miles southeast of Artesia, New Mexico.
- CASE 11727:** Application of ARCO Permian, a Division of Atlantic Richfield Company, for an unorthodox bottomhole location and directional drilling, Eddy County, New Mexico. Applicant seeks authorization to directionally drill its Evelyn 35 State Com Well No. 1 to the base of the Upper Mississippian formation from a surface location 1730 feet from the North line and 660 feet from the East line (Unit H) to an unorthodox bottomhole location within 100 feet of a point in the Morrow formation, South Empire-Morrow Gas Pool, 1253 feet from the North line and 508 feet from the East line of Section 35, Township 17 South, Range 28 East. The N/2 of said Section 35 shall be dedicated to this well. Said area is located approximately 18 miles southeast of Artesia, New Mexico.
- CASE 11728:** Application of Thompson Engineering & Production Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks authorization to drill its Steward Com Well No. 1 at an unorthodox "off pattern" coal gas well location in the Basin Fruitland Coal (Gas) Pool 790 feet from the South and East lines (Unit P) of Section 28, Township 32 North, Range 13 West. The E/2 of said Section 28 is to be dedicated to said well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 3 miles north of La Plata, New Mexico.
- CASE 11729:** Application of Penwell Energy, Inc. for a unit agreement, Eddy County, New Mexico. Applicant seeks approval of the Chimayo Unit Agreement for an area comprising 4,160 acres, more or less, of Federal and State lands in all or portions of Sections 7, 8, 9, 16, 17, 20, 21 and 28 of Township 25 South, Range 29 East, which is located approximately 20 miles southeast of Carlsbad, New Mexico.

Dockets Nos 4-97 and 5-97 are tentatively set for February 6, 1997 and February 20, 1997. 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 11706: Application of Yates Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests for those intervals comprising the Quail (Queen) Pool underlying the NE/4 NW/4 of Section 18, Township 19 South, Range 35 East, forming a standard 40-acre oil spacing and proration unit. Said unit is dedicated to its Reddy-Gulf State Well No. 2 which will be recompleted in an attempt to return the well to a producing status. Said well is located 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 18. Also to be considered will be the costs of recompleting said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in recompleting said well. Said unit is located approximately 16 miles northeast of Halfway, New Mexico.

CASE 11707: Application of Yates Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests for those intervals comprising the Artesia Queen-Grayburg-San Andres Pool underlying the SW/4 NE/4 of Section 1, Township 18 South, Range 28 East, forming a standard 40-acre oil spacing and proration unit. Said unit is dedicated to its Fulton Collier State Well No. 1 which will be recompleted in an attempt to return the well to a producing status. Said well is located 1980 feet from the North line and 1650 feet from the East line (Unit G) of said Section 1. Also to be considered will be the costs of recompleting said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in recompleting said well. Said unit is located approximately 9 miles west-southwest of Loco Hills, New Mexico.

CASE 11685: (Continued from January 9, 1997, Examiner Hearing.)

Application of Burlington Resources Oil & Gas Company for the establishment of a downhole commingling reference case for its Canyon Largo Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, Rio Arriba County, New Mexico. Applicant, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal, Chacra, Gallup and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the Canyon Largo Unit located in Townships 24 and 25 North, Ranges 6 and 7 West. The center of said area is located approximately 9 miles northwest of the El Paso Natural Gas Plant-Lindreth Station on New Mexico State Highway 403.

CASE 11708: Application of Phillips Petroleum Company for the establishment of a downhole commingling reference case for its San Juan 29-5 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, San Juan County, New Mexico. Applicant in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 29-5 Unit located in Township 29 North, Range 5 West. The center of said area is located approximately 1 mile east of the Gobernador Camp, New Mexico.

CASE 11709: Application of Phillips Petroleum Company for the establishment of a downhole commingling reference case for its San Juan 30-5 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, San Juan County, New Mexico. Applicant in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 30-5 Unit located in Township 30 North, Range 5 West. The center of said area is located approximately 7 miles north-northwest of the Gobernador Camp, New Mexico.

CASE 11542: (Continued from December 5, 1996, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling and an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks an order pooling certain mineral interests in the Blanco Mesaverde Pool underlying Lots 1, 2, 7, 8, 9, 10, 15 and 16 (the E/2 equivalent) of Section 23, Township 31 North, Range 9 West, forming a 313.63-acre gas spacing and proration unit. Said unit is to be dedicated to Meridian Oil Inc.'s proposed Seymour Well No. 7A which is an "Infill Blanco-Mesaverde Well" to be drilled at an unorthodox gas well location 1615 feet from the South line and 2200 feet from the East line of said Section 23 to test for production from the Mesaverde formation. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling and completing, the allocation of those costs and income therefrom as well as actual operating costs and charges for supervision, a charge for risk involved in drilling and completing said well and the designation of applicant as the operator of the well. Said well is located approximately 9 miles southeast of Cedar Hills, New Mexico.

CASE 11684: (Continued from January 23, 1997, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. 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 E/2 of Section 4, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, the North Empire-Atoka Gas Pool, and the South Empire-Wolfcamp Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 4 for any and all formations/pools developed on 160-acre gas spacing, and forming a 40-acre spacing unit underlying the SE/4 NE/4 of said Section 4 for any and all formations and/or pools spaced on 40-acre spacing. Said unit is to be dedicated to its Hummer "4" State Com Well No. 1 to be drilled and completed at a standard well location in Unit H of said Section 4. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 14 miles southeast of Artesia, New Mexico.

CASE 11710: **Application of Enron Oil & Gas 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 W/2 of Section 36, Township 17 South, Range 29 East, as follows: the W/2 for all formations developed on 320-acre spacing; the SW/4 for all formations developed on 160-acre spacing; the E/2 SW/4 for all formations developed on 80-acre spacing; and the NE/4 SW/4 for all formations developed on 40-acre spacing. Applicant proposes to dedicate these pooled units to its Sand Tank "36" State Com Well No. 1 to be drilled at a standard location 1980 feet from the South and West lines (Unit K) of said Section 36. 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 the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3 miles southwest of Loco Hills, New Mexico.

CASE 11711: **Application of Enron Oil & Gas Company for amendment of Division Order No. R-10658, Lea County, New Mexico.** Applicant seeks the amendment of Division Order No. R-10658 which pooled all mineral interests from the surface to the base of the Morrow formation, South Bell Lake-Morrow Gas Pool, underlying the E/2 of Section 7, Township 24 South, Range 34 East for all formations developed on 320-acre spacing to provide for a new well location for its proposed Bell Lake Unit Well No. 1 of 1980 feet from the South and East lines (Unit J) of said Section 7. Said area is located approximately 20 miles southwest of Eunice, New Mexico.

CASE 11676: (Continued from December 5, 1996, Examiner Hearing.)

Application of Manzano Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation in the N/2 SW/4 of Section 11, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Chipshot Well No. 1 which has been drilled at a previously approved unorthodox well location 2164 feet from the South line and 1362 feet from the West line (Unit K) of said Section 11. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile southeast from Lovington, New Mexico.

CASE 11688: (Continued from January 9, 1997, Examiner Hearing.)

Application of Manzano Oil Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SW/4 SW/4 from the surface to the base of the Atoka formation of Section 11, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Chipshot Well No. 2 which will be drilled at an unorthodox well location 1000 feet from the South line and 467 feet from the West line (Unit M) of said Section 11. 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 1 mile southeast of Lovington, New Mexico.