

**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 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 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 11736:** (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.