

DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 6, 1998

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 23-98 and 24-98 are tentatively set for August 20 and September 3, 1998. 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 11988: (Continued from July 9, 1998, Examiner Hearing.)

Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. The applicant seeks an order pooling all mineral interests in the Basin-Dakota Pool underlying Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 5, Township 29 North, Range 11 West, thereby forming a standard 293.68-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its proposed Fifield Com Well No. 1-E (API No. 30-045-29517) to be drilled at a standard gas well location in the NW/4 equivalent of said Section 5. 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 unit and a charge for risk involved in drilling said well. Said unit area is located approximately 4 miles south of Aztec, New Mexico.

CASE 11981: (Readvertised)

Application of Devon Energy Corporation (Nevada) for lease commingling, Eddy County, New Mexico. Applicant seeks an exception to Division Rule 309 to permit lease commingling of Red Lake Queen-Grayburg-San Andres Pool production from 32 wells drilled or to be drilled on its Federal Leases LC 069274, LC 026874-B, LC 060894, LC 0026874-F, LC 049648-A, and LC 049648-B, covering parts of Section 31, Township 17 South, Range 27 East, and Sections 5 and 6, Township 18 South, Range 27 East, without separately metering production from each well or lease. The leases are located approximately 6.5 miles southeast of Artesia, New Mexico.

CASE 12011: (Continued from July 23, 1998, Examiner Hearing.)

Application of Strata Production 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 W/2 of Section 22, Township 22 South, Range 32 East. Applicant proposes to dedicate this spacing and proration unit to its Hill Federal Well No. 1 to be drilled at a standard location 1980 feet from the South and West lines (Unit K) of Section 22 to a depth sufficient to test any and all formations down to the base of the Morrow Formation. Also to be considered will be the cost of drilling and completing the 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 the well. Said units are located approximately 9

CASE 12020: Application of OXY USA INC. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 3,000 feet below the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 17 South, Range 27 East, and in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, which presently may include but is not necessarily limited to the Logan Draw-Morrow Gas Pool; the Logan Draw-Atoka Gas Pool and the Logan Draw-Cisco/Canyon Gas Pool. The unit is to be dedicated to its Chopsticks Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit G of Section 24. Also to be considered will be the costs of drilling and completing the 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 the well. The unit is located approximately 9 1/2 miles east of Artesia, New Mexico.

CASE 12021: Application of Southwest Royalties, Inc. for a waterflood project, Lea County, New Mexico. Applicant seeks authority to institute a waterflood project on its Gonzales "31" Federal lease comprising the N/2 of Section 34, Township 17 South, Range 33 East, by the injection of water into the San Andres formation, Flying M San Andres Pool, through the perforated interval from 4,239 feet to 4,282 feet in its Gonzales "31" Federal Well No. 6Y located 1980 feet from the South line and 860 feet from the East line (Unit I) of Section 31. This project is located approximately 9 miles northwest of Caprock, New Mexico.

CASE 12022: Application of Southwest Royalties, Inc. for a waterflood project, Lea County, New Mexico. Applicant seeks authority to institute a waterflood project on its Eilliams and Wyatt Phillips Federal lease comprising the N/2 of Section 34, Township 17 South, Range 33 East, by the injection of water into the Grayburg/San Andres formation, Maljamar Grayburg-San Andres Pool, through the perforated interval from 4,325 feet to 4,833 feet in its Eilliams Federal Well No. 14 located 1650 feet from the North line and 1980 feet from the East line (Unit G) of Section 34. This project is located approximately 7 miles southeast of Maljamar, New Mexico.

CASE 11986: (Continued from July 9, 1998, Examiner Hearing.)

Application of Saba Energy of Texas, Incorporated for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks the creation of a new pool for the production of hydrocarbons from the Upper Pennsylvanian formation that is comprised of the E/2 NE/4 and the E/2 SE/4 of Section 7, Township 13 South, Range 36 East, as the result of the discovery of oil in its Saba State Well No. 1 located in Unit I of said Section 7 and the promulgation of Special Pool Rules for this new pool including provisions for 80-acre spacing and special well location requirements. Said area is located approximately 2 miles south-southwest of Tatum, New Mexico.

CASE 11993: (Readvertised)

Application of John H. Hendrix Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations from 7000 feet (the approximate top of the Abo formation) to the base of the Strawn formation for all formations developed on 80-acre spacing including the Cass-Pennsylvanian Pool in the E/2 NW/4 and in all formations developed on 40-acre spacing including the Southeast Monument-Abo Pool in the NE/4 NW/4 of Section 16, Township 20 South, Range 37 East. The unit is to be dedicated to either the Wood State Well No. 4 to be drilled at a location 660 feet from the North line and 2310 feet from the West line of Section 16 or, in the alternative, to the Conoco State CC-16 Well No. 1 located at a location 330 feet from the North line and 2080 feet from the West line of Section 16. Also to be considered will be the cost of drilling and completing the 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 the well. This area is located approximately 3 miles southeast of Monument, New Mexico.

CASE 12003: (Continued from July 9, 1998, Examiner Hearing.)

Application of Manzano Oil Corporation for special pool rules, Lea County, New Mexico. Applicant seeks the promulgation of special pool rules and regulations for the Featherstone - Bone Spring Pool comprised of portions of Sections 20 and 21 of Township 20 South, Range 35 East, including provisions for 80-acre spacing and special well location requirements. The area is located approximately 9 miles west-southwest of Monument, New Mexico.

CASE 12023: **Application of Hanagan Petroleum Corporation for amendment of Division Order No. R-8611 to authorize a 40-acre five spot injection pattern in its Twin Lakes San Andres Unit Waterflood Project Area, and to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Chaves County, New Mexico.** Applicant seeks approval to institute a 40-acre five spot injection pattern in its Twin Lakes San Andres Unit Waterflood Project Area by the injection of water into the San Andres formation in the Twin Lakes-San Andres Associated Pool. The Twin Lakes San Andres Unit Waterflood Project encompasses portions of Townships 8 and 9 South, Ranges 28 and 29 East. Applicant also 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). The unit is located approximately 31 miles east of Roswell, New Mexico.

CASE 12024: **Application of Yates Petroleum Corporation for an unorthodox well location and simultaneous dedication, Eddy County, New Mexico.** Applicant seeks an exception to Division Rule 104.C.(2) to permit it to drill its proposed Little Box Canyon AOX Federal Well No. 2 at an unorthodox location 1980 feet from the North line and 1190 feet from the West line as a second well in the W/2 of Section 7, Township 21 South, Range 22 East, and simultaneously dedicate the W/2 of Section 7 to the Little Box Canyon AOX Federal Well Nos. 1 and 2 in the Little Box Canyon-Morrow Gas Pool. The wells are located approximately 30 miles west-northwest of Carlsbad, New Mexico.

CASE 11991: (Continued from July 23, 1998, Examiner Hearing.)

Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant seeks authority to downhole commingle Undesignated Kennedy Farms-Upper Pennsylvanian, Undesignated Kennedy Farms-Atoka and Kennedy Farms-Morrow Pool production within its Martin "ARH" Well No. 1 located 1980 feet from the South and East lines (Unit J) of Section 27, Township 17 South, Range 26 East. This well is located approximately 3 miles southeast of Artesia, New Mexico.

CASE 11976: (Continued from July 9, 1998, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in Lots 1, 2, 7, 8, 9, 10, 15 and 16, containing 319.97 acres, more or less, for all formations developed on 320-acre spacing, including but not limited to the Hat Mesa-Morrow Gas Pool; in Lots 9, 10, 15, and 16 for all formations developed on 160-acre spacing; in Lots 15 and 16 for all formations developed on 80-acre spacing; and in Lot 16 for all formations developed on 40-acre spacing, of Section 2, Township 21 South, Range 32 East. Said units are to be dedicated to its Minis "2" Federal Well No. 1 to be drilled to the Morrow formation at an unorthodox location 3630 feet from the South line (990 feet from the South line of the dedicated stand-up spacing unit) and 660 feet from the East line 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 5 miles southeast of Halfway, New Mexico.

CASE 12025: **Application of Mallon Oil Company for an unorthodox gas well location, Lea County, New Mexico.** Applicant seeks approval to drill its Mesalero Ridge "19" Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the South line and 990 feet from the West line (Lot 3/Unit L) of Section 19, Township 19 South, Range 34 East, located approximately 7 miles east of the junction of U.S. Highway 62/180 and New Mexico State Road 176. Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 19 is to be dedicated to said well in order to form a standard 319.92-acre gas spacing and proration unit in the Undesignated Quail Ridge-Morrow Gas Pool.