

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

May 12, 1997



**Hand Delivered**

Florene Davidson  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case No. 11778; Application of Harvey E. Yates Company  
for compulsory pooling, Eddy County

Dear Florene:

Enclosed are an original and two copies of a Pre-Hearing Statement  
in the above case.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce". The ink is dark and the signature is fluid and somewhat stylized.

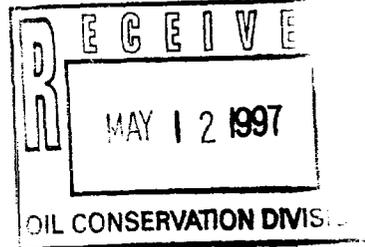
James Bruce

Attorney for Harvey E.  
Yates Company

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:

APPLICATION OF HARVEY E. YATES  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.



CASE NO. 11,778

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Harvey E. Yates Company  
P.O. Box 1933  
Roswell, New Mexico 88202  
(505) 623-6601  
Attn: Melissa Randle

APPLICANT'S ATTORNEY

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

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all formations spaced on 40, 80, 160, and 320 acres, from the surface to the base of the Morrow formation, in the W $\frac{1}{2}$  §24 - T18S - R28E. There are several interest owners who have not agreed to voluntarily join in applicant's proposed well, which will be at an orthodox location in the SW $\frac{1}{4}$  §24.

OPPONENT

**PROPOSED EVIDENCE**

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Melissa Randle (landman)	10 min.	1. Land plat 2. Interest listing 3. Correspondence 4. AFE 5. Notice affidavit
Frank Messa (geologist)	10 min.	1. Production map 2. Isopach map 3. Cross-section

OPPONENT

WITNESSES	EST. TIME	EXHIBITS
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**PROCEDURAL MATTERS**

-None-



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

Attorney for Harvey E. Yates  
Company

**DOCKET: EXAMINER HEARING - THURSDAY - MAY 15, 1997**

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 15-97 and 16-97 are tentatively set for May 29, 1997 and June 12, 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 11743:** (Continued from May 1, 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 11778:** (Continued from May 1, 1997, Examiner Hearing.)

**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 11779:** **Application of Conoco, Inc. for a pressure maintenance project, Lea County, New Mexico.** Applicant seeks authority to institute a pressure maintenance project on a portion of its Hardy "36" State Lease located in Section 36, Township 20 South, Range 37 East, by the injection of water into the Tubb formation, North Hardy Tubb-Drinkard Pool, through the perforated interval from approximately 6,423 feet to 6,593 feet in its existing Hardy "36" State Well No. 3 located 2080 feet from the North line and 1730 feet from the East line (Unit G) of said Section 36. Said project is located approximately 7 miles southeast of Monument, New Mexico.

**CASE 11771:** (Continued from May 1, 1997, Examiner Hearing.)

**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.

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*Docket No. 14-97*

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**CASE 11772:** (Continued from May 1, 1997, Examiner Hearing.)

**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.

**CASE 11780:** **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 11764:** (Continued from May 1, 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:** (Continued from May 1, 1997, Examiner Hearing.)

**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 11781:** **Application of Yates Petroleum Corporation for downhole commingling, Lea County, New Mexico.** Applicant seeks approval to downhole commingle production from the Queen, Grayburg and San Andres formations, West Reeves-Queen Gas Pool and Wildcat Grayburg and San Andres Pools, within the wellbore of its Pawnee "APW" State Well No. 1, located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 35 East. Said well is located approximately 14 miles northwest of Monument, New Mexico.

**CASE 11649:** (Continued from April 17, 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.

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*Docket No. 14-97*  
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**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 Maljamar, New Mexico.

**CASE 11782:** **Application of Enron Oil & Gas Company for downhole commingling, Eddy County, New Mexico.** Applicant seeks approval to downhole commingle production from the Morrow formation, Sand Tank-Morrow Gas Pool, and the Chester formation, Sand Tank-Chester Gas Pool, within the wellbore of its Sand Tank "7" Federal Com Well No. 1, located 990 feet from the North and West lines (Unit D) of Section 7, Township 18 South, Range 30 East. Said area is located approximately 3 ½ miles 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 11770:** (Continued from May 1, 1997, Examiner Hearing.)

**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 11730:** (Continued from April 17, 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 April 17, 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 11470: (Continued from May 1, 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 11639: (Continued from April 17, 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: (Continued from April 17, 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.