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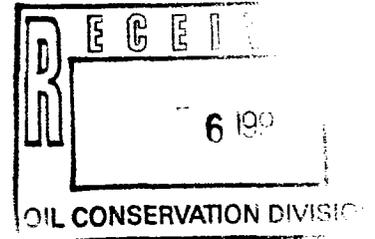
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August 6, 1997

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case No. 11726:  
Application of ARCO Permian, a unit of Atlantic Richfield Company, for  
compulsory pooling, directional drilling and unorthodox well locations, Eddy  
County, New Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which  
is currently set on the Division docket for the August 7, 1997 hearings be continued to the  
August 21, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,

*[Handwritten signature of William F. Carr]*  
WILLIAM F. CARR  
WFC:mlh

cc: Mr. Lee Scarborough  
ARCO Permian  
a Division of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

**MEMORANDUM**

**TO: All Producers, Purchasers and Transporters of Gas For All Prorated Gas Pools  
in New Mexico**

**FROM: WILLIAM J. LEMAY, Director** *WJL*  
**Oil Conservation Division**

**SUBJECT: Commission Hearing on August 14, 1997, Concerning Prorated Gas Allowables  
for the October, 1997 Through March, 1998 Period**

**DATE: July 25, 1997**

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Since 1991, allowables for the prorated gas pools in New Mexico have been established for six month allocation periods beginning in April and October of each year. Allowables have been determined using prior year allocation period production volumes with adjustments where appropriate based on evidence and recommendations from operators, purchasers, and transporters.

For the past several allocation periods, non-marginal allocation factors and well allowables have remained almost constant in most pools. Declining pool production and increased demand for New Mexico gas have resulted in a large reduction in the number of non-marginal wells and the assignment of marginal allowables to most wells in prorated pools.

At its February 13, 1997 proration hearing, the Commission adopted the allowable factors used in the previous allocation period as the Division recommendation for the next proration period. There were no recommendations to modify these recommended allowables.

The Commission will follow this procedure for the current and future allocation periods until such time as it is determined that changes are needed. The enclosed allocation factors, being the previous 6 month allowable factors, will be used for allowable purposes for the period October, 1997 through March, 1998, unless there is evidence received at the August 14, 1997 Commission hearing indicating that these factors should be modified.

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**Oil Conservation Division  
Proposed Allowable Allocation Factors  
New Mexico Prorated Pools  
October, 1997 through March, 1998**

**Southeast New Mexico**

<b>Pool</b>	<b>Monthly Allocation Factor (F1)</b>
Atoka Penn	24,000
Blinebry Oil and Gas	70,200
Buffalo Valley Penn	33,000
Eumont Yates 7 Rivers Queen	38,000
Indian Basin Morrow	20,652
Indian Basin Upper Penn	200,000
Jalmat Tansill Yates 7 Rivers	18,300
Justis Glorieta	18,300
Tubb Oil and Gas	18,425

**Northwest New Mexico**

<b>Pool</b>	<b>Monthly Allocation Factor (F1)</b>	<b>Monthly Acreage x Deliverability Factor (F2)</b>
Basin Dakota	11,163	14.04
Blanco Mesaverde	5,771	26.14
Blanco P. C. South	440	28.18
Tapacito Pictured Cliffs	467	19.79

**DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 7, 1997**

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 26-97 and 27-97 are tentatively set for August 21, 1997 and September 4, 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 11819:** (Continued from July 24, 1997, Examiner Hearing.)

**Application of Mewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy 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 35, Township 23 South, Range 26 East, forming 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, including the North Black River-Atoka Gas Pool and the South Carlsbad-Morrow Gas Pool. Said unit is to be dedicated to its Black River "35" State Com Well No. 1, located 760 feet from the North line and 1650 feet from the West line (Unit C) of said Section 35. Said location is unorthodox as to the Morrow formation only. 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 unit is located approximately 9 miles northeast of Whites City, New Mexico.

**CASE 11786:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of the Home-Stake Royalty Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Fusselman and Montoya formations underlying the NE/4 NE/4 of Section 29, Township 21 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit for Undesignated Wantz-Fusselman Pool and the Undesignated Cary-Montoya Pool. Said unit is to be dedicated to the applicant's Eunice Dome Well No. 1, to be drilled at an orthodox oil well location. 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 unit is located approximately 2 miles northwest of Eunice, New Mexico.

**CASE 11751:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrieth, New Mexico.

**CASE 11804:** (Readvertised)

**Application of Yates Petroleum Corporation for simultaneous dedication, Eddy County, New Mexico.** Applicant seeks the simultaneous dedication of its Martin ARH Well No. 1 with its Big Buck Pounds Com Well No. 1 to the S/2 of Section 27, Township 17 South, Range 26 East, for Morrow production. Said well is to be drilled at an orthodox location 1980 feet from the South line and 1980 feet from the East line (Unit I) of said Section 27 to test any and all formations to the base of the Morrow formation. Said unit is located approximately 2 miles southeast of Artesia, New Mexico.

**CASE 11821:** (Continued from July 24, 1997, Examiner Hearing.)

**Application of Paloma Resources, Inc. for compulsory pooling, 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 28, Township 16 South, Range 37 East, and in the following manner: the W/2 SW/4 thereby forming a standard 80-acre oil spacing and proration unit for any and all pools developed on 80-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated West Knowles-Drinkard Pool and the Undesignated West Casey-Strawn Pool; and the SW/4 SW/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 which presently includes but is not necessarily limited to the Lovington-Grayburg San Andres Pool, Undesignated Lovington-Paddock Pool, Lovington-Abo Pool, and the Undesignated East Lovington-Upper Pennsylvanian (Cisco and Canyon formations) Pool. Said units are to be dedicated to the plugged and abandoned Shell Oil Company Home Stake Well No. 1 (T.D. - 12,125 feet) located at a standard oil well location 660 feet from the South and West lines (Unit M) of said Section 28. Also to be considered will be the costs of re-entering and the recompletion of said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in the re-entry of said well. The location of this wellbore is approximately 7 miles north-northwest of Humble City, New Mexico.

*Examiner Hearing - August 7, 1997*  
*Docket No. 24-97*  
*Page 2 of 6*

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**CASE 11822:** **Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the surface to the base of the Mesaverde formation, Blanco-Mesaverde Gas Pool, underlying Lots 3 through 4, S/2 NW/4, SW/4 (W/2 equivalent) of Section 3, Township 25 North, Range 2 West. Said unit is to be dedicated to its Elk Com Well No. 1 to be drilled at a standard location in the NW/4 of said Section 3. 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 8 miles north of Lindrith, New Mexico.

**CASE 11789:** (Reopened - Continued from July 10, 1997, Examiner Hearing)

**Application of Apache Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the SE/4; in all formations developed on 80-acre spacing in the S/2 SE/4; and in all formations developed on 40-acre spacing in the SW/4 SE/4 of Section 28, Township 16 South, Range 38 East. Said units are to be dedicated to its Maltese Falcon "28" Well No. 1 to be drilled at a standard location in the SE/4 of said Section 28. 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 13 miles north of Hobbs, New Mexico.

**CASE 11823:** **Application of Yates Petroleum Corporation for nine unorthodox gas well locations, Chaves County, New Mexico.** Applicant seeks approval of the following unorthodox gas well locations in the Pecos Slope-Abo Gas Pool:

Township 5 South, Range 24 East:  
Monaghan QY Federal No. 13 - Section 34, 2310' FNL and 990' FWL

Township 5 South, Range 25 East:  
McClellan MB Federal No. 6 - Section 31, 330' FSL and 1300' FWL  
McClellan MB Federal No. 7 - Section 31, 330' FSL and 1300' FEL  
Jamie Com. No. 2 - Section 33, 1980' FSL and 330' FEL

Township 6 South, Range 25 East:  
Cottonwood Ranch MK State No. 5 - Section 36, 2160' FNL and 330' FEL

Township 7 South, Range 25 East:  
Spool SU Com. No. 7 - Section 14, 1980' FNL and 2180' FEL  
Savage Federal No. 5 - Section 4, 1300' FNL and 2310' FEL  
Conejo RH State No. 5 - Section 2, 1500' FNL and 2310' FWL

Township 7 South, Range 26 East:  
Leeman OC Federal No. 5 - Section 18, 2310' FSL and 2130' FEL

Said area is located approximately 10 to 18 miles north of the intersection of Highway US 70 and the Pecos River, New Mexico.

**CASE 11805:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. 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 N/2 for all formations developed on 320-acre spacing; the NW/4 for all formations developed on 160-acre spacing; the N/2 NW/4 for all formations developed on 80-acre spacing; and the NE/4 NW/4 for all formations developed on 40-acre spacing, all in Section 28, Township 23 South, Range 26 East. Said units are to be dedicated to its Frontier Hills "28" State Com Well No. 1 to be drilled as a wildcat well at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28 to test any and all formations to the base of the Morrow formation. 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 10 miles southwest of Carlsbad, New Mexico.

**CASE 11824:** Application of David Petroleum Corporation for an unorthodox well location, Lea County, New Mexico. Applicant seeks authorization to drill its Conoco State Well No. 1 as a wildcat well to the Strawn formation at an unorthodox well location 1250 feet from the South line and 1200 feet from the East line (Unit P) of Section 36, Township 16 South, Range 37 East. The SE/4 SE/4 of said Section 36 is to be dedicated to said well forming a standard 40-acre spacing and proration unit. Said unit is located approximately 8 miles southeast of Lovington, New Mexico.

**CASE 11726:** (Continued from July 24, 1997, Examiner Hearing.)

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 11825:** Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing, including but not limited to the South Carlsbad-Morrow Gas Pool, underlying the N/2 of Section 35, Township 23 South, Range 26 East. Said unit is to be dedicated to its Cass Draw "35" State Com Well No. 1 to be drilled at an unorthodox gas well location 760 feet from the North line and 1650 feet from the West line (Unit C) of said Section 35. 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 4 miles south of Carlsbad, New Mexico.

**CASE 11649:** (Continued from July 10, 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 in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No.1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. 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 4 1/2 miles west of Lakewood, New Mexico.

**CASE 11803:** (Continued from July 10, 1997, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and a non-standard oil proration and spacing unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Springs formation underlying Lot 4 and the SE/4 SW/4 (S/2 SW/4 equivalent) of Irregular Section 31, Township 18 South, Range 34 East, forming a non-standard 78.09-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the EK-Bone Spring Pool, and forming a non-standard 38.09-acre oil spacing and proration unit underlying Lot 4 (SW/4 SW/4 equivalent) of said Section 31 for any and all formations/pools developed on 40-acre oil spacing. Said unit(s) is to be dedicated to its McElvain "31" Federal Well No. 1 to be drilled and completed at a standard well location in Unit M of said Section 31. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 14 miles southeast of Maljamar, New Mexico.

**CASE 11810:** (Continued from July 10, 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 Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 24 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 McKittrick Hills-Upper Pennsylvanian Gas Pool; forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 13 for any and all formations/pools developed on 160-acre gas spacing; and forming a 40-acre spacing unit underlying the SW/4 SE/4 of said Section 13 for any and all formations and/or pools spaced on 40-acre spacing. Said units are to be dedicated to its M-H 13 Federal Com Well No. 2 to be drilled and completed at a standard well location in Unit O of said Section 13. Also to be considered will be the cost 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 Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 12 miles west of Carlsbad, New Mexico.

**CASE 11797:** (Continued from June 12, 1997, Examiner Hearing.)

**Application of Nearburg Producing Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all minerals interests in all formations developed on 320-acre spacing in the N/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the N/2 NE/4, and in all formations developed on 40-acre spacing in the NW/4 NE/4 of Section 13, Township 19 South, Range 33 East. Said unit is to be dedicated to its Stetson "13" Federal Well No. 1 to be drilled at a standard location 1980 feet from the North line and 1650 feet from the East line (Unit G) of said Section 13. 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 8 miles northeast of Halfway, New Mexico.

**CASE 11826:** **Application of Quay Valley, Inc. for amendment of Division Order No. R-4629 to authorize a tertiary recovery project by the injection of carbon dioxide in its North El Mar-Delaware Unit Waterflood Project Area, and to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.** Applicant seeks approval to institute a tertiary recovery project in its North El Mar Unit Waterflood Project Area by the injection of carbon dioxide into the Delaware formation in the El Mar-Delaware Pool. The El Mar-Delaware Unit Waterflood Project Area encompasses portions of Sections 24, 25, 26, 27, 34, 35 and 36 of Township 26 South, Range 32 East; and Sections 19, 30, and 31 of Township 26 South, Range 33 East. Applicant also seeks to increase the approved surface injection pressure for carbon dioxide injection in this project area to 1160 pounds. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said unit is located approximately 26 miles west-southwest of Jal, New Mexico.

**CASE 11807:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of Stevens & Tull, Inc. for salt water disposal, Lea County, New Mexico.** Applicant seeks authority to dispose of produced water 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. 1 located 1980 feet from the North and East lines (Unit G) of 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 1/1 miles northeast of the intersection of U.S. Highway 180 and New Mexico Highway 176 in New Mexico.

**CASE 11638:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

**CASE 11827:** **Application of Gillespie-Crow, Inc. to amend Order No. R-10448-A and to amend the special pool rules for the West Lovington-Strawn Pool, Lea County, New Mexico.** Applicant requests that the special pool rules for the West Lovington-Strawn Pool be amended to provide for a gas:oil ratio of 5000:1. Applicant further requests that Order No. R-10448-A be amended to reinstate a project allowable for the West Lovington-Strawn Unit. Said pool and/or unit covers all or parts of Sections 28, 32, 33, and 34, Township 15 South, Range 35 East; Sections 1 and 2, Township 16 South, Range 35 East; and Section 6, Township 16 South, Range 36 East. Said pool and unit are located approximately 4.5 miles west-northwest of Lovington, New Mexico.

**CASE 11794:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E/2 of Section 3, Township 19 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit any formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated a well to be drilled at a standard gas well location thereon. 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 unit is located approximately 7.5 miles northeast of Lakewood, New Mexico

**CASE 11811:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of the Oil Conservation Division for an order requiring Hanson Energy to plug seventeen (17) wells in Eddy County, New Mexico.** In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Hanson Energy, Gulf Insurance Company, and all other interested parties to appear and show cause why seventeen (17) wells located in Township 18 South, Range 28 East and Township 17 South, Ranges 27 and 28 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 10 miles south-southeast of Artesia, New Mexico.

**CASE 11812:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of the Oil Conservation Division for an order requiring Polaris Production Corp. to plug nineteen (19) wells in Lea County, New Mexico.** In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Polaris Production Corp., United States Fidelity & Guaranty Company, and all other interested parties to appear and show cause why nineteen (19) wells located in Townships 14 and 15 South, Range 37 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 8 miles northeast of Lovington, New Mexico.

**CASE 11828:** In the matter of the hearing called by the Oil Conservation Division for the creation and extension of certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the North Cottonwood Draw-Delaware Pool. The discovery well is the Chevron U.S.A., Inc. Cable "26" Well No. 1 located in Unit D of Section 26, Township 25 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Section 26: NW/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Maroon Cliffs-Bone Spring Pool. The discovery well is the Bass Enterprises Production Company Big Eddy Unit Well No. 8 located in Unit C of Section 30, Township 20 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM

Section 30: NW/4

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Northwest Pierce Crossing-Wolfcamp Gas Pool. The discovery well is the Santa Fe Energy Resources, Inc. Craft Well No. 1 located in Unit E of Section 13, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 13: NW/4

- (d) EXTEND the Cedar Canyon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 27: NW/4

- (e) EXTEND the Coyote-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM

Section 12: N/2

- (f) EXTEND the Ingle Wells-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 11: SW/4

- (g) EXTEND the Poker Lake-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 17: SW/4

- (h) EXTEND the Turkey Track-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM

Section 16: E/2

Section 21: E/2

- (i) EXTEND the White City-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 25 EAST, NMPM

Section 10: NE/4

Section 11: N/2

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

**DOCKET: COMMISSION HEARING - MONDAY - AUGUST 14, 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 11829:** The Oil Conservation Division is calling a hearing on its own motion to consider proposed October, 1997 -- March, 1998 gas allowables for the prorated gas pools in New Mexico. Allowable assignment factors are being distributed with an OCD Memorandum dated July 25, 1997. If requests for changes are not received at the August 14, 1997 hearing, these factors will be used to assign allowables for the October -- March period.

**CASE 11705:** (Continued from July 14, 1997, Commission Hearing - Readvertised)

**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 11798:** (De Novo)

**Application of Collins & Ware, Inc. for special pool rules, Lea County, New Mexico.** Applicant seeks the promulgation of Special Pool Rules for the East Warren-Tubb Pool located in portions of Sections 23, 24, 25 and 36, of Township 20 South, Range 38 East, NMPM, including the adoption of a special gas-oil ratio for the pool of 6000 cubic feet of gas for each barrel of oil produced. Said area is located approximately 5 miles south-southwest of Monument, New Mexico. Upon application of Collins & Ware, Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220.

**THE FOLLOWING CASES ARE AWAITING FINAL COMMISSION ACTION:**

**CASE 11599:** Application of Gillespie-Crow, Inc. for an allowable reduction, Lea County, New Mexico.

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
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July 17, 1997

HAND-DELIVERED

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Oil Conservation Division Case No. 11726:  
Application of ARCO Permian, a unit of Atlantic Richfield Company, for  
compulsory pooling, directional drilling and unorthodox well locations, Eddy  
County, New Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which  
is currently set on the Division docket for the July 24, 1997 hearings be continued to the  
August 7, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR  
WFC:mlh

cc: Mr. Lee Scarborough  
ARCO Permian  
a Division of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702

**DOCKET: EXAMINER HEARING - THURSDAY - JULY 24, 1997**

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

Dockets Nos 23-97 and 24-97 are tentatively set for August 7, 1997 and August 21, 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 11815:** Application of Conoco Inc. for the establishment of a downhole commingling reference case pursuant to Rule 303.E and an exception to Rule 303.C.(1)(b)(ii), Rio Arriba County, New Mexico. Applicant in accordance with 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 and Pictured Cliffs gas production in the wellbore of existing or future wells drilled anywhere within the San Juan 28-7 Unit located in Township 28 North, Range 7 West. Applicant further seeks an exception from the pressure limitation criteria set forth in Rule 303.C.(1)(b)(ii) for all future "new drills" for Dakota and Mesaverde production within said unit and for four (4) specific Dakota Mesaverde wells currently being drilled. The center of said area is located approximately 10 miles southeast of Navajo City, New Mexico.

**CASE 11816:** Application of Marathon Oil Company for the expansion of the South Dagger Draw-Upper Pennsylvanian Associated Pool and the concomitant contraction of the Indian Basin-Upper Pennsylvanian Gas Pool, approval of three non-standard 320-acre gas proration units, an unorthodox gas well location and apportionment of gas allowables, Eddy County, New Mexico. Applicant seeks an order expanding the South Dagger Draw-Upper Pennsylvanian Associated Pool to include the E/2 of Sections 3, 10, and 15, Township 21 South, Range 23 East, and the corresponding contraction of the Indian Basin-Upper Pennsylvanian Gas Pool to delete said acreage from that pool. Applicant also seeks the approval of three non-standard 320-acre gas proration and spacing units being the W/2 of Section 3 to be dedicated to the NIBU Gas Com Well No. 3; the W/2 of Section 10 to be dedicated to the NIBU Well No. 1; and the W/2 of Section 15 to be simultaneously dedicated to the NIBU Gas Com Well No. 32 and to the Federal IBA Gas Com Well No. 1, and the apportionment of gas allowables therefor. Applicant further seeks the approval of an unorthodox gas well location for its NIBU Gas Com Well No. 3 located 1650 feet from the South line and 2310 feet from the West line (Unit K) of Section 3, Township 21 South, Range 23 East. This acreage is located approximately 12 miles southwest of Seven Rivers, New Mexico.

**CASE 11785:** (Continued from July 10, 1997, examiner Hearing.)

Application of Plains Petroleum Operating Company to Amend Order No. R-10474 by Expanding its Hill-Cayless McKee Pressure Maintenance Project, and Qualification of this Expanded Area for the Recovered Oil Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks authority to expand its Hill-Cayless McKee Pressure Maintenance Project, previously approved by Division Order No. R-10474, and which currently comprises the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, to include the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35, Teague (Simpson) Pool. The applicant further seeks to qualify this expanded area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act". This project is located approximately 9 miles north of Jal, New Mexico.

**CASE 11801:** (Continued from July 10, 1997, Examiner Hearing.)

Application of OXY USA Inc. 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 32, Township 19 South, Range 29 East, forming a standard 320-acre 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 West Parkway-Morrow Gas Pool. Said unit is to be dedicated to its OXY Pearl State Com Well No. 1 to be drilled and completed at a standard gas well location in Unit I of said Section 32. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 12 miles northeast of Carlsbad, New Mexico.

**CASE 11675:** (Reopened)

In the matter of Case No. 11675 being reopened pursuant to the provisions of Division Order No. R-10735, which order promulgated Temporary Special Rules and Regulations for the North Lovington-Wolfcamp Pool in Lea County, New Mexico. Operators in the subject pool may appear and show cause why said Temporary Special Rules and Regulations for the North Lovington-Wolfcamp Pool should not be rescinded.

**CASE 11817:** 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 Chester formation underlying the W/2 of Section 6, Township 18 South, Range 30 East, in the following described manner: the W/2 forming a standard 320-acre spacing and proration unit for all formations developed on 320-acre spacing including the Sand Tank-Morrow Gas Pool, and the SW/4 for all formations developed on 160-acre spacing. Applicant proposes to dedicate this pooled unit to its Sand Tank "16" State Com Well No. 1 to be drilled at a standard location in the NW/4 SW/4 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 applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 5 miles south of Loco Hills, New Mexico.

**CASE 11818:** Application of Enron Oil & Gas Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the N/2 of Section 14, Township 24 South, Range 33 East, in the following described manner: the N/2 forming a standard 320-acre spacing and proration unit for all formations developed on 320-acre spacing including the Johnson Ranch-Wolfcamp Gas Pool. Applicant proposes to dedicate this pooled unit to its Lela Mae Stevens Fed. Com Well No. 1 to be drilled at a standard location 1980 feet from the North line and 1878 feet from the West line (Unit F) of said Section 14. 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 10 miles east of the intersection of Highway FAS 1271 and the border between Lea and Eddy Counties, New Mexico.

**CASE 11726:** (Continued from July 10, 1997, Examiner Hearing.)

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 11794:** (Continued from July 10, 1997, Examiner Hearing.)

Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E/2 of Section 3, Township 19 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit any formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated a well to be drilled at a standard gas well location thereon. 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 unit is located approximately 7.5 miles northeast of Lakewood, New Mexico

**CASE 11819:** Application of Mewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy 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 35, Township 23 South, Range 26 East, forming 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, including the North Black River-Atoka Gas Pool and the South Carlsbad-Morrow Gas Pool. Said unit is to be dedicated to its Black River "35" State Com Well No. 1, located 760 feet from the North line and 1650 feet from the West line (Unit C) of said Section 35. Said location is unorthodox as to the Morrow formation only. 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 unit is located approximately 9 miles northeast of Whites City, New Mexico.

**CASE 11632:** (Continued from June 26, 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 11786:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of the Home-Stake Royalty Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Fusselman and Montoya formations underlying the NE/4 NE/4 of Section 29, Township 21 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit for Undesignated Wantz-Fusselman Pool and the Undesignated Cary-Montoya Pool. Said unit is to be dedicated to the applicant's Eunice Dome Well No. 1, to be drilled at an orthodox oil well location. 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 unit is located approximately 2 miles northwest of Eunice, New Mexico.

**CASE 11751:** (Continued from July 10, 1997, Examiner Hearing.)

**Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrieth, New Mexico.

**CASE 11820:** **Application of McElvain Oil & Gas Properties, Inc. for a non-standard gas proration unit, San Juan County, New Mexico.** Applicant seeks to establish a non-standard 288.73-acre gas spacing and proration unit for the Blanco-Mesaverde Pool comprising all of irregular Section 7, Township 32 North, Range 9 West. Said unit is to be dedicated to the proposed Stateline Com Well No. 1 (API No. 30-045-29464), to be drilled at a standard gas well location 800 feet from the South line and 805 feet from the West line (Lot 17/Unit N) of said Section 7. Said unit is located approximately 9 miles east of U. S. Highway 550 at the New Mexico/Colorado state line. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

**CASE 11821:** **Application of Paloma Resources, Inc. for compulsory pooling, 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 28, Township 16 South, Range 37 East, and in the following manner: the W/2 SW/4 thereby forming a standard 80-acre oil spacing and proration unit for any and all pools developed on 80-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated West Knowles-Drinkard Pool and the Undesignated West Casey-Strawn Pool; and the SW/4 SW/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 which presently includes but is not necessarily limited to the Lovington-Grayburg San Andres Pool, Undesignated Lovington-Paddock Pool, Lovington-Abo Pool, and the Undesignated East Lovington-Upper Pennsylvanian (Cisco and Canyon formations) Pool. Said units are to be dedicated to the plugged and abandoned Shell Oil Company Home Stake Well No. 1 (T.D. - 12,125 feet) located at a standard oil well location 660 feet from the South and West lines (Unit M) of said Section 28. Also to be considered will be the costs of re-entering and the recompletion of said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in the re-entry of said well. The location of this wellbore is approximately 7 miles north-northwest of Humble City, New Mexico.

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
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July 3, 1997

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

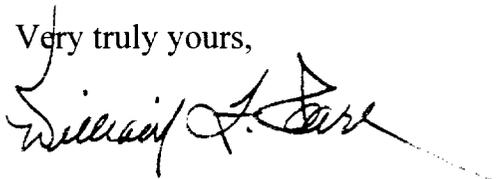
Re: Oil Conservation Division Case No. 11726:  
Application of ARCO Permian, a unit of Atlantic Richfield Company, for  
compulsory pooling, directional drilling and unorthodox well locations, Eddy  
County, New Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which  
is currently set on the Division docket for the July 10, 1997 hearings be continued to the July  
24, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR  
WFC:mlh

cc: Mr. Lee Scarborough  
ARCO Permian  
a Division of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702

DOCKET: EXAMINER HEARING - THURSDAY - JULY 10, 1997

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

Dockets Nos 22-97 and 23-97 are tentatively set for July 24, 1997 and August 7, 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 11804:** Application of Yates Petroleum Corporation for simultaneous dedication, Eddy County, New Mexico. Applicant seeks the simultaneous dedication of its Martin ARH Well No. 1 with its Big Buck Pounds Com Well No. 1 to the S/2 of Section 17, Township 17 South, Range 26 East, for Morrow production. Said well is to be drilled at an orthodox location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 27 to test any and all formations to the base of the Morrow formation. Said unit is located approximately 2 miles southeast of Artesia, New Mexico.

**CASE 11786:** (Continued from June 26, 1997, Examiner Hearing.)

Application of the Home-Stake Royalty Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the Fusselman and Montoya formations underlying the NE/4 NE/4 of Section 29, Township 21 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit for Undesignated Wantz-Fusselman Pool and the Undesignated Cary-Montoya Pool. Said unit is to be dedicated to the applicant's Eunice Dome Well No. 1, to be drilled at an orthodox oil well location. 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 unit is located approximately 2 miles northwest of Eunice, New Mexico.

**CASE 11751:** (Continued from June 26, 1997, Examiner Hearing.)

Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrith, New Mexico.

**CASE 11782:** (Reopened)

Application of Apache Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the SE/4; in all formations developed on 80-acre spacing in the S/2 SE/4; and in all formations developed on 40-acre spacing in the SW/4 SE/4 of Section 28, Township 16 South, Range 38 East. Said units are to be dedicated to its Maltese Falcon "28" Well No. 1 to be drilled at a standard location in the SE/4 of said Section 28. 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 13 miles north of Hobbs, New Mexico.

**CASE 11725:** (Reopened)

Application of Manzano Oil Corporation to reopen Case 11725 and Order No. R-10775 for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks to reopen Case No. 11725 which was heard by the Division on February 20, 1997 to present additional evidence and seek the pooling of additional interests in the pooled unit comprising the S/2 SE/4 of Section 2, Township 16 South, Range 36 East, which were discovered after Order No. R-10775 was entered. Said unit is located approximately one mile east of Lovington, New Mexico.

**CASE 11790:** (Continued from June 12, 1997, Examiner Hearing.)

**Application of Manzano Oil Corporation for compulsory pooling and unorthodox location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Undesignated Northeast Lovington-Pennsylvanian Pool, and Undesignated North Lovington-Wolfcamp Pool, underlying the S/2 SE/4 of Section 2, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Killer Bee Well No. 1 to be drilled at an unorthodox well location 487 feet from the South line and 1270 feet from the East line (Unit P) 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile east of Lovington, New Mexico. In the absence of objection, this matter will be taken under advisement.

**CASE 11796:** (Continued from June 12, 1997, Examiner Hearing.)

**Application of the Penwell Energy Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all formations developed on 320-acre spacing underlying the E/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the S/2 NE/4 and in all formations developed on 40-acre spacing in the SE/4 NE/4 from the surface to the base of the Morrow formation in Section 32, Township 19 South, Range 29 East. Applicant proposes to dedicate these pooled units to its Millman 32 State Com. Well No. 1 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 32. 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 15 miles northeast of Carlsbad, New Mexico.

**CASE 11805:** **Application of Penwell Energy, Inc. 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 N/2 for all formations developed on 320-acre spacing; the NW/4 for all formations developed on 160-acre spacing; the N/2 NW/4 for all formations developed on 80-acre spacing; and the NE/4 NW/4 for all formations developed on 40-acre spacing, all in Section 28, Township 23 South, Range 26 East. Said units are to be dedicated to its Frontier Hills "28" State Com Well No. 1 to be drilled as a wildcat well at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28 to test any and all formations to the base of the Morrow formation. 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 10 miles southwest of Carlsbad, New Mexico.

**CASE 11730:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SE/4 SE/4 (Unit P) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11731:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 SE/4 (Unit D) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11732:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 NE/4 (Unit A) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11733:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the SW/4 SW/4 (Unit M) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11734:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the NW/4 SW/4 (Unit L) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11735:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SW/4 SE/4 (Unit O) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11726:** (Continued from June 12, 1997, Examiner Hearing.)

**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 11806:** Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 100 feet below the base of the Loco Hills Sand formation to the top of the Mississippian formation in all formations developed on 320-acre spacing underlying the W/2; in all formations developed on 160-acre spacing underlying the NW/4; in all formations developed on 80-acre spacing underlying the E/2 NW/4; and in all formations developed on 40-acre spacing underlying the SE/4 NW/4, Sand Tank-Morrow Gas Pool, of Section 1, Township 18 South, Range 29 East. Said units are to be dedicated to the proposed Cerritos APT Federal Com Well No. 1 to be drilled at a standard location 1980 feet from the North and West lines (Unit F) of said Section 1 to test all formations from the surface to the base of the Morrow formation. 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 20 miles east of Artesia, New Mexico.

**CASE 11807:** Application of Stevens & Tull, Inc. for salt water disposal, Lea County, New Mexico. Applicant seeks authority to dispose of produced water 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. 1 located 1980 feet from the North and East lines (Unit G) of 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 1/1 miles northeast of the intersection of U.S. Highway 180 and New Mexico Highway 176 in New Mexico.

**CASE 11785:** (Continued from June 12, 1997, Examiner Hearing.)

Application of Plains Petroleum Operating Company to Amend Order No. R-10474 by Expanding its Hill-Cayless McKee Pressure Maintenance Project, and Qualification of this Expanded Area for the Recovered Oil Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks authority to expand its Hill-Cayless McKee Pressure Maintenance Project, previously approved by Division Order No. R-10474, and which currently comprises the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, to include the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35, Teague (Simpson) Pool. The applicant further seeks to qualify this expanded area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act". This project is located approximately 9 miles north of Jal, New Mexico.

**CASE 11801:** (Continued from June 26, 1997, Examiner Hearing.)

Application of OXY USA Inc. 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 32, Township 19 South, Range 29 East, forming a standard 320-acre 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 West Parkway-Morrow Gas Pool. Said unit is to be dedicated to its OXY Pearl State Com Well No. 1 to be drilled and completed at a standard gas well location in Unit I of said Section 32. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 12 miles northeast of Carlsbad, New Mexico.

**CASE 11808:** 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 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 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.

**CASE 11802:** 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.

**CASE 11649:** (Continued from June 12, 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 in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No.1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. 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 4 ½ miles west of Lakewood, New Mexico.

**CASE 11803:** (Continued from June 26, 1997, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and a non-standard oil proration and spacing unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Springs formation underlying Lot 4 and the SE/4 SW/4 (S/2 SW/4 equivalent) of Irregular Section 31, Township 18 South, Range 34 East, forming a non-standard 78.09-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the EK-Bone Spring Pool, and forming a non-standard 38.09-acre oil spacing and proration unit underlying Lot 4 (SW/4 SW/4 equivalent) of said Section 31 for any and all formations/pools developed on 40-acre oil spacing. Said unit(s) is to be dedicated to its McElvain "31" Federal Well No. 1 to be drilled and completed at a standard well location in Unit M of said Section 31. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 14 miles southeast of Maljamar, New Mexico.

**CASE 11810:** 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 Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 24 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 McKittrick Hills-Upper Pennsylvanian Gas Pool; forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 13 for any and all formations/pools developed on 160-acre gas spacing; and forming a 40-acre spacing unit underlying the SW/4 SE/4 of said Section 13 for any and all formations and/or pools spaced on 40-acre spacing. Said units are to be dedicated to its M-H 13 Federal Com Well No. 2 to be drilled and completed at a standard well location in Unit O of said Section 13. Also to be considered will be the cost 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 Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 12 miles west of Carlsbad, New Mexico.

**CASE 11794:** (Continued from June 26, 1997, Examiner Hearing.)

Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E/2 of Section 3, Township 19 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit any formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated a well to be drilled at a standard gas well location thereon. 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 unit is located approximately 7.5 miles northeast of Lakewood, New Mexico

**CASE 11797:** (Continued from June 12, 1997, Examiner Hearing.)

**Application of Nearburg Producing Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all minerals interests in all formations developed on 320-acre spacing in the N/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the N/2 NE/4, and in all formations developed on 40-acre spacing in the NW/4 NE/4 of Section 13, Township 19 South, Range 33 East. Said unit is to be dedicated to its Stetson "13" Federal Well No. 1 to be drilled at a standard location 1980 feet from the North line and 1650 feet from the East line (Unit G) of said Section 13. 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 8 miles northeast of Halfway, New Mexico.

**CASE 11811:** **Application of the Oil Conservation Division for an order requiring Hanson Energy to plug seventeen (17) wells in Eddy County, New Mexico.** In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Hanson Energy, Gulf Insurance Company, and all other interested parties to appear and show cause why seventeen (17) wells located in Township 18 South, Range 28 East and Township 17 South, Ranges 27 and 28 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 10 miles south-southeast of Artesia, New Mexico.

**CASE 11812:** **Application of the Oil Conservation Division for an order requiring Polaris Production Corp. to plug nineteen (19) wells in Lea County, New Mexico.** In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Polaris Production Corp., United States Fidelity & Guaranty Company, and all other interested parties to appear and show cause why nineteen (19) wells located in Townships 14 and 15 South, Range 37 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 8 miles northeast of Lovington, New Mexico.

**CASE 11813:** **Application of the Oil Conservation Division for an order requiring Geo Engineering Inc. to plug forty-five (45) wells in McKinley County, New Mexico.** In the matter of the hearing called by the Oil Conservation Division ("Division") to permit the operator, Geo Engineering Inc., American Manufacturers Mutual Insurance Co., and all other interested parties to appear and show cause why forty-five (45) wells located in Sections 20, 21, 22, 28 and 29, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said wells, the Division seeks an order (i) authorizing the Division to plug said wells, (ii) declaring forfeiture of the plugging bond, if any, covering said wells, and (iii) authorizing the Division to recover from the operator the costs of plugging the wells in excess of the amount of the bond. Said wells are located approximately 7 miles west of Chaco Canyon National Monument, New Mexico.

**CASE 11638:** (Continued from June 26, 1997, Examiner Hearing.)

**Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

**CASE 11814:** In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating, contracting, and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the South Carlsbad-Upper Pennsylvanian Gas Pool. The discovery well is the Mobil Producing Texas & New Mexico Inc. Federal LL Well No. 1 located in Unit O of Section 13, Township 23 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 13: S/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the West Catclaw Draw-Morrow Gas Pool. The discovery well is the Marbob Energy Corporation Como Fee Well No. 1 located in Unit F of Section 17, Township 21 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

Section 17: W/2

- (c) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Mississippian production and designated as the Chisum-Mississippian Gas Pool. The discovery well is the Plains Radio Petroleum Corporation Plains "16" State Well No. 1 located in Unit B of Section 16, Township 11 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NMPM

Section 16: N/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Cottonwood Creek-Strawn Gas Pool. The discovery well is the Yates Petroleum Corporation Cottonwood "KI" Federal Com. Well No. 1 located in Unit J of Section 17, Township 16 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 17: S/2

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Fren-Morrow Gas Pool. The discovery well is the Texaco Exploration and Production, Inc. Skelly Unit Well No. 902 located in Unit E of Section 15, Township 17 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 15: W/2

- (f) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Gatuna Canyon-Bone Spring Pool. The discovery well is the Hanley Petroleum Inc. Adams Federal Well No. 1 located in Unit N of Section 31, Township 19 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 31: SW/4

- (g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Southeast La Huerta-Atoka Gas Pool. The discovery well is the Cities Service Company Government 'AD' Well No. 2 located in Unit E of Section 27, Township 21 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 27: N/2

- (h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Little Box Canyon-Strawn Gas Pool. The discovery well is the Yates Petroleum Corporation Federal "HQ" Well No. 1 located in Unit N of Section 5, Township 21 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM

Section 5: Lots 13, 14, 15, 16, and S/2

- (i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the East McKittrick Hills-Atoka Gas Pool. The discovery well is the Mitchell Energy Corporation McKittrick "30" Federal Well No. 1 located in Unit C of Section 30, Township 22 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM

Section 24: E/2

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 19: S/2

Section 30: N/2

- (j) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Parkway-Wolfcamp Pool. The discovery well is the Southland Royalty Company Parkway "B": State Well No. 1 located in Unit I of Section 15, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 15: SE/4

- (k) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the South Pierce Crossing-Bone Spring Pool. The discovery well is the Nearburg Producing Company Ruby "30" State Com. Well No. 1 located in Unit O of Section 30, Township 24 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 30: SE/4

- (l) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the Rock Tank-Upper Pennsylvanian Gas Pool. The discovery well is the Mineral Technologies, Inc. Dark Canyon Well No. 1 located in Unit D of Section 18, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 18: N/2

- (m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Southeast Rocky Arroyo-Morrow Gas Pool. The discovery well is the Penwell Energy, Inc. Wagon Wheel "22" Federal Unit Well No. 1 located in Unit G of Section 22, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM

Section 22: N/2

- (n) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Seven Rivers Hills-Atoka Gas Pool. The discovery well is the Fasken Oil and Ranch, Ltd. Mobil "10" Federal Well No. 1 located in Unit M of Section 10, Township 21 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 10: S/2

- (o) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the Sheep Draw-Upper Pennsylvanian Gas Pool. The discovery well is the Louis Dreyfuss Natural Gas Corporation Squaw Federal Well No. 3 located in Unit K of Section 1, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM

Section 1: W/2

- (p) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the North Shugart-Delaware Pool. The discovery well is the Harvey E. Yates Company Can-Ken "4" Federal Well No. 2 located in Unit G of Section 4, Township 18 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 4: NE/4



- (aa) EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH. RANGE 27 EAST. NMPM

Section 22: S/2

Section 23: S/2

- (bb) EXTEND the West Lost Tank-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH. RANGE 31 EAST. NMPM

Section 33: NE/4

- (cc) EXTEND the Penasco Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH. RANGE 25 EAST. NMPM

Section 4: SW/4

- (dd) EXTEND the East Pierce Crossing-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH. RANGE 29 EAST. NMPM

Section 13: SW/4

- (ee) EXTEND the Red Lake-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH. RANGE 27 EAST. NMPM

Section 33: NE/4

Section 34: NE/4

- (ff) EXTEND the North Runyan Ranch-Abo Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH. RANGE 23 EAST. NMPM

Section 31: NE/4

Section 32: NW/4

- (gg) EXTEND the Sand Tank-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH. RANGE 29 EAST. NMPM

Section 36: W/2

- (hh) EXTEND the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH. RANGE 28 EAST. NMPM

Section 34: E/2

TOWNSHIP 19 SOUTH. RANGE 29 EAST. NMPM

Section 5: S/2

Section 6: All

- (ii) EXTEND the Willow Lake-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH. RANGE 28 EAST. NMPM

Section 1: NW/4

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

**DOCKET: COMMISSION HEARING - MONDAY - JULY 14, 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 11705: (Readvertised)**

**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 11599: (De Novo - Continued from June 5, 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 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 11762:** Application of the the Oil Conservation Division on its own motion to amend Rule 111 of its General Rules and Regulations to simplify the regulatory process by eliminating the requirements for notice, the filing of an administrative application, and a possible hearing strictly on the grounds that a proposed well or existing recompletion is to be deviated, directionally drilled, or is to include a horizontal wellbore.

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
ANTHONY F. MEDEIROS  
PAUL R. OWEN  

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JACK M. CAMPBELL  
OF COUNSEL

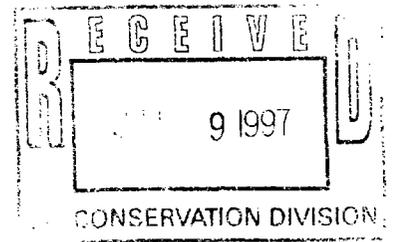
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June 9, 1997

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case No. 11726:  
Application of ARCO Permian, a unit of Atlantic Richfield Company, for  
compulsory pooling, directional drilling and unorthodox well locations, Eddy  
County, New Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which is currently set on the Division docket for the June 12, 1997 hearings be continued to the July 10, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,

*William F. Carr*

WILLIAM F. CARR  
WFC:mlh

cc: Mr. Lee Scarborough  
ARCO Permian  
a Division of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702

DOCKET NO. 17-97

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 12, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 18-97 and 19-97 are tentatively set for June 26, 1997 and July 10, 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 11784: (Continued from May 29, 1997, Examiner Hearing.)

**Application of Layton Enterprises Inc. for a waterflood project, Lea County, New Mexico.** Applicant seeks authority to institute a waterflood project within an area encompassing all or portions of Sections 1, 2, 10 and 11, Township 9 South, Range 36 East, Lea County, New Mexico, and portions of Sections 36, Township 8 South, Range 36 East, Roosevelt County, New Mexico, by the injection of water into the Bough "C" member of the Pennsylvanian formation, Allison-Penn Pool, in its Fox "A" State Well No. 5 located 2310 feet from the North line and 2070 feet from the West line (Unit F) of Section 2. Applicant further seeks authority to complete this injection well unconventionally by leaving both the Bough "C" and Devonian formations open in the wellbore below a packer and allowing Devonian formation water to flow freely into the Bough "C" formation to expedite reservoir fill up. This project is located approximately 8 miles northeast of Crossroads, New Mexico.

CASE 11785: (Continued from May 29, 1997, Examiner Hearing.)

**Application of Plains Petroleum Operating Company to Amend Order No. R-10474 by Expanding its Hill-Cayless McKee Pressure Maintenance Project, and Qualification of this Expanded Area for the Recovered Oil Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico.** Applicant seeks authority to expand its Hill-Cayless McKee Pressure Maintenance Project, previously approved by Division Order No. R-10474, and which currently comprises the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, to include the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35, Teague (Simpson) Pool. The applicant further seeks to qualify this expanded area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act". This project is located approximately 9 miles north of Jal, New Mexico.

CASE 11794: **Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E/2 of Section 3, Township 19 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit any formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated a well to be drilled at a standard gas well location thereon. 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 unit is located approximately 7.5 miles northeast of Lakewood, New Mexico

CASE 11780: (Continued from May 15, 1997, Examiner Hearing.)

**Application of Cobra Oil & Gas Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 11795: **Application of Enron Oil & Gas Company for compulsory pooling and unorthodox well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the E/2 of Section 7 for all formations developed on 320-acre spacing, including the South Bell Lake Morrow-Gas Pool, under the SE/4 of said Section 7 for all formations developed on 160-acre spacing, including Bell Lake-Devonian Gas Pool, and under the NW/4 SE/4 of said Section 7 for all formations developed on 40-acre spacing, Township 24 South, Range 34 East. Applicant proposes to dedicate this pooled unit to its Bell Lake Unit 7 Well No. 1 to be drilled at an unorthodox location 2276 feet from the South line and 1863 feet from the East line (Unit J) of said Section 7. 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 20 miles southwest of Eunice, New Mexico.

**CASE 11726:** (Continued from May 1, 1997, Examiner Hearing.)

**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 11790:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Manzano Oil Corporation for compulsory pooling and unorthodox location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Undesignated Northeast Lovington-Pennsylvanian Pool, and Undesignated North Lovington-Wolfcamp Pool, underlying the S/2 SE/4 of Section 2, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Killer Bee Well No. 1 to be drilled at an unorthodox well location 487 feet from the South line and 1270 feet from the East line (Unit P) 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile east of Lovington, New Mexico. In the absence of objection, this matter will be taken under advisement.

**CASE 11730:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SE/4 SE/4 (Unit P) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11731:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 SE/4 (Unit D) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11732:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 NE/4 (Unit A) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11733:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the SW/4 SW/4 (Unit M) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11734:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the NW/4 SW/4 (Unit L) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11735:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SW/4 SE/4 (Unit O) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11796:** **Application of the Penwell Energy Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all formations developed on 320-acre spacing underlying the E/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the S/2 NE/4 and in all formations developed on 40-acre spacing in the SE/4 NE/4 from the surface to the base of the Morrow formation in Section 32, Township 19 South, Range 29 East. Applicant proposes to dedicate these pooled units to its Millman 32 State Com. Well No. 1 to be drilled at an standard location 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 32. 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 15 miles northeast of Carlsbad, New Mexico.

**CASE 11649:** (Continued from May 15, 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 in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No.1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. 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 4 1/2 miles west of Lakewood, New Mexico.

**CASE 11797:** **Application of Nearburg Producing Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all minerals interests in all formations developed on 320-acre spacing in the N/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the N/2 NE/4, and in all formations developed on 40-acre spacing in the NW/4 NE/4 of Section 13, Township 19 South, Range 33 East. Said unit is to be dedicated to its Stetson "13" Federal Well No. 1 to be drilled at an standard location 1980 feet from the North line and 1650 feet from the East line (Unit G) of said Section 13. 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 8 miles northeast of Halfway, New Mexico.

**CASE 11788:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Nearburg Producing Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing in the N/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the N/2 NE/4, and in all formations developed on 40-acre spacing in the NW/4 NE/4 of Section 13, Township 19 South, Range 33 East. Said unit is to be dedicated to its Stetson "13" Federal Well No. 1 to be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 13. 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 8 miles northeast of Halfway, New Mexico.

**CASE 11798:** **Application of Collins & Ware, Inc. for special pool rules, Lea County, New Mexico.** Applicant seeks the promulgation of Special Pool Rules for the East Warren-Tubb Pool located in portions of Sections 23, 24, 25 and 36, of Township 20 South, Range 38 East, NMPM, including the adoption of a special gas-oil ratio for the pool of 6000 cubic feet of gas for each barrel of oil produced. Said area is located approximately 5 miles south-southwest of Monument, New Mexico.

**CASE 11751:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrith, New Mexico.

**CASE 11786:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of the Home-Stake Royalty Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Fusselman and Montoya formations underlying the NE/4 NE/4 of Section 29, Township 21 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit for Undesignated Wantz-Fusselman Pool and the Undesignated Cary-Montoya Pool. Said unit is to be dedicated to the applicant's Eunice Dome Well No. 1, to be drilled at an orthodox oil well location. 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 unit is located approximately 2 miles northwest of Eunice, New Mexico.

**CASE 11799:** In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Jack F. Grimm, N. B. Hunt, George R. Brown and AM Arctic, Ltd. and all other interested parties to appear and show cause why the Mobil-32 Well No. 1, located 1,315 feet from the North and West lines (Unit D) of Section 32, Township 25 South, Range 1 East, Dona Ana County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug said well, the Division seeks an order directing the operator to pay the costs of such plugging and if failing to do so, ordering a forfeiture of the plugging bond, if any, covering said wells. Said well is located approximately 14 miles south of Las Cruces, New Mexico.

**CASE 11516:** (Continued from May 1, 1997, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, H & W Enterprises, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Mobil State Well No. 1, located in Unit H of Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond. Said well is located approximately 6 miles west-southwest of Maljamar, New Mexico.

**CASE 11800:** In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Eddy County, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the East Loco Hills-Atoka Gas Pool. The discovery well is the Texaco Exploration and Production Company Dow "B" 33 Federal Well No. 2 located in Unit C of Section 33, Township 17 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 33: W/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Paddock production and designated as the Loco Hills-Paddock Pool. The discovery well is the Mack Energy Corporation Jenkins "B" Federal Well No. 4 located in Unit F of Section 20, Township 17 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 20: NW/4

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the Loving-Upper Pennsylvanian Gas Pool. The discovery well is the Oxy U. S. A., Inc. Brantley "A" Com Well No. 1 located in Unit J of Section 7, Township 23 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 7: S/2

- (d) EXTEND the Atoka-Glorieta-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 36: SE/4

- (e) EXTEND the South Burton-Yates Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 22: SW/4

- (f) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 11: W/2

- (g) EXTEND the Cedar Canyon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 22: SW/4

- (h) EXTEND the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 11: SW/4

Section 23: SE/4

- (i) EXTEND the East Eagle Creek-Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 8: N/2

- (j) EXTEND the Frontier Hills-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 28: N/2

- (k) EXTEND the Happy Valley-Morrow Gas Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 22 SOUTH. RANGE 26 EAST. NMPM  
Section 32: E/2
- (l) EXTEND the East Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 23 SOUTH. RANGE 28 EAST. NMPM  
Section 12: NE/4
- (m) EXTEND the East Hess-Morrow Gas Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 23 SOUTH. RANGE 23 EAST. NMPM  
Section 35: SE/4  
Section 36: S/2
- (n) EXTEND the Ingle Wells-Delaware Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 23 SOUTH. RANGE 31 EAST. NMPM  
Section 25: SE/4  
Section 35: SE/4
- (o) EXTEND the La Huerta-Delaware Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 21 SOUTH. RANGE 27 EAST. NMPM  
Section 9: NE/4
- (p) EXTEND the Loco Hills-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 18 SOUTH. RANGE 29 EAST. NMPM  
Section 23: NW/4
- (q) EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 17 SOUTH. RANGE 27 EAST. NMPM  
Section 32: N/2
- (r) EXTEND the East Pierce Crossing-Bone Spring Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 24 SOUTH. RANGE 29 EAST. NMPM  
Section 14: SE/4  
Section 15: SE/4
- (s) EXTEND the Poker Lake-Delaware Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 24 SOUTH. RANGE 31 EAST. NMPM  
Section 17: SE/4
- (t) EXTEND the Red Lake-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 17 SOUTH. RANGE 27 EAST. NMPM  
Section 33: SE/4 and E/2 SW/4  
Section 34: NW/4
- (u) EXTEND the Sand Tank-Morrow Gas Pool in Eddy County, New Mexico, to include therein:  
TOWNSHIP 18 SOUTH. RANGE 30 EAST. NMPM  
Section 6: W/2

- (v) EXTEND the Scanlon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 25: NE/4

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

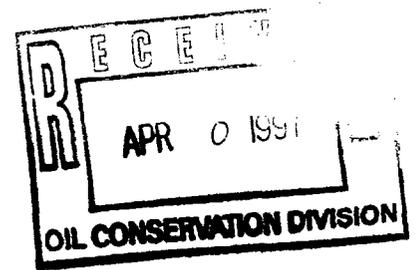
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April 30, 1997

HAND-DELIVERED

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case No. 11726:  
Application of ARCO Permian, a unit of Atlantic Richfield Company, for  
compulsory pooling, directional drilling and unorthodox well locations, Eddy  
County, New Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which  
is currently set on the Division docket for the May 1, 1997 hearings be continued to the May  
29, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,

WILLIAM F. CARR  
WFC:mlh

cc: Mr. Lee Scarborough  
ARCO Permian  
a Division of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702

DOCKET: EXAMINER HEARING - THURSDAY - MAY 1, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 14-97 and 15-97 are tentatively set for May 15, 1997 and May 29, 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 11766:** Application of Merrion Oil & Gas Corporation for compulsory pooling and an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the S/2 of Section 22, Township 32 North, Range 13 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at an unorthodox "off pattern" coal gas well location 790 feet from the South and East lines (Unit P) of said Section 22. 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 and completing said well. Said unit is located approximately 3 miles north of La Plata, New Mexico.

**CASE 11767:** Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 22, Township 32 North, Range 13 West, thereby forming a standard 320-acre spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard location thereon. 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 completing said well. Said area is located approximately 3 miles north of La Plata, New Mexico.

**CASE 11768:** Application of Sirgo Brothers Energy Corporation for Compulsory Pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Cha Cha-Gallup Pool underlying the S/2 NW/4 of Section 12, Township 29 North, Range 15 West, thereby forming a standard 80-acre spacing and proration unit for said pool. Said unit is to be dedicated to the existing Moore Well No. 1 (API No. 30-045-24742) located at a standard oil well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12. Also to be considered will be the costs of participating in said well, including but not limited to the costs of re-entry, completing and equipping, as well as actual operating costs and charges for supervision, and the designation of Mountain States Petroleum Corporation as the operator of the well. Said well is located approximately 9 miles west of Farmington, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.**

**CASE 11769:** Application of Enserch Exploration, Inc. for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Custer Mountain North Unit Agreement for an area comprising 8,124.62 acres, more or less, of state, federal and fee lands in all or portions of Sections 1, 2, 3, 4, 9, 10, 11, 12, 14, 15, 16, 21, 22 and 23, Township 23 South, Range 35 East. Said unit is located 11 miles southwest of Eunice, New Mexico.

**CASE 11756:** (Continued from April 17, 1997, Examiner Hearing.)

**Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the surface to 12,300 feet or the base of the Atoka formation, whichever is less, under Lots 9 through 16 of Section 2, Township 16 South, Range 32 East. Said unit is to be dedicated to its Sunray State Land 76 Well No. 1 to be re-entered at a standard location 4620 feet from the South line and 1980 feet from the East line of said Section 2, or, if the proposed re-entry is unsuccessful, to a well to be drilled at a standard well location to a depth sufficient to test the Atoka formation. 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 5 miles of Majjamar, New Mexico.

**CASE 11770:** Application of Enron Oil & Gas Company for compulsory pooling and simultaneous dedication, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, Sand Tank-Morrow Gas Pool, underlying the S/2 for all formations developed on 320-acre spacing; the SE/4 for all formations developed on 160-acre spacing; the N/2 SE/4 for all formations developed on 80-acre spacing; and the NW/4 SE/4 for all formations developed on 40-acre spacing, Section 32, Township 17 South, Range 30 East. Applicant proposes to dedicate this pooled unit to its Sand Tank "32" State Com Well No. 2 to be drilled at a standard location in the SE/4 of said Section 32. 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 2 miles south-southwest of Loco Hills, New Mexico.

**CASE 11748:** (Continued from April 17, 1997, Examiner Hearing.)

**Application of Enron Oil & Gas Company for downhole commingling, Eddy County, New Mexico.** Applicant seeks approval to downhole commingle production from the Atoka formation, Sand Tank-Atoka Gas Pool, and the Morrow formation, Undesignated Sand Tank-Morrow Gas Pool, within the wellbore of its Sand Tank "6" Federal Well No. 1 located 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 6, Township 18 South, Range 30 East. Said area is located approximately three miles south-southwest of Loco Hills, New Mexico.

**CASE 11714:** (Continued from April 17, 1997, Examiner Hearing.)

**Application of Yates Petroleum Corporation for compulsory pooling, Lea 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 SE/4, in all formations developed on 80-acre spacing underlying the S/2 SE/4, and in all formations developed on 40-acre spacing underlying the SW/4 SE/4 from the surface to the base of the Morrow formation in Section 3, Township 24 South, Range 33 East. Said unit is to be dedicated to its Quest "AQS" State Well No. 1 which will be drilled as a wildcat well at a standard location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 3. 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 9 miles east of the intersection of Highway FAS 1271 with the Lea County/Eddy County line.

**CASE 11771:** **Application of OXY, USA, Inc. 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 all formations developed on 640-acre spacing underlying Section 21, in all formations developed on 320-acre spacing underlying the N/2 of Section 21, in all formations developed on 160-acre spacing underlying the NW/4 of Section 21, and in all formations developed on 80-acre spacing underlying the E/2 NW/4 of Section 21, Township 20 South, Range 36 East. Said units are to be dedicated to its Tiger Fed. Com Well No. 1 to be drilled at a standard location 1650 feet from the North and West lines of Section 21. 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 22.5 miles southwest of Hobbs, New Mexico.

**[REDACTED]** (Continued from April 3, 1997, Examiner Hearing.)

**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 11772:** **Application of Richardson Operating Company for downhole commingling and an unorthodox coal gas well location, San Juan County, New Mexico.** Applicant seeks approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool) to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location. Said well is located 1/3 of a mile east of the intersection of County Road 6446 and Jennefer Street, Kirtland, New Mexico.

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**CASE 11638:** (Continued from April 3, 1997, Examiner Hearing.)

**Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

**CASE 11773:** **Application of Conoco, Inc. for the adoption of special pool rules for the West Maljamar-Devonian Pool, Lea County, New Mexico.** Applicant seeks the promulgation of special pool rules for the West Maljamar-Devonian Pool comprising the NW/4 of Section 20, Township 17 South, Range 32 East, including provisions for 160-acre oil spacing units, designation of well location requirements and a special 900 barrels of oil per day depth bracket oil allowable. Said pool is located approximately 3 miles southwest of Maljamar, New Mexico.

**CASE 11764:** (Continued from April 17, 1997, Examiner Hearing.)

**Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SW/4 of Section 29, Township 22 South, Range 26 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including but not limited to the Happy Valley-Delaware Pool and the West Carlsbad-Delaware Pool. Said unit is to be dedicated to its Happy Valley "29" Well No. 23 to be drilled and completed at a standard location in Unit K of said Section 29. 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 6 miles southwest of Carlsbad, New Mexico.

**CASE 11774:** **Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, 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 within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 11 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4 SE/4 of said Section 11 for any and all formations/pools developed on 40-acre oil spacing. Said units are to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) 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 unit is located approximately 15 miles southeast of Artesia, New Mexico.

**CASE 11775:** **Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the E/2 of Section 15, 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 within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 15 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the NE/4 NE/4 of said Section 15 for any and all formations/pools developed on 40-acre oil spacing. Said units are to be dedicated to its W. B. Travis "15" State Com Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the North line and 950 feet from the East line (Unit A) of said Section 15. 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 unit is located approximately 15 miles southeast of Artesia, New Mexico.

**CASE 11751:** (Continued from April 3, 1997, Examiner Hearing.)

**Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrith, New Mexico.

**CASE 11776:** **Application of Chi Energy, Inc. for a unit agreement, Eddy County, New Mexico.** Applicant seeks approval of its proposed Big Freddy Unit Agreement for an area comprising 7,953.59 acres, more or less, of state, federal and fee lands consisting of all or parts of Sections 1-3, 10-15, 23-26 and 36, Township 23 South, Range 22 East. Said unit is located approximately 20 miles west of Carlsbad, New Mexico.

**CASE 11777:** **Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 16, Township 21 South, Range 29 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Quahada Ridge-Atoka Gas Pool and the Undesignated Golden Lane-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at an orthodox location in 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 applicant as operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles northeast of Carlsbad, New Mexico.

**CASE 11743:** (Continued from April 17, 1997, Examiner Hearing.)

**Application of Santa Fe Energy Resources, Inc. 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 17, Township 22 South, Range 28 East, and in the following manner: the N/2 of Section 17 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated West Indian Flats-Strawn Gas Pool, the Undesignated Dublin Ranch-Atoka Gas Pool, and the Undesignated Dublin Ranch-Morrow Gas Pool; and the NE/4 of Section 17 to form a 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to its Foal "17" Fed. Well No. 1, to be drilled at an orthodox location 1980 feet from the North line and 1980 feet from the East line (Unit G) of said Section 17. 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 7 1/2 miles north of Loving, New Mexico.

**CASE 11470:** (Continued from March 6, 1997, Examiner Hearing.)

**Application of Pride Energy Company to reopen Energy Development Corporation's Case No. 11470 for salt water disposal and designation of a portion of the Menefee member of the Mesaverde formation as an "Exempted Aquifer", Sandoval County, New Mexico.** Applicant, being the successor operator to Energy Development Corporation within the San Isidro (Shallow) Unit, seeks to reopen Case No. 11470 which was heard by the Division on March 21 and May 2, 1996, to present additional technical evidence in its application for authority to inject produced water into the Menefee interval through perforations from 2,438 feet to 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Applicant also seeks to designate the Menefee interval underlying the W/2 E/2 and W/2 of Section 7 and the N/2 NW/4 of Section 18, Township 20 North, Range 2 West, and the E/2 E/2 of Section 12, Township 20 North, Range 3 West, as an "Exempted Aquifer" pursuant to Division Rule No. 701.E. and applicable Federal Underground Injection Control Program Rules and Regulations, as contained within the Code of Federal Regulations, 40 CFR Parts 145 and 146, thereby enabling the injection of produced water, for purpose of disposal, into said interval. Said area is located approximately 8 miles southwest of Cuba, New Mexico.

**CASE 11750:** (Continued from April 3, 1997, Examiner Hearing.)

**Application of Chesapeake Oil Company for creation of a new oil pool with special rules and a discovery oil allowable, Lea County, New Mexico.** Applicant seeks an order creating a new oil pool for production from the Strawn formation with the promulgation of special pool rules and regulations for the pool including 80-acre oil spacing and proration units and the assignment of a discovery allowable for the discovery well being its Chambers "7" Well No. 1 located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, with the S/2 NE/4 of said Section 7 to be dedicated to the subject well. Said pool is located approximately 3 miles west-southwest of Lovington, New Mexico.

**CASE 11778:** **Application of Harvey E. Yates 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 24, Township 18 South, Range 28 East, and in the following manner: The W/2 of Section 24 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, including the Undesignated Palmillo Draw-Atoka Gas Pool, the Undesignated North Turkey Track-Morrow Gas Pool, and the Undesignated South Empire-Morrow Gas Pool; the SW/4 of Section 24 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within said vertical extent; the N/2 SW/4 or the E/2 SW/4 of Section 24 for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, including the Undesignated Travis-Yates Gas Pool and the Undesignated Travis-Upper Pennsylvanian Pool; and the NE/4 SW/4 of Section 24 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, including the Undesignated Artesia Queen-Grayburg-San Andres Pool and the Undesignated East Illinois Camp-Bone Spring Pool. Said units are to be dedicated to its Travis ATR "24" State Com Well No. 1, to be drilled at an orthodox location in said Section 24. 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 operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles southwest of Loco Hills, New Mexico.

**CASE 11516:** (Continued from March 20, 1997, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, H & W Enterprises, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Mobil State Well No. 1, located in Unit H of Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond. Said well is located approximately 6 miles west-southwest of Maljamar, New Mexico.

**CASE 11755:** (Continued from April 3, 1997, Examiner Hearing.)

**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.** Applicant seeks to dedicate a non-standard 297.88-acre gas spacing unit consisting of Lots 29, 30, 31, 32 and the SW/4 (S/2 equivalent) of Irregular Section 1, Township 21 South, Range 25 South to one of the following described alternative wells and authority to drill a well to a depth sufficient to test the Morrow formation at an unorthodox gas well location either 2080 feet from the West line and 750 feet from the West line or, in the alternative, 660 feet from the South line and 2310 feet from the East line, both in said Irregular Section 1, said locations being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Catclaw Draw-Morrow Gas Pool. Said unit is located approximately 9 miles northwest of Carlsbad, New Mexico.

**CASE 11723:** (Continued from April 3, 1997, Examiner Hearing.)

**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.

# EXHIBIT "A"

## Proposed Changes to Rule 111:

### 111 DEVIATION TESTS AND DIRECTIONAL WELLS

111.A. Definitions: the following definitions shall apply to this Rule only:

(1) Azimuth - means the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.

(2) Deviated Well - means any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Rule 111-B.

(3) Directional Well - means a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Rule 111-C.

(4) Drilling Unit - means the surface acreage assigned to a vertical wellbore in accordance with NMOCD Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all such non-standard units previously approved by the Division.

(5) Kick-off Point - means the point at which the wellbore is intentionally deviated from vertical.

(6) Lateral - means any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.

(7) Penetration Point - means the point where the wellbore penetrates the top of the pool from which it is intended to produce.

(8) Producing Area - means all points that lie along a rectangular or square window formed by plotting the measured distance from the North, South, East and West boundaries of a project area, inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing and proration unit for the applicable pool(s).

(9) Producing Interval - means that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus.

(10) Project Area - an area designated on Form C-102 that is enclosed by the outer boundaries of a drilling unit, a combination of complete drilling units, or an approved secondary, tertiary or pressure maintenance project.

(11) Project Well - means any well drilled, completed, produced or injected into as either a deviated well or as a directional well.

- (12) Terminus - means the farthest point attained along the wellbore.
- (13) Unorthodox - means any part of the producing interval which is located outside of the producing area.
- (14) Vertical Well - means a well that does not have an intentional departure or course deviation from the vertical.
- (15) Wellbore - means the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

111.B. Deviated Wellbores:

(1) **Deviation Tests Required.** Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, "Request for Allowable and Authorization to Transport Oil and Natural Gas".

(2) **Excessive Deviation.** When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the District Supervisor shall require that a directional survey be run to establish the location of the producing interval(s).

(3) **Unorthodox Locations.** If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and less than the minimum setback requirements from the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate OCD District Supervisor, and shall otherwise follow the normal process outlined in Rule 104.F(3) to obtain approval of the unorthodox location.

(4) **Directional Survey Requirements.** Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The Supervisor of the appropriate Division District shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed.

111.C. Directional Wellbores:

(1) **Directional Drilling Within a Project Area.** A permit to directionally drill a wellbore may be granted by the Supervisor of the appropriate Division District if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division.

(2) **Unorthodox Wellbores.** If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate

with the Division Director, copy to the appropriate OCD District Supervisor, and shall otherwise follow the normal process outlined in Rule 104.F(3).

(3) Allowables for Project Areas With Multiple Proration Units. The maximum allowable assigned to the project area when dealing with prorated pools shall be based upon the number of standard proration units (or approved non-standard proration and spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores, plus any standard proration units that are developed by vertical wellbores within the project area.

(4) Directional Surveys Required. A directional survey shall be required on each well drilled under the provisions of this section. The Supervisor of the appropriate Division District shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate OCD District Supervisor, and shall otherwise follow the normal process outlined in Rule 104.F(3) to obtain approval of the unorthodox location.

#### 111.D. Additional Matters:

(1) The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. The directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a \$5,000 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company and the survey may be witnessed by the Division and the operator.

(2) The Division Director, may, at his discretion, set any application for administrative approval or public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and opportunity for hearing.

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 3, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 12-97 and 13-97 are tentatively set for April 17, 1997 and May 1, 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 11750:** Application of Chesapeake Oil Company for creation of a new oil pool with special rules and a discovery oil allowable, Lea County, New Mexico. Applicant seeks an order creating a new oil pool for production from the Strawn formation with the promulgation of special pool rules and regulations for the pool including 80-acre oil spacing and proration units and the assignment of a discovery allowable for the discovery well being its Chambers "7" Well No. 1 located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, with the S/2 NE/4 of said Section 7 to be dedicated to the subject well. Said pool is located approximately 3 miles west-southwest of Lovington, New Mexico.

**CASE 11751:** Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrith, New Mexico.

**CASE 11752:** Application of KCS Medallion Resources, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill a well to the base of the Morrow formation at an unorthodox gas well location 560 feet from the North line and 560 feet from the East line (Unit A) of Section 27, Township 18 South, Range 29 East, said location being unorthodox for the North Turkey Track-Morrow gas Pool. Said unit is located approximately 9 miles east-northeast of Old Illinois Camp, New Mexico.

**CASE 11743:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Santa Fe Energy Resources, Inc. 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 17, Township 22 South, Range 28 East, and in the following manner: the N/2 of Section 17 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated West Indian Flats-Strawn Gas Pool, the Undesignated Dublin Ranch-Atoka Gas Pool, and the Undesignated Dublin Ranch-Morrow Gas Pool; and the NE/4 of Section 17 to form a 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to its Foal "17" Fed. Well No. 1, to be drilled at an orthodox location 1980 feet from the North line and 1980 feet from the East line (Unit G) of said Section 17. 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 7 1/2 miles north of Loving, New Mexico.

**CASE 11753:** Application of Amerind Oil Company, Ltd. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 8 and 9 of Irregular Section 2, Township 16 South, Range 35 East, forming a non-standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lovington Strawn Pool. Said unit is to be dedicated to its State "AY" Com Well No. 1 to be drilled and completed at a standard well location in Lot 9 of said Section 2. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3 1/2 miles west of Lovington, New Mexico.

**CASE 11754:** Application of Amerind Oil Company, Ltd. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the N/2 SE/4 of Irregular Section 3, Township 16 South, Range 35 East, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the South Big Dog-Strawn Pool. Said unit is to be dedicated to Applicant's well to be drilled at a standard well location in this spacing unit. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 4 miles west of Lovington, New Mexico.

**CASE 11730:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SE/4 SE/4 (Unit P) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11731:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 SE/4 (Unit I) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11732:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 NE/4 (Unit A) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11733:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the SW/4 SW/4 (Unit M) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11734:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the NW/4 SW/4 (Unit L) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11735:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SW/4 SE/4 (Unit O) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11638:** (Continued from March 6, 1997, Examiner Hearing.)

**Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. **Further**, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, 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.** Applicant seeks to dedicate a non-standard 297.88-acre gas spacing unit consisting of Lots 29, 30, 31, 32 and the SW/4 (S/2 equivalent) of Irregular Section 1, Township 21 South, Range 25 South to one of the following described alternative wells and authority to drill a well to a depth sufficient to test the Morrow formation at an unorthodox gas well location either 2080 feet from the West line and 750 feet from the West line or, in the alternative, 660 feet from the South line and 2310 feet from the East line, both in said Irregular Section 1, said locations being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Catclaw Draw-Morrow Gas Pool. Said unit is located approximately 9 miles northwest of Carlsbad, New Mexico.

**CASE 11723:** (Continued from March 6, 1997, Examiner Hearing.)

**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 11756:** **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the surface to 12,300 feet or the base of the Atoka formation, whichever is less, under Lots 9 through 16 of Section 2, Township 16 South, Range 32 East. Said unit is to be dedicated to its Sunray State Land 76 Well No. 1 to be re-entered at a standard location 4620 feet from the South line and 1980 feet from the East line of said Section 2, or, if the proposed re-entry is unsuccessful, to a well to be drilled at a standard well location to a depth sufficient to test the Atoka formation. 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 5 miles of Maljamar, New Mexico.

**CASE 11714:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Yates Petroleum Corporation for compulsory pooling, Lea 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 SE/4, in all formations developed on 80-acre spacing underlying the S/2 SE/4, and in all formations developed on 40-acre spacing underlying the SW/4 SE/4 from the surface to the base of the Morrow formation in Section 3, Township 24 South, Range 33 East. Said unit is to be dedicated to its Quest "AQS" State Well No. 1 which will be drilled as a wildcat well at a standard location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 3. 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 9 miles east of the intersection of Highway FAS 1271 with the Lea County/Eddy County line.

**CASE 11739:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Yates Petroleum Corporation for compulsory pooling and a non-standard oil proration unit, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 8 and 9 of irregular Section 2, Township 16 South, Range 35 East, forming a non-standard 80-acre oil spacing and proration unit for any and all pools developed on 80-acre spacing within said vertical extent, which presently includes only the West Lovington-Strawn Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 3.5 miles west of Lovington, New Mexico.

**CASE 11748:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Enron Oil & Gas Company for downhole commingling, Eddy County, New Mexico.** Applicant seeks approval to downhole commingle production from the Atoka formation, Sand Tank-Atoka Gas Pool, and the Morrow formation, Undesignated Sand Tank-Morrow Gas Pool, within the wellbore of its Sand Tank "6" Federal Well No. 1 located 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 6, Township 18 South, Range 30 East. Said area is located approximately three miles south-southwest of Loco Hills, New Mexico.

**CASE 11757:** **Application of Amoco Production Company for permanent exemption from Oil Conservation Division Rules 402, 406 and 1125 relating to shut-in pressure tests for the Bravo Dome Carbon Dioxide Gas Unit, Union, Harding and Quay Counties, New Mexico.** Applicant seeks permanent exemption from Oil Conservation Division Rules 402, 406 and 1125 relating to shut-in pressure tests for the Bravo Dome Carbon Dioxide Gas Unit.

**CASE 11738:** (Continued from March 6, 1997, Examiner Hearing.)

**Application of Yates Petroleum Corporation for compulsory pooling, directional drilling and unorthodox location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the W/2, in all formations developed on 160-acre spacing underlying the NW/4, in all formations developed on 80-acre spacing underlying the E/2 NW/4, and in all formations developed on 40-acre spacing underlying the SE/4 NW/4, from the surface to the base of the Morrow formation, of Section 11, Township 16 South, Range 35 East. Said units are to be dedicated to a well which will be directionally drilled from a standard surface location 1980 feet from the North and West lines to a target rate area within 50 feet from a point 1650 feet from the North line and 1980 feet from the West line of said Section 35 that includes unorthodox locations in the Strawn, Atoka and Morrow formations Undesignated Townsend-Morrow Gas Pool. 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 3.5 miles west of Lovington, New Mexico.

**CASE 11726:** (Continued from March 6, 1997, Examiner Hearing.)

**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 11758:** Application of Bass Enterprises Production Company to drill and simultaneous dedication, or in the alternative, simultaneous dedication and unorthodox well location, Eddy County, New Mexico. Applicant seeks to drill its Turkey Track "2" State Well No. 2 at an orthodox location. Said well is to be simultaneously dedicated with the existing Turkey Track "2" State Well No. 1 to a standard 320-acre proration unit comprising the E/2 of Section 2, Township 19 South, Range 28 East. Alternatively, if Division Administrative Order NSL-3745 approving Mewbourne's application for an unorthodox location for its Scanlon Draw "35" State Well No. 1 is upheld in pending Case No. 11713, applicant seeks the corresponding unorthodox location (660 feet from the North line and 1980 feet from the East line) for its Turkey Track "2" Well No. 2 in Unit B of the E/2 of Section 2, Township 19 South, Range 28 East, and the simultaneous dedication of said well to the proration unit comprising the E/2 of Section 2. Said area is located approximately 12 miles east-northeast of Lakewood, New Mexico.

**CASE 11761:** Application of Manzano Oil Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval to drill its "SV" Kim Harris Well No. 3 at an unorthodox oil well 242 feet from the North line and 2148 feet from the East line (Unit B), of Section 12, Township 16 South, Range 36 East, the N/2 NE/4 of said Section 12 to be dedicated to the well. The well will be drilled to a depth of approximately 11,800 feet to the Strawn formation, Northeast Lovington Pennsylvania Pool. Said unit is located approximately 2 miles east of Lovington, New Mexico.

**CASE 11713:** (Continued from March 20, 1997, Examiner Hearing.)

**Application of Bass Enterprises Production Company and Santa Fe Energy Company for the rescission of Division Administrative Order No. NSL-3745, Eddy County, New Mexico.** Applicants seek the rescission of Division Administrative Order No. NSL-3745, which authorized Mewbourne Oil Company to drill its Scanlon Draw "35" State Well No. 1 at an unorthodox gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35, Township 18 South, Range 28 East, to test the North Turkey Track-Morrow Gas Pool formation within a standard 320-acre gas spacing and proration unit comprising the W/2 of said Section 35. Said unit is located approximately 12.5 miles southwest of Loco Hills, New Mexico.

**CASE 11759:** In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for San Andres production and designated as the South Chisum-San Andres Pool. The discovery well is the Marbob Energy Corporation Katie Elder State Well No. 1 located in Unit J of Section 36, Township 11 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM  
Section 36: SE/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the South Corral Canyon-Delaware Pool. The discovery well is the Yates Drilling Company Bennett Federal Well No. 1 located in Unit O of Section 30, Township 25 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 30 EAST, NMPM  
Section 30: SE/4

- (c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Premier production and designated as the High Lonesome-Premier Pool. The discovery well is the McClellan Oil Corporation Hinkle Federal Well No. 5 located in Unit L of Section 10, Township 16 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM  
Section 10: SW/4

- (d) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the Lone Wolf-San Andres Pool. The discovery well is the McClellan Oil Corporation Stevens Federal Well No. 4 located in Unit P of Section 27, Township 13 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM  
Section 27: SE/4

- (e) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the West Lost Tank-Delaware Pool. The discovery well is the Pogo Producing Company Lost Tank "4" Federal Well No. 1 located in Unit C of Section 4, Township 22 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 31 EAST, NMPM

Section 33: S/2

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Section 4: NW/4

- (f) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the East Scanlon-Delaware Pool. The discovery well is the Yates Petroleum Corporation Zinnia Federal Unit Well No. 1 located in Unit E of Section 27, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 27: NW/4

- (g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Turkey Track-Strawn Gas Pool. The discovery well is the Threshold Development Company Conoco "9A" State Well No. 1 located in Unit G of Section 9, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 9: N/2

- (h) EXTEND the Alacran Hills-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 11: N/2

- (i) EXTEND the Angell Ranch-Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM

Section 8: S/2

Section 17: N/2

- (j) EXTEND the Antelope Sink-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM

Section 24: N/2

- (k) EXTEND the Atoka-Glorieta-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 36: NE/4

- (l) EXTEND the East Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM

Section 17: E/2

- (m) EXTEND the North Burton Flat-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 4: W/2

- (n) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 10: W/2

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- (o) EXTEND the Cass Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM

Section 23: NW/4

- (p) EXTEND the Cedar Canyon-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 10: NE/4

- (q) EXTEND the Cedar Canyon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 28: NE/4

- (r) EXTEND the Cemetery-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 19: N/2

- (s) EXTEND the Cottonwood Creek-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM

Section 17: S/2

Section 20: N/2

- (t) EXTEND the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 27: NE/4

- (u) EXTEND the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 ½ SOUTH, RANGE 23 EAST, NMPM

Section 34: All

- (v) EXTEND the West Dagger Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 28: W/2

Section 32: N/2

- (w) EXTEND the Empire-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM

Section 21: All

- (x) EXTEND the Fren-Paddock Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 16: SW/4

- (y) EXTEND the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 32: W/2

- (z) EXTEND the Happy Valley-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 33: SE/4

Section 34: NW/4

- (aa) EXTEND the West Henshaw-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 12: SE/4

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 7: SW/4

- (bb) EXTEND the Hoag Tank-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 26: N/2

- (cc) EXTEND the Hoag Tank-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 15: S/2

Section 22: W/2

- (dd) EXTEND the Indian Loafer Draw-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM

Section 12: NE/4

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM

Section 7: N/2

- (ee) EXTEND the Ingle Wells-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 25: NE/4

Section 36: NE/4

- (ff) EXTEND the Lake Arthur-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 26 EAST, NMPM

Section 36: SE/4

- (gg) EXTEND the Northeast Livingston Ridge-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 12: SW/4

- (hh) EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 28: W/2

Section 33: W/2

- (ii) EXTEND the East Millman-Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 1: NE/4 and N/2 SE/4

- (jj) EXTEND the East Pierce Crossing-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 11: SW/4

Section 15: NE/4

- (kk) EXTEND the South Poker Lake-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 22: SW/4

Section 27: W/2

- (ll) EXTEND the Saladar-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 25: W/2

- (mm) EXTEND the Sand Tank-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM

Section 1: All

- (nn) EXTEND the Willow Lake-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 6: NE/4

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

**CASE 11760:** In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Fruitland Sand production and designated as the Huerfano-Fruitland Sand Pool. The discovery well is the Burlington Resources Oil and Gas Company A. D. Hudson Well No. 4 located in Unit J of Section 29, Township 27 North, Range 9 West, NMPM. Said pool would comprise:

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM

Section 29:

- (b) EXTEND the North Aztec-Fruitland Sand Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM

Section 7: SW/4

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM

Section 1: SW/4

Section 2: E/2

Section 12: All

- (c) EXTEND the Fulcher Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM

Section 8: W/2

- (d) EXTEND the La Jara-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 7 WEST, NMPM

Section 26: SW/4

- (e) EXTEND the Otero-Chacra Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 7 WEST, NMPM

Section 31: W/2

TOWNSHIP 27 NORTH, RANGE 8 WEST, NMPM

Section 35: NE/4

Section 36: All

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

DOCKET: COMMISSION HEARING - THURSDAY - APRIL 10, 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 11352: Rehearing

In the matter of the New Mexico Oil Conservation Division to amend Rule 116 of its General Rules and Regulations pertaining to the notification of fires, breaks, leaks, spills and blowouts. The proposed amendments to Rule 116 would include and/or exclude certain situations from its coverage. Upon application of El Paso Natural Gas Company, Burlington Resources Oil and Gas Company, Amoco Production Company, and PNM Gas Services, this case will be reheard pursuant to the provisions of Rule 1222.

CASE 11635: Rehearing

In the matter of the New Mexico Oil Conservation Division to enact a new rule establishing methods and standards for the prevention and abatement of water pollution associated with operations in the oil and gas industry. Upon application of El Paso Natural Gas Company, Giant Industries Arizona, Inc., Marathon Oil Company, and PNM Gas Services, this case will be reheard pursuant to the provisions of Rule 1222.

CASE 11762: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to amend Rule 111 of its General Rules and Regulations to simplify the regulatory process by eliminating the requirements for notice, the filing of an administrative application, and a possible hearing strictly on the grounds that a proposed well or existing recompletion is to be deviated, directionally drilled, or is to include a horizontal wellbore. Said amendment also provides for District authority in the processing of such operations including the formation of Project Areas or the combining of drilling units for horizontal/high angle directional drilling operations. A copy of the proposed recodified Rule 111 is attached to this docket.

CASE 11599: De Novo

**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.

CASE 11615: De Novo

**Application of 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.** Applicant seeks the contraction of the South Lone Wolf-Devonian Pool to exclude the NW/4 of Section 26 and the NE/4 of Section 27, Township 13 South, Range 29 East; the creation of a new pool for the production from the Devonian formation underlying the SW/4 SW/4 of Section 23 and the NW/4 NW/4 of Section 26, Township 13 South, Range 29 East, for the promulgation of special rules and regulations therefor including 80-acre gas spacing units and designated well location requirements, a non-standard oil proration unit comprised of the SW/4 SW/4 of said Section 23 and the NW/4 NW/4 of said Section 26, reentry and directional drilling of the McClellan Federal Well No. 1 from a previously approved surface location 182 feet from the North line and 507 feet from the West line of said Section 26 and approval of an unorthodox bottomhole location for this well in the Devonian formation within 100 feet of a point 148 feet from the South line and 177 feet from the West line of said Section 23. The proposed pool boundary is located approximately 18 miles east of Hagerman, New Mexico. Upon application of Thornton Operating Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

THE FOLLOWING CASES ARE AWAITING FINAL COMMISSION ACTION:

CASE 11613: Application of Burlington Resources Oil & Gas Company for Compulsory Pooling, Lea County, New Mexico.

CASE 11622: Application of Penwell Energy, Inc. For Compulsory Pooling, Lea County, New Mexico.



**ARCO Permian**  
600 N Marienfeld  
Midland TX 79701  
Post Office Box 1610  
Midland TX 79702  
Telephone 915 888 5200

April 2, 1997

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762

**CERTIFIED MAIL**  
Return Receipt Requested

Attention: Ms. Georgia Fenton

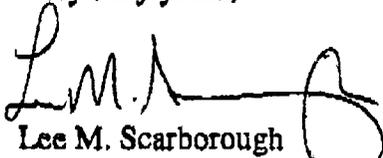
Re: Mimosa 8 State Corn #1 Well  
Township 18 South, Range 28 East  
Section 8: S/2  
Eddy County, New Mexico

Dear Ms. Fenton:

ARCO Permian is still interested in drilling a Morrow test at the unorthodox location shown on the plat attached to this letter. Your farmout terms, carrying a thirty percent back-in after well payout, will not fit into our current economic model.

We request that you review the enclosed operating agreement and reconsider participation in our proposed location. If a review of our seismic will help in your decision, please feel free to contact the undersigned to set up an appointment. This review must, however, be preceded by a signed commitment letter as per our previous discussions.

Very truly yours,

  
Lee M. Scarborough  
Land Director, SE New Mexico

LMS/sb

xc: William F. Carr  
Campbell, Carr, Berge & Sheridan  
P. O. Box 2208  
Santa Fe, New Mexico 87504-2208

**DOCKET: EXAMINER HEARING - THURSDAY - MARCH 6, 1997**

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 8-97 and 9-97 are tentatively set for March 20, 1997 and April 3, 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 11738:** Application of Yates Petroleum Corporation for compulsory pooling, directional drilling and unorthodox location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the W/2, in all formations developed on 160-acre spacing underlying the NW/4, in all formations developed on 80-acre spacing underlying the E/2 NW/4, and in all formations developed on 40-acre spacing underlying the SE/4 NW/4, from the surface to the base of the Morrow formation, of Section 11, Township 16 South, Range 35 East. Said units are to be dedicated to a well which will be directionally drilled from a standard surface location 1980 feet from the North and West lines to a target rate area within 50 feet from a point 1650 feet from the North line and 1980 feet from the West line of said Section 35 that includes unorthodox locations in the Strawn, Atoka and Morrow formations Undesignated Townsend-Morrow Gas Pool. 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 3.5 miles west of Lovington, New Mexico.

**CASE 11739:** Application of Yates Petroleum Corporation for compulsory pooling and a non-standard oil proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 8 and 9 of irregular Section 2, Township 16 South, Range 35 East, forming a non-standard 80-acre oil spacing and proration unit for any and all pools developed on 80-acre spacing within said vertical extent, which presently includes only the West Lovington-Strawn Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 3.5 miles west of Lovington, New Mexico.

**CASE 11649:** (Continued from February 6, 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 in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No.1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. 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 4 1/2 miles west of Lakewood, New Mexico.

**CASE 11722:** (Readvertised)

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 Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. In addition, applicant seeks an order reducing the overriding royalty burdens on the SW/4 SE/4 of said Section 28 so that the net revenue interest for that tract is not less than 75%. Said unit is located approximately 3 miles east of the intersection of State Highway 176/FAS 1217 and U.S. Highway 180 (Laguna Ganua Area), New Mexico.

**CASE 11638:** (Continued from January 9, 1997, Examiner Hearing.)

**Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

**CASE 11040:** (Reopened)

In the matter of Case No. 11040 being reopened pursuant to the provisions of Division Order No. R-5353-O-1, which order promulgated temporary special rules and regulations for the Burton Flat-Bone Spring Associated Pool in Eddy County, New Mexico. Operators in the subject pool may appear and present evidence and testimony as to the reservoir with regards to making these rules permanent.

**CASE 11740:** **Application of Amerind Oil Company, Ltd. and Michael Shearn for compulsory pooling, Lea County, New Mexico.** Applicants seek an order pooling all mineral interests from the surface to the base of the Strawn formation, underlying Lots 9 and 16 of Irregular Section 2, Township 16 South, Range 35 East, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lovington-Strawn Pool. Said unit is to be dedicated to UMC Petroleum Corporation's Townsend State Well No. 1 being drilled and completed at a standard well location in Lot 16 of said Section 2. 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 the Amerind Oil Company, Ltd. as operator of the well and a charge for risk involved in said well. Said unit is located approximately 3 ½ miles west of Lovington, New Mexico

**CASE 11741:** **Application of UMC Petroleum Corporation for a non-standard oil spacing and proration unit, Lea County, New Mexico.** Applicant seeks approval of an 80-acre non-standard oil spacing and proration unit in the Undesignated West Lovington-Strawn Pool for its Townsend State Well No. 1, comprised of Lots 16 and 17 of Section 2, Township 16 South, Range 35 East, NMPM. Said unit is located approximately 4.5 miles west of Lovington, New Mexico.

**CASE 11742:** **Application of Cross Timbers Operating Company for unit expansion, Lea County, New Mexico.** Applicant seeks an order expanding the Southeast Maljamar Grayburg-San Andres Unit to cover the Maljamar Grayburg-San Andres Pool underlying parts of Sections 29, 30, 32, and 33, Township 17 South, Range 33 East, comprising 1280 acres, more or less, of state and federal lands. Said unit is located approximately 6 miles southeast of Maljamar, New Mexico.

**CASE 11743:** **Application of Santa Fe Energy Resources, Inc. 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 17, Township 22 South, Range 28 East, and in the following manner: the N/2 of Section 17 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated West Indian Flats-Strawn Gas Pool, the Undesignated Dublin Ranch-Atoka Gas Pool, and the Undesignated Dublin Ranch-Morrow Gas Pool; and the NE/4 of Section 17 to form a 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to its Foal "17" Fed. Well No. 1, to be drilled at an orthodox location 1980 feet from the North line and 1980 feet from the East line (Unit G) of said Section 17. 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 7 ½ miles north of Loving, New Mexico.

**CASE 11744:** Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 3500 feet beneath the surface to the base of the Morrow formation, underlying the following described acreage in Section 34, Township 18 South, Range 28 East, and in the following manner: the S/2 of Section 34 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated North Turkey Track-Atoka Gas Pool and the Undesignated North Turkey Track-Morrow Gas Pool; the SE/4 of Section 34 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW/4 SE/4 of Section 34 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within said vertical extent, including the Undesignated Palmillo-Bone Spring Pool. Said units are to be dedicated to its Scanlon Draw "34" State Com. Well No. 1, to be drilled at an orthodox location in said Section 34. 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 3 miles east-southeast of Old Illinois Camp.

**CASE 11736:** (Continued from February 20, 1997, Examiner Hearing.)

Application of John H. Hendrix Corporation for a non-standard gas proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its existing New Mexico "B" State Well No. 6 (API No. 30-025-33352) located 990 feet from the North line and 2310 feet from the East line (Unit B) of Section 29, Township 21 South, Range 36 East. Further, the applicant seeks to dedicate said well to a non-standard 40-acre gas spacing and proration unit comprising the NW/4 NE/4 of said Section 29, which is located approximately 7 miles west of Eunice, New Mexico.

**CASE 11470:** (Reopened)

Application of Pride Energy Company to reopen Energy Development Corporation's Case No. 11470 for salt water disposal and designation of a portion of the Menefee member of the Mesaverde formation as an "Exempted Aquifer", Sandoval County, New Mexico. Applicant, being the successor operator to Energy Development Corporation within the San Isidro (Shallow) Unit, seeks to reopen Case No. 11470 which was heard by the Division on March 21 and May 2, 1996, to present additional technical evidence in its application for authority to inject produced water into the Menefee interval through perforations from 2,438 feet to 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Applicant also seeks to designate the Menefee interval underlying the W/2 E/2 and W/2 of Section 7 and the N/2 NW/4 of Section 18, Township 20 North, Range 2 West, and the E/2 E/2 of Section 12, Township 20 North, Range 3 West, as an "Exempted Aquifer" pursuant to Division Rule No. 701.E. and applicable Federal Underground Injection Control Program Rules and Regulations, as contained within the Code of Federal Regulations, 40 CFR Parts 145 and 146, thereby enabling the injection of produced water, for purpose of disposal, into said interval. Said area is located approximately 8 miles southwest of Cuba, New Mexico.

**CASE 11728:** (Continued from February 20, 1997, Examiner Hearing.)

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 11726:** (Continued from February 20, 1997, Examiner Hearing.)

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:** (Continued from February 20, 1997, Examiner Hearing.)

**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 11723:** (Continued to February 20, 1997, Examiner Hearing.)

**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 11724:** (Continued from February 20, 1997, Examiner Hearing.)

**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 11714:** (Continued from February 20, 1997, Examiner Hearing.)

**Application of Yates Petroleum Corporation for compulsory pooling, Lea 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 SE/4, in all formations developed on 80-acre spacing underlying the S/2 SE/4, and in all formations developed on 40-acre spacing underlying the SW/4 SE/4 from the surface to the base of the Morrow formation in Section 3, Township 24 South, Range 33 East. Said unit is to be dedicated to its Quest "AQS" State Well No. 1 which will be drilled as a wildcat well at a standard location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 3. 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 9 miles east of the intersection of Highway FAS 1271 with the Lea County/Eddy County line.

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN

MICHAEL H. FELDEWERT  
TANYA M. TRUJILLO  
PAUL R. OWEN

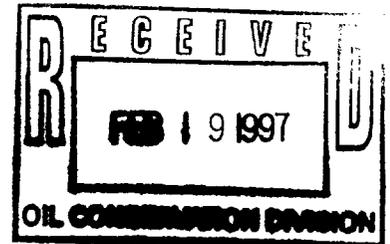
JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

February 19, 1997

HAND-DELIVERED

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case No. 11726:  
Application of ARCO Permian, a Division of Atlantic Richfield Company, for  
compulsory pooling, directional drilling and unorthodox well locations, Eddy  
County, New Mexico

Dear Mr. LeMay:

ARCO Permian, a Division of Atlantic Richfield, respectfully requests that this matter which is currently set on the Division docket for the February 20, 1997 hearings be continued to the March 6, 1997 Examiner hearing.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a long, sweeping tail.

WILLIAM F. CARR  
WFC:mlh

cc: Mr. Lee Scarborough  
ARCO Permian  
a Division of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702

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

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 11726

APPLICATION OF ARCO PERMIAN,  
A UNIT OF ATLANTIC RICHFIELD,  
FOR COMPULSORY POOLING,  
DIRECTIONAL DRILLING AND  
AN UNORTHODOX WELL LOCATIONS,  
EDDY COUNTY, NEW MEXICO.

**PRE-HEARING STATEMENT**

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

Arco Permian, a unit of Atlantic Richfield  
Post Office Box 1610  
Midland, TX 79702  
Attn: Lee Scarborough  
(915) 688-5355 \_\_\_\_\_

name, address, phone and  
contact person

**ATTORNEY**

William F. Carr, Esq.  
Campbell, Carr, Berge & Sheridan, P.A.  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
(505) 988-4421 \_\_\_\_\_

**OPPOSITION OR OTHER PARTY**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

name, address, phone and  
contact person

**ATTORNEY**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**STATEMENT OF CASE**

APPLICANT

Arco Permian, a unit of Atlantic Richfield, applicant in the above-styled cause, 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 Pennsylvanian 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 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.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

**PROPOSED EVIDENCE**

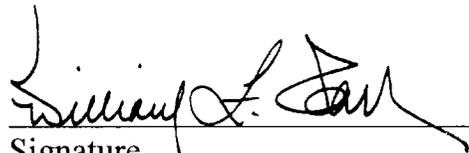
APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Lee Scarborough, Land	20 Min.	Approximately 6
Dave Percy, Engineer	20 Min.	Approximately 6

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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**PROCEDURAL MATTERS**

  
\_\_\_\_\_  
Signature

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ARCO PERMIAN FOR  
COMPULSORY POOLING, DIRECTIONAL  
DRILLING, AND UNORTHODOX WELL  
LOCATIONS, EDDY COUNTY, NEW MEXICO.

CASE NO. 11726

ENTRY OF APPEARANCE

Mewbourne Oil Company hereby enters its appearance in the  
above case.



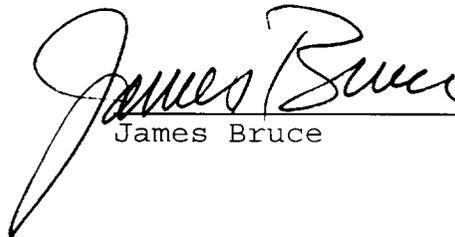
James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Mewbourne Oil  
Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Entry of  
Appearance was mailed this 14th day of February, 1997 to:

William F. Carr  
Campbell, Carr, Berge & Sheridan, P.A.  
P.O. Box 2208  
Santa Fe, New Mexico 87504



James Bruce



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## INFORMATIONAL MEMORANDUM

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**TO:** All Oil and Gas Operators

**FROM:** Michael E. Stogner, Chief Hearing Examiner/Engineer (OCD) *M.S.*

**SUBJECT:** Revised Division General Rule 111 - Deviation Test and Directional Wells.

**DATE:** February 7, 1997.

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Attached is a copy of proposed revisions to Division General Rule 111 in its entirety. These rule changes were the product of a work group that included myself and four industry representatives from both Southeast and Northwest New Mexico and are to be considered by the New Mexico Oil Conservation Commission at its formal hearing scheduled for April 10, 1997.

### WHAT DO THESE RULE CHANGES DO?

The proposed rule changes will serve to simplify the regulatory process by eliminating the requirements for notice, application, and a possible hearing strictly because a proposed well or existing recompletion is directional or horizontal. However, if the bottomhole location or the subsurface location of the wellbore within a producing interval is unorthodox then an exception to Rule 104 or special pool rules will still be required. These changes also serve to clarify the requirements for wells with excessive deviation. Finally, the unnecessary and often tedious requirements for intentionally deviated wells are removed.

Written comments, proposed changes, and suggestions are welcomed. Please submit to:

New Mexico Oil Conservation Division  
Attention: Michael E. Stogner - New Rule 111  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

or e-mail to:

MIKSTOGNER@EMNRDSF.STATE.NM.US

# Proposed Changes to Rule 111: Directional Drilling

February 7, 1997

## 111 DEVIATION TESTS AND DIRECTIONAL WELLS

111.A. Definitions: the following definitions shall apply to this Rule only:

(1) Azimuth - means the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.

(2) Deviated Well - means any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Rule 111-B.

(3) Directional Well - means a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Rule 111-C.

(4) Drilling Unit - means the surface acreage assigned to a vertical wellbore in accordance with NMOCD Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all such non-standard units previously approved by the Division.

(5) Kick-off Point - means the point at which the wellbore is intentionally deviated from vertical.

(6) Lateral - means any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.

(7) Penetration Point - means the point where the wellbore penetrates the top of the pool from which it is intended to produce.

(8) Producing Area - means all points that lie along a rectangular or square window formed by plotting the measured distance from the North, South, East and West boundaries of a project area, inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing and proration unit for the applicable pool(s).

(9) Producing Interval - means that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus.

(10) Project Area - an area designated on Form C-102 that is enclosed by the outer boundaries of a drilling unit, a combination of complete drilling units, or an approved secondary, tertiary or pressure maintenance project.

(11) Project Well - means any well drilled, completed, produced or injected into as either a deviated well or as a directional well.

- (12) Terminus - means the farthest point attained along the wellbore.
- (13) Unorthodox - means any part of the producing interval which is located outside of the producing area.
- (14) Vertical Well - means a well that does not have an intentional departure or course deviation from the vertical.
- (15) Wellbore - means the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

111.B. Deviated Wellbores:

- (1) **Deviation Tests Required.** Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, "Request for Allowable and Authorization to Transport Oil and Natural Gas".
- (2) **Excessive Deviation.** When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the District Supervisor shall require that a directional survey be run to establish the location of the producing interval(s).
- (3) **Unorthodox Locations.** If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and less than the minimum setback requirements from the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate OCD District Supervisor, and shall otherwise follow the normal process outlined in Rule 104.F(3) to obtain approval of the unorthodox location.
- (4) **Directional Survey Requirements.** Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The Supervisor of the appropriate Division District shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed.

111.C. Directional Wellbores:

- (1) **Directional Drilling Within a Project Area.** A permit to directionally drill a wellbore may be granted by the Supervisor of the appropriate Division District if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division.
- (2) **Unorthodox Wellbores.** If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate

with the Division Director, copy to the appropriate OCD District Supervisor, and shall otherwise follow the normal process outlined in Rule 104.F(3).

(3) Allowables for Project Areas With Multiple Proration Units. The maximum allowable assigned to the project area when dealing with prorated pools shall be based upon the number of standard proration units (or approved non-standard proration and spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores, plus any standard proration units that are developed by vertical wellbores within the project area.

(4) Directional Surveys Required. A directional survey shall be required on each well drilled under the provisions of this section. The Supervisor of the appropriate Division District shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate OCD District Supervisor, and shall otherwise follow the normal process outlined in Rule 104.F(3) to obtain approval of the unorthodox location.

#### 111.D. Additional Matters:

(1) The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. The directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a \$5,000 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company and the survey may be witnessed by the Division and the operator.

(2) The Division Director, may, at his discretion, set any application for administrative approval or public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and opportunity for hearing.

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-Ismay 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 11639: (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.

**CASE 11730:** Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SE/4 SE/4 (Unit P) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11731:** Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 SE/4 (Unit I) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11732:** Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 NE/4 (Unit A) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11733:** Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the SW/4 SW/4 (Unit M) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11734:** Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the NW/4 SW/4 (Unit L) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11735:** Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SW/4 SE/4 (Unit O) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11712:** (Continued from January 23, 1997, Examiner Hearing.)

Application of InterCoast Oil and 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 S/2 of Section 33, Township 17 South, Range 29 East in the following manner: S/2 for all formations developed on 320-acre spacing; the SE/4 for all formations developed on 160-acre spacing; the N/2 SE/4 for all formations developed on 80-acre spacing; and the NW/4 SE/4 for all formations developed on 40-acre spacing. Applicant proposes to dedicate this pooled unit to its Bear Grass Draw Well No. 33-1 to be drilled to the Morrow formation at a standard location 1980 feet from the South line and 1650 feet from the East line (Unit J) of said Section 33. 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 6 miles southwest of Loco Hills, New Mexico.

**CASE 11736:** Application of John H. Hendrix Corporation for a non-standard gas proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its existing New Mexico "B" State Well No. 6 (API No. 30-025-33352) located 990 feet from the North line and 2310 feet from the East line (Unit B) of Section 29, Township 21 South, Range 36 East. Further, the applicant seeks to dedicate said well to a non-standard 40-acre gas spacing and proration unit comprising the NW/4 NE/4 of said Section 29, which is located approximately 7 miles west of Eunice, New Mexico.

**CASE 11713:** (Continued from January 23, 1997, Examiner Hearing.)

Application of Bass Enterprises Production Company and Santa Fe Energy Company for the rescission of Division Administrative Order No. NSL-3745, Eddy County, New Mexico. Applicants seek the rescission of Division Administrative Order No. NSL-3745, which authorized Mewbourne Oil Company to drill its Scanlon Draw "35" State Well No. 1 at an unorthodox gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35, Township 18 South, Range 28 East, to test the North Turkey Track-Morrow Gas Pool formation within a standard 320-acre gas spacing and proration unit comprising the W/2 of said Section 35. Said unit is located approximately 12.5 miles southwest of Loco Hills, New Mexico.

**CASE 11516:** (Continued from January 23, 1997, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, H & W Enterprises, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Mobil State Well No. 1, located in Unit H of Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond. Said well is located approximately 6 miles west-southwest of Maljamar, New Mexico.

**CASE 11714:** (Continued from February 6, 1997, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Lea 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 SE/4, in all formations developed on 80-acre spacing underlying the S/2 SE/4, and in all formations developed on 40-acre spacing underlying the SW/4 SE/4 from the surface to the base of the Morrow formation in Section 3, Township 24 South, Range 33 East. Said unit is to be dedicated to its Quest "AQS" State Well No. 1 which will be drilled as a wildcat well at a standard location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 3. 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 9 miles east of the intersection of Highway FAS 1271 with the Lea County/Eddy County line.

**CASE 11718:** (Continued from February 6, 1997, Examiner Hearing.)

Application of Wiser Oil Company for an expansion of its waterflood project, Eddy County, New Mexico. Applicant seeks to expand its Skelly Unit Waterflood Project and inject water into 62 additional wells: 9 wells in Section 14, 11 wells in Section 15, 10 wells in Section 21, 7 wells in Section 22, 10 wells in Section 23, 1 well in Section 26, 4 wells in Section 27, and 10 wells in Section 28, all within Township 17 South, Range 31 East, to provide additional injection service for the existing Skelly Unit Waterflood approved by Order No. R-3214. The zones to be injected into are the Vacuum-Grayburg and San Andres at an average TD of 3900' with a maximum injection rate of 250 BWPD/well at a maximum pressure of 2600 psi. Said project is located approximately 7 miles east of Loco Hills, New Mexico.

**CASE 11737:** In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating, abolishing, contracting, reclassifying, and extending the vertical and horizontal limits of certain pools in Chaves, Lea, and Roosevelt Counties, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the South Berry-Bone Spring Pool. The discovery well is the Yates Petroleum Corporation Alphabet Unit Well No. 2 located in Unit F of Section 17, Township 21 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM  
Section 17: NW/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Bilbrey-Atoka Gas Pool. The discovery well is the Kaiser Francis Oil Company Federal CK Com Well No. 1 located in Unit H of Section 6, Township 22 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 6: E/2

- (c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the East Caprock-Atoka Gas Pool. The discovery well is the J & G Enterprise LTD Company Stetson Well No. 1 located in Unit G of Section 26, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM

Section 26: N/2

- (d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the West Cinta Roja-Morrow Gas Pool. The discovery well is the Pogo Producing Company Allison Federal Com Well No. 1 located in Unit H of Section 7, Township 24 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM

Section 7: E/2

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the East Cotton Draw-Delaware Pool. The discovery well is the Yates Petroleum Corporation Haracz AMO Federal Well No. 7 located in Unit F of Section 19, Township 24 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM

Section 19: NW/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Southeast Cotton Draw-Delaware Pool. The discovery well is the Santa Fe Energy Resources, Inc. Turquoise 30 Federal Well No. 1 located in Unit F of Section 30, Township 24 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM

Section 30: NW/4

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Southeast Denton-Devonian Pool. The discovery well is the Browning Oil Company, Inc. Knowles Well No. 1 located in Unit J of Section 1, Township 16 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 38 EAST, NMPM

Section 1: Lots 9, 10, 15, and 16

- (h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the East Diamondtail-Delaware Pool. The discovery well is the Yates Petroleum Corporation April APZ State Well No. 1 located in Unit A of Section 12, Township 23 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM

Section 12: NE/4

- (i) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Diamondtail-Morrow Gas Pool. The discovery well is the Pogo Producing Company Red Tank 34 Federal Well No. 1 located in Unit B of Section 34, Township 22 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 34: N/2

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- (j) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Hardin Tank-Wolfcamp Pool. The discovery well is the Enron Oil & Gas Company Jamaica Olsen Federal Well No. 1 located in Unit J of Section 35, Township 25 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH. RANGE 34 EAST. NMPM

Section 35: SE/4

- (k) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the East Hare-San Andres Pool. The discovery well is the Exxon Corporation New Mexico FO State Well No. 1 located in Unit O of Section 10, Township 21 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH. RANGE 37 EAST. NMPM

Section 10: SE/4

- (l) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Central Justis-Abo Pool. The discovery well is the Arch Petroleum, Inc. Learcy McBuffington Well No. 9 located in Unit K of Section 13, Township 25 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH. RANGE 37 EAST. NMPM

Section 13: SW/4

- (m) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Cisco production and designated as the Northeast Mescalero-Cisco Pool. The discovery well is the Manzano Oil Corporation Jordan State Well No. 1 located in Unit B of Section 12, Township 10 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH. RANGE 32 EAST. NMPM

Section 12: NE/4

- (n) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the West Midway-Upper Pennsylvanian Pool. The discovery well is the Primero Operating, Inc. Shoebar State Well No. 1 located in Unit N of Section 15, Township 17 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH. RANGE 35 EAST. NMPM

Section 15: SW/4

- (o) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Mississippian production and designated as the Morton-Mississippian Gas Pool. The discovery well is the Yates Petroleum Corporation Morton Unit Well No. 1 located in Unit B of Section 5, Township 15 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH. RANGE 35 EAST. NMPM

Section 5: N/2

- (p) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the West Ojo Chiso-Morrow Gas Pool. The discovery well is the Santa Fe Energy Resources, Inc. Gaucho Unit Well No. 1 located in Unit G of Section 29, Township 22 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH. RANGE 34 EAST. NMPM

Section 29: N/2

- (q) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the North Pearl-San Andres Pool. The discovery well is the Chi Operating, Inc. Oyster Well No. 1 located in Unit N of Section 22, Township 19 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH. RANGE 35 EAST. NMPM

Section 22: SW/4

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- (r) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the South Sawyer-Devonian Pool. The discovery well is the Cobra Oil & Gas Corporation Bronco Farms 5 Federal Well No. 5 located in Unit B of Section 5, Township 10 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM

Section 5: NE/4

- (s) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the Northeast Shoe Bar-Strawn Pool. The discovery well is the Chesapeake Operating, Inc. Chambers 7 Well No. 1 located in Unit H of Section 7, Township 16 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 7: NE/4

- (t) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Mid Teague-Abo Pool. The discovery well is the Arch Petroleum, Inc. C. E. Lamunyon Well No. 10 located in Unit L of Section 22, Township 23 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM

Section 22: SW/4

- (u) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the East Teas-Bone Spring Pool. The discovery well is the Read & Stevens, Inc. Unocal 8 Federal Well No. 1 located in Unit E of Section 8, Township 20 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 8: NW/4

- (v) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Tres Papatotes-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Papatotes Unit Well No. 1 located in Unit I of Section 34, Township 14 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 34: E/2

- (w) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Triste Draw-Bone Spring Pool. The discovery well is the Meridian Oil Inc. Diamondtail 34 Federal Well No. 3 located in Unit G of Section 34, Township 23 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM

Section 34: NE/4

- (x) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the East Vacuum-Morrow Gas Pool. The discovery well is the Shell Western Exploration & Production, Inc. State Ridge B Well No. 1 located in Unit I of Section 30, Township 17 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 30: E/2

- (y) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Grayburg production and designated as the South Young-Grayburg Pool. The discovery well is the Chevron USA Inc. Keel A Federal Well No. 2 located in Unit O of Section 33, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 33: SE/4

- (z) ABOLISH the Teague-Paddock Pool in Lea County, New Mexico, in order to include the abolished acreage in the redesignated Teague-Paddock-Blinebry Pool.

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(aa) EXTEND the vertical limits of the Teague-Blinebry Pool in Lea County, New Mexico, to include the Paddock formation and redesignate said pool as the Teague-Paddock-Blinebry Pool.

(bb) CONTRACT the Teague-Abo Gas Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM

Section 22: SW/4

(cc) RECLASSIFY the East Warren-Tubb Gas Pool in Lea County, New Mexico, as an oil pool and redesignate said pool as the East Warren-Tubb Pool.

(dd) EXTEND the North Allison-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM

Section 17: SW/4

(ee) EXTEND the East Bell Lake-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM

Section 34: NE/4

(ff) EXTEND the Byers-Yates Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 29: SW/4

(gg) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 9: SE/4

(hh) EXTEND the Crazy Horse-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 24: NE/4

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 18: SW/4

Section 19: NE/4

(ii) EXTEND the South Crossroads-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM

Section 3: SW/4

Section 4: SE/4

(jj) EXTEND the Diamondtail-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM

Section 12: N/2 and SW/4

Section 13: SW/4

Section 24: W/2

(kk) EXTEND the Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 29: SW/4

Section 32: N/2

Section 33: W/2 NW/4

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- (ll) EXTEND the Fowler-Fusselman Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH. RANGE 37 EAST. NMPM

Section 15: SE/4

- (mm) EXTEND the Hat Mesa-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH. RANGE 33 EAST. NMPM

Section 30: N/2

- (nn) EXTEND the Johnson Ranch-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH. RANGE 33 EAST. NMPM

Section 15: N/2

- (oo) EXTEND the Mid Justis-Abo Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH. RANGE 37 EAST. NMPM

Section 24: E/2

Section 25: N/2

- (pp) EXTEND the Kemnitz-Upper Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH. RANGE 33 EAST. NMPM

Section 24: SE/4

TOWNSHIP 16 SOUTH. RANGE 34 EAST. NMPM

Section 18: S/2

Section 19: W/2

- (qq) EXTEND the Northeast Lea-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH. RANGE 34 EAST. NMPM

Section 4: SW/4

- (rr) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH. RANGE 36 EAST. NMPM

Section 11: E/2 and SW/4

Section 12: SW/4

- (ss) EXTEND the West Lovington-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH. RANGE 35 EAST. NMPM

Section 1: Lots 11, 12, 13, and 14

TOWNSHIP 16 SOUTH. RANGE 36 EAST. NMPM

Section 6: Lots 3, 4, 5, and 6

- (tt) EXTEND the West Lynch-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH. RANGE 34 EAST. NMPM

Section 29: SW/4

Section 30: W/2 and SE/4

- (uu) EXTEND the Maljamar-Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH. RANGE 32 EAST. NMPM

Section 34: SE/4

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- (vv) EXTEND the Monument-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH. RANGE 36 EAST. NMPM

Section 26: SW/4

Section 27: N/2

- (ww) EXTEND the North Monument-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH. RANGE 36 EAST. NMPM

Section 14: SE/4

- (xx) EXTEND the Monument-Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH. RANGE 37 EAST. NMPM

Section 16: N/2

- (yy) EXTEND the North Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH. RANGE 37 EAST. NMPM

Section 2: Lots 11, 12, 13, and 14

- (zz) EXTEND the Penrose Skelly-Grayburg Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH. RANGE 37 EAST. NMPM

Section 22: N/2

- (aaa) EXTEND the Red Tank-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH. RANGE 32 EAST. NMPM

Section 1: NW/4

- (bbb) EXTEND the East Red Tank-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH. RANGE 33 EAST. NMPM

Section 31: SW/4

- (ccc) EXTEND the West Red Tank-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH. RANGE 32 EAST. NMPM

Section 13: SW/4

Section 27: NW/4

Section 36: NE/4

- (ddd) EXTEND the Teague-Abo Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH. RANGE 37 EAST. NMPM

Section 28: NE/4

- (eee) EXTEND the Teague-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH. RANGE 37 EAST. NMPM

Section 35: SW/4

- (fff) EXTEND the Tonto-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH. RANGE 33 EAST. NMPM

Section 11: SE/4

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(ggg) EXTEND the Triste Draw-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH. RANGE 32 EAST. NMPM

Section 34: SW/4

(hhh) EXTEND the West Triste Draw-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH. RANGE 32 EAST. NMPM

Section 30: SW/4

(iii) EXTEND the North Vacuum-Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH. RANGE 35 EAST. NMPM

Section 19: N/2

(jjj) EXTEND the Vacuum-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH. RANGE 34 EAST. NMPM

Section 1: E/2

(kkk) EXTEND the Vest Ranch-Upper Pennsylvanian Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH. RANGE 30 EAST. NMPM

Section 16: W/2 SW/4

Section 21: NW/4

(lll) EXTEND the Warren-Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH. RANGE 38 EAST. NMPM

Section 27: SW/4

Section 28: NE/4

Section 34: NW/4

(mmm) EXTEND the Weir-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH. RANGE 37 EAST. NMPM

Section 16: NW/4

(nnn) EXTEND the Young-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH. RANGE 32 EAST. NMPM

Section 8: SW/4

(ooo) EXTEND the South Young-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH. RANGE 32 EAST. NMPM

Section 32: SE/4

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

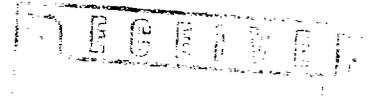
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January 28, 1997

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco  
Santa Fe, New Mexico 87503

11/1/97

Re: Application of ARCO Permian, A unit of Atlantic Richfield, for compulsory pooling, directional drilling and unorthodox well locations, Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of ARCO Permian, A unit of Atlantic Richfield, in the above-referenced case as well as a legal advertisement. ARCO, respectfully requests that this matter be placed on the docket for the February 20, 1997 Examiner hearings.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

WILLIAM F. CARR

WFC:mlh  
Enclosures

cc: Lee M. Scarborough, Land Director (w/enclosures)  
ARCO Permian  
Post Office Box 1610  
Midland, TX 79702-1610

CASE 11926:

Application of ARCO Permian, a unit of Atlantic Richfield, for compulsory pooling, directional drilling and unorthodox well locations, Eddy County, New Mexico. Applicant in the above-styled cause 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 to an unorthodox bottomhole location in the Morrow formation Illinois Camp-Morrow Gas Pool, 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 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.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE  
APPLICATION OF ARCO PERMIAN,  
A UNIT OF ATLANTIC RICHFIELD,  
FOR COMPULSORY POOLING,  
DIRECTIONAL DRILLING AND  
UNORTHODOX WELL LOCATIONS,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 11726

**APPLICATION**

ARCO PERMIAN, A UNIT OF ATLANTIC RICHFIELD ("ARCO"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from 3300 feet to the base of the Upper Mississippian formation 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 the S/2 SW/4 and in all formations developed on 40-acre spacing underlying the SE/4 SW/4 of Section 8, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. ARCO also seeks approval of a high angle/directional well pilot project and approval of unorthodox surface and bottomhole well locations, and in support thereof states:

1. ARCO is a working interest owner in the S/2 of Section 8, and ARCO has the right to drill thereon.

2. ARCO proposes to directionally drill its Mimosa 8 State Com Well No. 1 from an unorthodox surface location 350 feet from the South line and 2003 feet from the West line of said Section 8 to an unorthodox bottomhole location in the Morrow formation within 55 feet of a point 404 feet from the South line and 1749 feet from the West line (Unit N) of said Section 8 to test all formations from below 3300 feet to the base of the Mississippian formation, Illinois Camp-Morrow Gas Pool.

4. ARCO has sought and been unable to obtain either a voluntary agreement for pooling or farmout from certain interest owners in the S/2 of said Section 8.

5. Said pooling of interests and the drilling of the Mimosa 8 State Com Well No. 1 at the proposed unorthodox location will avoid the drilling of unnecessary wells, will prevent waste and protect correlative rights.

6. In order to permit ARCO to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and ARCO should be designated the operator of the well to be drilled.

WHEREFORE, ARCO requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 20, 1997, and, after notice and hearing as required by law, the Division enter its order (1) approving the directional drilling of the Mimosa 8 State Com Well No. 1 from the requested unorthodox surface and bottomhole locations, and (2) pooling the subject spacing and proration units, including provisions designating ARCO operator of the well and spacing units, authorizing ARCO to

recover its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by ARCO in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.

By:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR ARCO PERMIAN  
A UNIT OF ATLANTIC RICHFIELD