

PRELIMINARY DOCKET: COMMISSION HEARING – FRIDAY – JULY 19, 2002

9:00 A.M. – Porter Hall
1220 So. St. Francis
Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey.

The minutes of the June 21, 2002, Commission hearing will be adopted.

This Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

CASE 12867: Continued from May 24, 2002, Commission Hearing.

Application of the Oil Conservation Division to amend and adopt rules pertaining to surface commingling. Applicant seeks the repeal of current Rules 303.B (19 NMAC 15.5.303.B) including the "Manual for the Installation and Operation of Commingling Facilities," 309.B (19 NMAC 15.5.309.B) and 309.C (19 NMAC 15.5.309.C), the amendment of Division Rule 303 (19 NMAC 15.5.303) and the adoption of new Rule 315 and new Form C-107-B pertaining to surface commingling. A copy of the proposed new rules and Form C-107-B may be accessed on the internet on the Division homepage at: www.emnrd.state.nm.us/ocd. A public hearing on the proposed new rules will be held in Porter Hall, 1220 S. Saint Francis Drive, Santa Fe, New Mexico, at 9:00 A.M. on July 19, 2002. Written comments will be accepted until July 19, 2002 by the Oil Conservation Division, 1220 S. Saint Francis Dr., Santa Fe, New Mexico 87505, attn: Commission Secretary

CASE 12897: Application of the New Mexico Oil Conservation Division through the Environmental Bureau Chief, for the Adoption of Amendments to Division Rule 118 (Hydrogen Sulfide Gas). The Division proposes to repeal existing Rule 118 (Hydrogen Sulfide Gas) and to adopt new Rule 52 (Hydrogen Sulfide Gas) in lieu thereof. The proposed rule prescribes precautionary and warning measures, and requires contingency plans to provide for management of releases of hydrogen sulfide gas. The proposed rule will apply statewide.

CASE 12622: De Novo

Application of Nearburg Exploration Company, L.L.C. for two non-standard gas spacing and proration units, Lea County, New Mexico. Applicant seeks an exception to the spacing provisions of Division Rule 104.C (2) to create two non-standard 160-acre gas spacing and proration units within the East Grama Ridge-Morrow Gas Pool comprising: (i) the NE/4 of Section 34, Township 21 South, Range 34 East, to be dedicated to the Nearburg Producing Company's existing Grama Ridge East "34" State Well No. 1 (API No. 30-025-34948), located at a standard gas well location 1548 feet from the North line and 990 feet from the East line (Unit H) of Section 34; and (ii) the SE/4 of Section 34 to be dedicated to the EOG Resources, Inc. operated Llano "34" State Well No. 1 (API No. 30-025-26318), located at a standard gas well location 1650 feet from the South line and 660 feet from the East line (Unit I) of Section 34. These two wells are located approximately 17 miles west of Eunice, New Mexico. Upon application of Nearburg Exploration Company, L.L.C., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12828: De Novo – Continued from May 24, 2002, Commission Hearing.

Application of David H. Arrington Oil & 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 Mississippian formation underlying the following described acreage in Section 1, Township 15 South, Range 34 East, and in the following manner: the NE/4 NE/4 of Section 1 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 that vertical extent, including the Undesignated North Morton-Permo Pennsylvanian Pool and Undesignated Morton-Wolfcamp Pool; the N/2 NE/4 of Section 1 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within that vertical extent, including the Undesignated Morton-Lower Wolfcamp Pool; the NE/4 of Section 1 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the E/2 of Section 1 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 Undesignated North Morton-Atoka Gas Pool, Undesignated East Morton-Morrow Gas Pool, and Undesignated Morton-Mississippian Gas Pool. The units are to be dedicated to applicant's Big Black Ant Well No. 1, to be drilled at an orthodox location in the NE/4 of Section 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 applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The units are located approximately 9½ miles northwest of Lovington, New Mexico. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 12757: De Novo – Continued from June 21, 2002, Commission Hearing.

Application of the New Mexico Oil Conservation Division for an Order Requiring Marks and Garner Production Ltd. Co. to Properly Plug Seventeen (17) Wells, Authorizing the Division to Plug Said Wells in Default of Compliance by Marks and Garner Ltd. Co., Ordering a Forfeiture of Applicable Plugging Bond and Assessing Civil Penalties for False Production Reporting; Eddy County, New Mexico. The Applicant seeks an order requiring Marks and Garner Ltd. Co., the operator of seventeen (17) inactive wells in Eddy County, New Mexico to properly plug and abandon the same, authorizing the Division to plug said wells if the operator or its surety fails to do so, forfeiting Operator's plugging bond, and assessing civil penalties for false production reporting. The affected wells are the following:

<u>API NO.</u>	<u>WELL NAME AND NO.</u>	<u>UNIT/SEC./TWSP/RNG</u>	<u>FNS</u>	<u>FEW</u>
30-015-02784	Cave Pool Unit #1	O-33-16S-29E	660S	1780E
30-015-02892	Cave Pool Unit #3	A-04-17S-29E	985N	987E
30-015-02880	Cave Pool Unit #12	E-04-17S-29E	1980N	660E
30-015-02881	Cave Pool Unit #14	G-04-17S-29E	1980N	1980E
30-015-02875	Cave Pool Unit #16	E-03-17S-29E	1973N	330W
30-015-02886	Cave Pool Unit #19	K-04-17S-29E	1980S	1880W
30-015-02891	Cave Pool Unit #30	O-04-17S-29E	990S	2310E
30-015-02927	Cave Pool Unit #32	A-09-17S-29E	660N	660E
30-015-02926	Cave Pool Unit #41	E-08-17S-29E	1650N	330W
30-015-02903	Cave Pool Unit #51	L-05-17S-29E	1650S	990W
30-015-02912	Cave Pool Unit #53	H-07-17S-29E	1650N	330E
30-015-25090	Red Twelve Levers Federal #8Q	I-33-16S-29E	1980S	990E
30-015-25152	Red Twelve Levers Federal #12	D-33-16S-29E	660N	660W