

NEW MEXICO OIL CONSERVATION COMMISSION

Commission Hearing  
Santa Fe, New Mexico  
June 17, 1999 -- 9:00 A.M.

Name	Representing	Location
ALAN ALEXANDER	BURLINGTON RESOURCES	FARMINGTON, NM
Bill Hawkins	BP Amoco	Houston TX
Randy S Patterson	Yates Petroleum	Altesia NM
Rick Foppiano	Ory / NMOGA	Houston TX
Paul R Owen	Campos, Lara Bisset - Nigerian	Santa Fe
Fred Hansen	NMOGA	Santa Fe
Frank Gray	Tevaco	Midland, TX
Curtis Smith	Santa Fe Snyder Creek	Midland, TX

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION COMMISSION

OIL CONSERVATION DIV.  
99 JUN 31 PM 8:30

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

APPLICATION OF THE OIL CONSERVATION )  
DIVISION TO AMEND THE NOTICE )  
REQUIREMENTS THROUGHOUT DIVISION RULES )  
AND ALSO AMENDMENTS TO THE PROCEDURAL )  
RULES FOUND IN PART N (19 NMAC 15.N) )  
AND THE AMENDMENTS TO RULES 11 AND 12 )  
(19 NMAC 15.A.11 AND 12) )

CASE NO. 12,177

APPLICATION OF THE OIL CONSERVATION )  
DIVISION TO ADOPT CERTAIN DEFINITIONS )  
TO BE PLACED IN SECTION A.7 )  
(19 NMAC 15.A.7) OF THE DIVISION RULES )

CASE NO. 12,201

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

ORIGINAL

BEFORE: LORI WROTENBERY, CHAIRMAN  
JAMI BAILEY, COMMISSIONER  
ROBERT LEE, COMMISSIONER

June 17th, 1999

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, June 17th, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

June 17th, 1999  
Commission Hearing  
CASE NOS. 12,177 and 12,201 (Consolidated)

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\* \* \*

## A P P E A R A N C E S

## FOR THE COMMISSION:

LYN S. HEBERT  
Deputy General Counsel  
Energy, Minerals and Natural Resources Department  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE OIL CONSERVATION DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2           9:02 a.m.:

3           CHAIRMAN WROTENBERY: Okay, it's a little after  
4           nine o'clock on Thursday, June 17th, 1999. This is a  
5           meeting of the Oil Conservation Commission. We're meeting  
6           here in the conference room at the offices of the Oil  
7           Conservation Division in Santa Fe, New Mexico.

8           I'm Lori Wrotenbery, I'm the Chairman of the Oil  
9           Conservation Commission.

10          To my right is Jami Bailey, who represents Land  
11          Commissioner Ray Powell on the Commission.

12          To my left is Robert Lee, Commissioner.

13          We also have Lyn Hebert, the Commission's legal  
14          counsel, Florene Davidson, the Commission secretary, and  
15          then Steve Brenner is going to be serving as our court  
16          reporter in keeping a record of our meeting today.

17          I think -- A couple of people have asked me how  
18          long we think this meeting will take. I think this one  
19          will be fairly short compared to the meetings we've had the  
20          last few months.

21          We've got, I think, one main item of business,  
22          and that's the adoption of some amendments to the  
23          Commission's rules on notice and procedures, and we will  
24          proceed to those in a few minutes.

25          We've got some preliminary matters to take care

1 of.

2 I just wanted to make one comment on the proposed  
3 amendments to the Commission's Rule 104. There was some  
4 confusion associated with the publication of those draft  
5 rule amendments, and so we have had a request from the New  
6 Mexico Oil and Gas Association for an extra period of time  
7 in which to comment on those rules. We will be granting  
8 that request.

9 And what I propose that we do today -- There may  
10 be some people who have come here ready to testify on  
11 those. If somebody is ready to go, we will certainly  
12 accept their testimony today for the record.

13 But we will basically continue this matter and  
14 take testimony at the next Commission hearing, which will  
15 be on July 15th. We will take testimony on Rule 104 on  
16 July 15th, and then plan to probably extend the comment  
17 period a little bit after that for the taking of any  
18 further written comments, and then we will plan to take  
19 final action on Rule 104 at the Commission's meeting in  
20 August.

21 We just want to make sure everybody has a full  
22 opportunity to review the draft amendments and time to  
23 analyze them and submit their comments to the Commission.

24 But as I said, when we get to that point we  
25 will -- If there is anybody here who is ready to go with

1 testimony on Rule 104, we'll be happy to go ahead and take  
2 that and enter that into the record today.

3 We have, just as a first order of business, the  
4 minutes from the Commission's last meeting on May 19th,  
5 1999. And Commissioners, I believe you've had a chance to  
6 review the draft minutes that Florene prepared?

7 COMMISSIONER BAILEY: Yes, I have, and I move  
8 that we accept them.

9 CHAIRMAN WROTENBERY: Do I hear a second?

10 COMMISSIONER LEE: I second.

11 CHAIRMAN WROTENBERY: All in favor say "aye".

12 COMMISSIONER BAILEY: Aye.

13 COMMISSIONER LEE: Aye.

14 CHAIRMAN WROTENBERY: Aye.

15 \* \* \*

16

17 CHAIRMAN WROTENBERY: And so we'll move right  
18 into the discussion on the proposed amendments to the  
19 Division's notice rules and procedural rules, and we have  
20 these presented in two cases.

21 One is Case 12,177. This is the Application of  
22 the Oil Conservation Division to amend the notice  
23 requirements throughout Division rules and also amendments  
24 to the procedural rules found in Part N and the amendments  
25 to Rules 11 and 12.

1           And then in addition to that, we have Case  
2   12,201, the Application of the Oil Conservation Division to  
3   adopt certain definitions to be placed in Section A.7 of  
4   the Division Rules. And these definitions relate to the  
5   amendments to the notice and procedural rules.

6           So I think, if it's okay, we can take both of  
7   those up at the same time for the purpose of any  
8   discussion.

9           What we did at the last meeting was take  
10   testimony on these proposals. We made some changes to the  
11   proposed rule amendments based on the testimony that we  
12   received and posted the proposed changes on the Division's  
13   home page, and then also made those available to anybody  
14   that requested a hard copy of those.

15           We also asked anybody that had any additional  
16   comments to make to submit those comments in writing. And  
17   Mr. Carroll, I don't believe we got any -- No, we did get  
18   some additional -- one set of additional comments in  
19   writing from the New Mexico Oil and Gas Association; is  
20   that right?

21           MR. CARROLL: That's correct.

22           CHAIRMAN WROTENBERY: And I believe everybody's  
23   got a copy of those; is that -- Okay.

24           COMMISSIONER BAILEY: You mean like that?

25           CHAIRMAN WROTENBERY: Yes, these were comments

1 dated June 11th. Commissioner Lee, did you get your copy  
2 of those?

3 COMMISSIONER LEE: (Nods)

4 CHAIRMAN WROTENBERY: Yes. And there were two  
5 specific provisions in here that the New Mexico Oil and Gas  
6 Association expressed continued concern about -- I'm sorry,  
7 Rand, did you not -- you didn't get a copy of those?

8 MR. CARROLL: Yes, I did.

9 CHAIRMAN WROTENBERY: Oh, okay. Rand or Lyn,  
10 would you like to summarize those for the Commission?

11 MS. HEBERT: I'll be happy to summarize the  
12 concern that they indicated over the prefiled testimony for  
13 the cases before the Commission, and there was an  
14 indication that they didn't think that that sort of  
15 testimony was necessary, that the Commission had been  
16 functioning fine for 40 years without having prefiled  
17 testimony.

18 And I believe the discussion had been at the last  
19 meeting that this was a discretionary feature and that the  
20 Commission would not necessarily be requiring filed  
21 testimony in all the cases but probably only in those cases  
22 that were more complicated and complex, and to use that as  
23 a tool not only for better understanding the issues but  
24 also perhaps to make the hearing a little shorter.

25 The other issue that NMOGA disagreed with was the

1 approach to the amount of notice required for certain  
2 unorthodox well locations, and eventually it was a  
3 situation where you had a unit with -- rectangular spacing  
4 unit that had not been developed, so that it was unknown  
5 whether those units would be the standup or the laydown  
6 units.

7 And NMOGA was suggesting that notice only be  
8 given to the actual quarter that was going to be encroached  
9 on, that it was definite that those interest owners would  
10 be affected, and that it wasn't necessary to give notice to  
11 the remaining three quarters, and, as our proposal had it,  
12 the two possible affected areas that would have been  
13 included in whichever way the rectangles were aligned.

14 And we have discussed that in the Division and  
15 with the Examiners and taking into account the fact that  
16 the Division is also responsible for protecting correlative  
17 rights. It was difficult for us to distinguish why those  
18 interests in the other two quarters were different from the  
19 quarter that was being encroached on, where it was known  
20 that those persons' interest would be affected.

21 So we have maintained in our proposed rules that  
22 the interest owners in all three quarters be given notice.

23 And I believe those were the only two issues that  
24 were commented on in that letter.

25 CHAIRMAN WROTENBERY: I might just ask, is there

1 anybody here today that would like to make a comment on  
2 either of those issues? Those were the two issues that  
3 were raised during the latest comment period.

4 MR. FOPPIANO: May it please, the Commission,  
5 Rick Foppiano with OXY, also representing NMOGA.

6 I think our comments are self-explanatory, and I  
7 don't really have anything to add to those two particular  
8 issues.

9 I would, however, like to commend the Commission  
10 and the people that worked on this issue in the work group.  
11 I think we are very pleased that we had the opportunity to  
12 work with the Commission and the Division personnel and  
13 other people in the industry to develop a set of notice  
14 rules that we feel like are reasonable and would help us  
15 get about our business and are still in the interest of  
16 conservation, the protection of correlative rights and the  
17 prevention of waste.

18 And so I just wanted to thank this Commission for  
19 allowing us that opportunity and urge the adoption of the  
20 rules as they've been posted.

21 Thank you.

22 CHAIRMAN WROTENBERY: Thank you.

23 Anybody else like to make a comment at this  
24 point?

25 In that case, I might just ask the Commissioners

1 if they have any comments that they would like to make on  
2 either of these two issues that have been raised by the New  
3 Mexico Oil and Gas Association.

4 I'll just say, in my view of it, with respect to  
5 the question of notice on unorthodox well locations, we did  
6 try very hard to articulate a basis for distinguishing the  
7 interest owners in these prospective adjoining spacing  
8 units, and just could not come up with a way that we felt  
9 comfortable -- with a basis we felt comfortable with, for  
10 distinguishing those owners that are just across the well  
11 from others that might be eventually joined in the spacing  
12 unit, and particularly in light of the recent court cases  
13 that we have had, that have basically directed the  
14 Commission to define some of the notice requirements more  
15 broadly than they have in the past. We just felt like we  
16 couldn't justify the change that is requested by NMOGA.

17 But I would be interested in hearing the thoughts  
18 of the other Commissioners on that point.

19 COMMISSIONER BAILEY: I agree with the Division's  
20 logic on the basis of notice to other owners who can be  
21 impacted within that spacing area. I think we're charged  
22 with protection of correlative rights, and it's not our  
23 prerogative to distinguish those who are more affected from  
24 those who are lesser affected.

25 So I agree with the Division's logic.

1 CHAIRMAN WROTENBERY: Commissioner Lee?

2 COMMISSIONER LEE: (Nods)

3 CHAIRMAN WROTENBERY: Okay. In that case, we are  
4 not proposing any further change to that particular notice  
5 requirement.

6 And then I just wanted to comment too on the  
7 concerns that have been expressed about the use of prefiled  
8 testimony.

9 I will say that we've heard some, I think, valid  
10 concerns about the potential for abuse of this particular  
11 procedure and about the possibility that in some cases this  
12 procedure may add unnecessary burdens to the participants  
13 in the Commission's hearing. And certainly we intend to be  
14 sensitive to those kinds of concerns.

15 It's my view that the Commission really already  
16 has this authority to require prefiled testimony, just as  
17 part of its inherent power to govern the conduct of  
18 proceedings before it. And we are trying to include this  
19 provision in here just to alert parties that in some  
20 circumstances the Commission may use this procedure.

21 We do intend to use it only in certain  
22 extraordinary circumstances, in extremely complex cases,  
23 for instance, where we think it may be of value to the  
24 Commission in the conduct of its proceedings and may  
25 increase the efficiency of the Commission's proceedings.

1           But we will -- We do intend to use it carefully,  
2           so that we avoid abuses and don't add unnecessary burdens  
3           to the process.

4           You know, for all of those reasons I would like  
5           to leave it in there. In fact, we are using it in a couple  
6           of proceedings this summer on kind of a trial basis, and we  
7           will see how those go and may never use it again, I don't  
8           know. We're going to see if it delivers some of the  
9           benefits that we think it will deliver in those kinds of  
10          cases. And if so, we may use it again in the future, but  
11          just don't know yet at this point.

12          So we would like to see that in there, just a  
13          statement of what we think is already the Commission's  
14          authority.

15          COMMISSIONER BAILEY: I think it's to the benefit  
16          of the parties of the very complex cases, because they have  
17          the opportunity to explain fully so that the Commissioners  
18          have enough time to understand what all the subtleties are  
19          and the ramifications of some of the arguments.

20          I think it can only benefit the parties to have  
21          the Commissioners that much more knowledgeable before they  
22          walk in to the hearing.

23          CHAIRMAN WROTENBERY: Commissioner Lee, do you  
24          have --

25          COMMISSIONER LEE: If we cannot decide to do it

1 in the hearing room, we always can postpone it, so I don't  
2 see any problems.

3 CHAIRMAN WROTENBERY: Okay. So on that issue  
4 too, we're proposing to leave that provision in the  
5 proposal as we recommend that it be adopted by the  
6 Commission today.

7 But we will be careful. We will use that  
8 authority very carefully, I assure you.

9 And then I just wanted to bring up a couple of  
10 points -- Florene, do you have the draft orders? Okay,  
11 great.

12 We did -- In one last review of the proposed  
13 rules, we did identify some areas where we had typos, some  
14 punctuation that needed to be corrected.

15 Also, I went through and -- This is one of my pet  
16 peeves. Where we had used the term "the Director, in his  
17 discretion", I changed the "his"'s to gender neutral.

18 So those changes have been incorporated into the  
19 rule, but I've consulted with both Rand and Lyn, and they,  
20 I think, have agreed that none of those changes were  
21 substantive in nature.

22 There was one question that I had about the --  
23 one provision of the rule as it was posted on the Internet,  
24 and that was the provision on *ex parte* communications. Do  
25 you want to turn to that? It was Rule 1223, the very last

1 one in the proposal.

2 And in that case, the way it was posted on the  
3 Internet, it said that parties shall not discuss the  
4 substantive issues involved in the proceedings with any  
5 Commissioner or Examiner, and it's the "any Examiner" part  
6 of that language that I'm a little bit concerned about.

7 I definitely agree that they should not discuss  
8 the issues with the Examiner assigned to make a  
9 recommendation, assigned to hear the case. But it seemed  
10 to me a little too broad to prohibit the parties from  
11 talking to any one of our designated Hearing Examiners.

12 So I propose that we change that to clarify that  
13 it's the Division Examiner appointed to hear the case that  
14 is the person of concern in this particular provision. I  
15 realize that that will mean we'll need to make very clear,  
16 very early on, who it is that is appointed to hear the  
17 case, and we will work on that internally to make sure  
18 that's clear to everybody.

19 But there are some circumstances in some types of  
20 cases where I think parties may need to discuss technical  
21 matters or procedural matters with somebody on our staff,  
22 and I think they should have the ability to contact some --  
23 one of the Hearing Examiners that will not be involved in  
24 that case for that purpose.

25 And so that's the only substantive change that I

1 myself would propose that we make.

2 I've gone ahead and taken the liberty of  
3 incorporating that change in the draft order, so I hope  
4 that would be acceptable to the other Commissioners.

5 We do have draft orders adopting the proposed  
6 changes. I might just give the other Commissioners an  
7 opportunity to take a look at these. And as I said, we've  
8 got an order in each of the two cases that I mentioned, one  
9 relating to the notice and procedural rules, the other  
10 relating to the definitions.

11 MR. CARROLL: Chairman Wrottenbery?

12 CHAIRMAN WROTENBERY: Yes?

13 MR. CARROLL: I was thinking this thought, and a  
14 member of industry also mentioned it to me, so I'll mention  
15 it now, that I don't know if we need it in the rule to have  
16 a prohibition against the Examiner approach, to prevent  
17 that Examiner from discussing with the other Examiner of  
18 the case. And that could be, I guess, an internal Division  
19 policy.

20 CHAIRMAN WROTENBERY: It's definitely an internal  
21 Division policy. I'm trying to think, is there some  
22 language that you would suggest? I mean, I look at that as  
23 in some sense covered by this language, because that would  
24 be -- It would be indirect communication, but it would be a  
25 form of communication between the parties and the Examiner.

1 MR. CARROLL: I think you can just make it an  
2 internal policy that if one Examiner is approached to talk  
3 about a case, that he can't discuss it with the assigned  
4 Examiner in that case.

5 CHAIRMAN WROTENBERY: Any other thoughts on that  
6 particular point?

7 MS. HEBERT: I would just say I agree with Mr.  
8 Carroll that ordinarily rules are reserved for those  
9 actions that affect people other than state government.

10 CHAIRMAN WROTENBERY: Uh-huh. Okay, we'll make  
11 that very clear in our internal policy.

12 Commissioner Bailey, I noticed you were looking  
13 very closely at these rules. These are the --

14 COMMISSIONER BAILEY: The ones that were posted  
15 on the Internet.

16 CHAIRMAN WROTENBERY: -- the ones that were  
17 posted on the Internet, with the exception of the change in  
18 the *ex parte* provisions and those typographical and  
19 editorial changes.

20 COMMISSIONER BAILEY: It's my intent to sign  
21 these orders. Shall I go ahead and put my signature on it?

22 CHAIRMAN WROTENBERY: Yeah, I might, I guess, ask  
23 for a motion that we go ahead and adopt the order as it has  
24 been presented here today.

25 COMMISSIONER BAILEY: I so move.

1 CHAIRMAN WROTENBERY: Do I hear a second?

2 COMMISSIONER LEE: Second.

3 CHAIRMAN WROTENBERY: All in favor say "aye".

4 COMMISSIONER BAILEY: Aye.

5 COMMISSIONER LEE: Aye.

6 CHAIRMAN WROTENBERY: Aye. I think we did both  
7 of those at one time.

8 Okay, job well done, thank you.

9 (Thereupon, these proceedings were concluded at  
10 9:25 a.m.)

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**DOCKET: EXAMINER HEARING - THURSDAY – JUNE 10, 1999**

**8:15 A.M. - 2040 South Pacheco  
Santa Fe, New Mexico**

**Dockets Nos. 19-99 and 20-99 are tentatively set for June 24 and July 8 1999. 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 12190:** **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 W/2 of Section 2, Township 26 North, Range 13 West, forming a standard 319.96-acre gas spacing and proration unit. The unit is to be dedicated to applicant's Shank Com Well No. 1 to be drilled at a standard location in the W/2 of Section 2. 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 operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 13 miles south of the City of Farmington.

**CASE 12191:** Application of OXY USA Inc. for an unorthodox gas well location and an exception to Division Rule 104.D(3) for simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Jazz Federal Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Irregular Section 4, Township 17 South, Range 27 East, to be dedicated to a previously approved non-standard 323.68-acre gas spacing and proration unit consisting of the N/2 equivalent of the irregular section for any pools/formations spaced on 320 acres including the Crow Flats-Morrow Gas Pool. In addition, the applicant seeks an exception to Division Rule 104.D(3) to continuously and concurrently produce gas from the Morrow formation from this well and from the Roscoe Federal Well No. 1 (API No. 30-015-30236) located 1540 feet from the North line and 1760 feet from the East line of this section and for the simultaneous dedication of both wells to the existing 323.68-acre gas spacing and proration unit. This location is approximately 7 miles east/northeast of Artesia, New Mexico.

**CASE 12080:** **Continued from April 1, 1999, Examiner Hearing.**

**Application of David H. Arrington Oil and Gas, Inc. for amendment of Division Order No. R-11028, Lea County, New Mexico.** Applicant seeks an order amending Order No. R-11028 to pool all mineral interests from the surface to the base of the Lower Mississippian formation, underlying Lots 11 through 14 and the SW/4 for all formations developed on 320-acre spacing including the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Hume-Morrow Gas Pool and the Undesignated Townsend-Morrow Gas Pool, the SW/4 for all formations developed on 160-acre spacing, the N/2 SW/4 for all formations developed on 80-acre spacing including but not limited to the Undesignated Big Dog-Strawn Pool, and the NE/4 SW/4 for all formations developed on 40-acre spacing including the Undesignated Northwest Townsend-Abo Pool, Townsend-Permo Upper Pennsylvanian Pool and the Undesignated Townsend-Strawn Pool, all in Section 3, Township 16 South, Range 35 East. Applicant proposes to dedicate these pooled units to its Parachute Hopper Well No. 1 to be drilled at a standard gas well location in the NE/4 SW/4 of Section 3. 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. The area is located approximately 5 miles west of Lovington, New Mexico.

**CASE 12181:** **(Readvertised)**

**Application of David H. Arrington Oil and Gas, Inc. for an unorthodox location and for an exception to Division Rule 104.D(3) for simultaneous dedication, Lea County, New Mexico.** Applicant seeks an exception to all applicable well location set-back requirements governing any and all formations and/or pools from the surface to the base of the Mississippian formation for its Mayfly "14" State Com. Well No. 1 to be drilled 330 feet from the North and West lines (Unit D) of Section 14, Township 16 South, Range 35 East, to be dedicated to the following described spacing and proration units: (i) the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, which presently include the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated Shoe Bar-Atoka Gas Pool, Townsend-Morrow Gas Pool, and Undesignated North Townsend-Mississippian Gas Pool; and (ii) the NW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing, which presently include the Undesignated North Shoe Bar-Wolfcamp Pool and the Undesignated Shoe Bar-Strawn Pool. The applicant further seeks an exception to Division Rule 104.D(3) to continuously and concurrently produce gas from the Townsend-Morrow Gas Pool from the above-described Mayfly "14" State Com. Well No. 1 and from the existing Mark L. Shidler, Inc. operated Monsanto State Com. Well No. 1 (API No. 30-025-24895) located at a standard gas well location 1980 feet from the South and West lines (Unit K) of Section 14, and for the simultaneous dedication of both wells to the existing 320-acre gas spacing and proration unit comprising the W/2 of Section 14. **Further, the applicant at the time of the hearing shall designate a common operator for both of these Morrow gas wells and this 320-acre unit within the Townsend-Morrow Gas Pool.** The proposed well location is approximately five miles south of Lovington, New Mexico.

*Examiner Hearing – June 10, 1999*

*Docket No. 17-99*

*Page 2 of 6*

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**CASE 12157:** Continued from May 13, 1999, Examiner Hearing.

**Application of Chi Energy, Inc. for compulsory pooling, Lea 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 19, Township 20 South, Range 34 East, to form a standard 320-acre spacing and proration unit for any formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Undesignated Quail Ridge-Morrow Gas Pool. The unit is to be dedicated to the Greenstone Fed. Com. Well No. 1, located at an unorthodox surface/bottomhole location 480 feet from the South line and 1650 feet from the East line (Unit O), or in the alternative, directionally drilled from the above surface location to an unorthodox gas well bottomhole location 760 feet from the South line and 1650 feet from the East line (Unit O). Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Louis Dreyfus Natural Gas Corp. as operator of the well and unit, and a charge for risk involved in drilling and completing the well. This unit is located approximately 20 miles west-southwest of Monument, New Mexico

**CASE 12188:** Continued from May 27, 1999, Examiner Hearing.

**Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 2035 feet below the surface to the base of the Morrow formation underlying the following described acreage in Section 8, Township 17 South, Range 28 East, 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, including the Undesignated Dog Canyon-Strawn Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the SW/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to its Silver Streak State Com. Well No. 1 to be drilled at an unorthodox location 1400 feet from the North line and 1650 feet from the East line (Unit G) of Section 8. 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 Chi Operating, Inc. as operator of the well, and a charge for risk involved in drilling and completing the well. The units are located approximately 11.5 miles east of Artesia, New Mexico.

**CASE 12192:** **Application of Vincero Oil and Gas Incorporated for compulsory pooling and simultaneous dedication, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the San Andres formation underlying the NE/4 SE/4 of Section 30, Township 18 South, Range 39 East, to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the East Hobbs-San Andres Pool. The unit is to be simultaneously dedicated to the Laney-Reese A Well No. 1 to be located at an orthodox location in the NE/4 SE/4 of Section 30 and the existing Laney-Reese Well No. 1. 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 Lynx Energy Company, Inc. as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 3 miles northeast of Hobbs, New Mexico.

**CASE 12103:** **(Reopened)**

**Application of Nearburg Exploration Company, L.L.C. and E.G.L. Resources, Inc. to reopen Case No. 12103 and for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order reopening Case No. 12103 and pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SE/4 SE/4 of Section 3, Township 20 South, Range 33 East, to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Teas-Yates-Seven Rivers Pool. The unit is to be dedicated to a well to be drilled at an orthodox oil well location in the SE/4 SE/4 (Unit P) of Section 3. 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 Nearburg Producing Company as operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 5.5 miles northeast of the intersection of State Highway 176 and U.S. Highway 62/180.

**CASE 12193:** **Application of Texahoma Oil & Gas Corporation for compulsory pooling and an unorthodox gas well location, San Juan County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 7, Township 31 North, Range 13 West, 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 that vertical extent, including the Basin-Fruitland Coal Gas Pool. The unit is to be dedicated to applicant's La Plata 7 Well No. 1 to be drilled at an unorthodox gas well location in the SE/4 of 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 and completing the well. The unit is located approximately 3 miles southwest of La Plata, New Mexico.

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**CASE 12194:** **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 SE/4 (Unit J) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. The 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 the 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 the well. The proposed 40-acre unit is located approximately 1.25 miles north of U. S. Highway 62-180 at mile marker No. 77.

**CASE 12195:** **Application of Shackelford Oil Company for compulsory pooling, Lea 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 SE/4 (Unit I) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. This 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 the 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 the well. The proposed 40-acre unit is located approximately 1.25 miles north of U. S. Highway 62-180 at mile marker No. 77.

**CASE 12196:** **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. This 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 the 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 the well. The proposed 40-acre unit is located approximately 1 mile north of U. S. Highway 62-180 at mile marker No. 77.

**CASE 12185:** **Continued from May 27, 1999, Examiner Hearing.**

**Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks authorization to drill a well to the Morrow formation, Undesignated Crow Flats-Morrow Gas Pool, at an unorthodox well location 660 feet from the North and East lines of Section 5, Township 17 South, Range 27 East. The N/2 of Section 5 is to be dedicated to the well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 5 miles east-northeast of Artesia, New Mexico.

**CASE 12197:** **Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks approval to drill its Concho "ACT" State Com. Well No. 1 at an unorthodox Morrow gas well location 1650 feet from the North line and 660 feet from the East line (Unit H) of Section 8, Township 17 South, Range 27 East, located approximately six miles east of Artesia, New Mexico. The N/2 of Section 8 is to be dedicated to the well in order to form a standard 320-acre gas spacing and proration unit in the Undesignated Crow Flats-Morrow Gas Pool.

**CASE 12186:** **Continued from May 27, 1999, Examiner Hearing.**

**Application of Chesapeake Operating 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 underlying the following described acreage in Section 15, Township 16 South, Range 35 East, in the following manner: (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Townsend-Morrow Gas Pool and the North Shoe Bar-Atoka Gas Pool; (b) the NE/4 to form a standard 160-acre gas spacing and proration for any formations and/or pools developed on 160-acre gas spacing within that vertical extent, including the North Shoe Bar-Wolfcamp Gas Pool; (c) the E/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools developed on 80-acre oil spacing within that vertical extent; and (d) the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre oil spacing within that vertical extent, including the Townsend-Permo Upper Pennsylvanian Pool. These units are to be dedicated to its Boyce "15" Well No. 1 which will be located at a standard location within Unit H of the section. Also to be considered will be the costs of drilling and completing this 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 this well. This unit is located approximately 5 ½ miles southwest of the center of the City of Lovington, New Mexico.

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**CASE 12198:** **Application of Ameristate Oil and Gas, 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 underlying the following-described acreage in Section 15, Township 16 South, Range 35 East, in the following manner: (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing including the North Shoe Bar-Atoka Gas Pool and the Townsend-Morrow Gas Pool; (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing including the North Shoe Bar-Wolfcamp Gas Pool; (c) the S/2 NE/4 to form a standard 80-acre gas spacing and proration unit for any formations and/or pools developed on 80-acre spacing; and (d) the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing including the Townsend-Permo-Upper Pennsylvanian Pool. Applicant proposes to dedicate these units to a well to be drilled at a standard gas well location in the SE/4 NE/4 (Unit H) of Section 15. 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 operator of the well and a charge for the risk involved in drilling the well. This area is located approximately 5.5 miles southwest of the center of the City of Lovington, New Mexico.

**CASE 12086:** **(Consolidated)**

**Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction and the escrow of production proceeds, Lea County, New Mexico.** Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

**CASE 12086:** **(Consolidated)**

**Application of Energen Resources Corporation for allowable reduction and the escrow of production proceeds, Lea County, New Mexico.** Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and Snyder "C" Well No. 4, and the Snyder "EC" Com Well No. 1, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

**CASE 12199:** In the matter of the hearing called by the Oil Conservation Division 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 Morrow production and designated as the Southeast Crow Flats-Morrow Gas Pool. The discovery well is the Chi Operating, Inc. Cannonball "9" State Com. Well No. 1 located in Unit K of Section 9, Township 17 South, Range 28 East, NMPM. Said pool would comprise:

**TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM**

Section 9: W/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Hackberry-Atoka Gas Pool. The discovery well is the Santa Fe Energy Resources, Inc. Hackberry "18" Federal Well No. 1 located in Unit O of Section 18, Township 19 South, Range 31 East, NMPM. Said pool would comprise:

**TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM**

Section 18: S/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Otis-Atoka Gas Pool. The discovery well is the Santa Fe Energy Resources, Inc. Weems Well No. 1 located in Unit C of Section 27, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

**TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM**

Section 27: N/2

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- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the East Sage Draw-Wolfcamp Gas Pool. The discovery well is the Chevron U.S.A., Inc. Marquardt Federal Com. Well No. 2 located in Unit F of Section 12, Township 25 South, Range 26 East, NMPM. Said pool would comprise:

**TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM**

Section 12: N/2

- (e) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM**

Section 13: S/2

- (f) EXTEND the Empire-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM**

Section 21: NE/4

- (g) EXTEND the Empire-Yeso Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM**

Section 30: SW/4

- (h) EXTEND the West Indian Flats-Strawn Gas Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM**

Section 16: N/2

Section 17: N/2

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

**TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM**

Section 30: S/2

- (j) EXTEND the Southeast Rocky Arroyo-Canyon Gas Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM**

Section 22: N/2

- (k) EXTEND the Russell-Lower Yates Gas Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM**

Section 14: E/2

Section 23: W/2

- (l) EXTEND the Sand Dunes-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM**

Section 25: NW/4

Section 26: N/2

- (m) EXTEND the Shugart-Wolfcamp Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM**

Section 22: SE/4

Section 23: S/2

- (n) EXTEND the Travis-Wolfcamp Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM**

Section 33: N/2 and SW/4

**TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM**

Section 4: NW/4

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- (o) EXTEND the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include:

**TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM**  
Section 14: All

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

**CASE 12200:**

In the matter of the hearing called by the Oil Conservation Division for an order redesignating a certain pool in Lea County, New Mexico.

- (a) REDESIGNATE the South Hardy-Strawn Pool in Lea County, New Mexico, as the North Hardy-Strawnpool.

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

**DOCKET: COMMISSION HEARING - WEDNESDAY – JUNE 17, 1999**

9:00 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey or Gary Carlson

The minutes of the May 19, 1999, Commission hearing will be adopted.

The Oil Conservation Commission may vote to close the open meeting to deliberate any De Novo cases heard at this hearing.

**Continued from May 19, 1999, Commission Hearing.**

**Application of the Oil Conservation Division to amend the notice requirements throughout Division rules and also amendments to the procedural rules found in Part N (19 NMAC 15.N) and amendments to Rules 11 and 12 (19 NMAC 15.A.11 and 12).** The proposed amendments may be accessed on the internet on the Division homepage at: [www.emnrd.state.nm.us/ocd](http://www.emnrd.state.nm.us/ocd).

**CASE 12201:** Application of the Oil Conservation Division to adopt certain definitions to be placed in Section A.7 (19 NMAC 15.A.7) of the Division Rules. The definitions to be adopted may be viewed on the internet on the Division homepage at: [www.emnrd.state.nm.us/ocd](http://www.emnrd.state.nm.us/ocd).

**CASE 12119:** **Continued from May 19, 1999, Commission Hearing.**

**Application of the Oil Conservation Division to amend Rule 104 (19 NMAC 15.C.104) pertaining to well spacing.** The proposed amendments may be accessed on the internet on the Division homepage at: [www.emnrd.state.nm.us/ocd](http://www.emnrd.state.nm.us/ocd).

**CASE 12161:** (De Novo)

**Application of Ridgeway Arizona Oil Corporation for a unit agreement, Catron County, New Mexico.** Applicant seeks approval of the Cottonwood Canyon Carbon Dioxide Gas Unit Agreement, and exploratory unit comprising 109,309.33 acres, more or less, of federal, state, and fee lands in Catron County, New Mexico, and certain lands in Apache County, Arizona, covering all or parts of the following sections.

A. State of Arizona

Township 12 North, Range 29 East, G.&S.R.M.

Section 24

Township 12 North, Range 30 East, G.&S.R.M.

Sections 9, 10, 11, 13, 14, 19-21, 23-29, 34 and 35

Township 12 North, Range 31 East, G.&S.R.M.

Sections: 18-21, 27-31, 33, and 34

Township 10 North, Range 31 East, G.&S.R.M.

Sections: 3 and 10

Township 9 North, Range 31 East, G.&S.R.M.

Sections: 3, 10, 15, 22, and 27

B. State of New Mexico

Township 2 North, Range 20 West, NMPM

Sections: 30, 31, and 32

Township 2 North, Range 21 West, NMPM

Sections: 9, 14-16, 21-28, and 33-36

Township 1 North, Range 20 West, NMPM

Sections: 4-9, 16-21, 26, 27, and 28-35

Township 1 North, Range 21 West, NMPM

Sections: 1-4, 9-16, 21-28, and 33-36

Township 1 South, Range 20 West, NMPM

Sections: 2-10, 16-21, and 28-33

Township 1 South, Range 21 West, NMPM

Sections: 1-4, 9-16, 21-28, and 33-36

Township 2 South, Range 20 West, NMPM

Sections: 5-6, 18, and 19

Township 2 South, Range 21 West, NMPM

Sections: 1-4, 9-16, 21-28, and 33-36

Township 3 South, Range 21 West, NMPM

Sections: 3 and 4

The unit area is centered approximately where US Highway 60 intersects the Arizona – New Mexico state line. Upon application of Gary L. Kiehne, this case will be heard De Novo pursuant to the provisions of Rule 1220.