

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:

CASE NO. 10325

APPLICATION OF MERIDIAN OIL INC.
FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT,
SPECIAL OPERATING RULES THEREFOR,
A NON-STANDARD OIL PRORATION PRORATION
UNIT, AN UNORTHODOX WELL LOCATION,
AND A SPECIAL PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO

RECEIVED

JUN 0 1991

OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL
INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT
(name, address, phone
and contact person)

Meridian Oil Inc.
P.O. Box 4289
Farmington, New Mexico 87499
Attn: Mr. Alan Alexander
(505) 326-9700

ATTORNEY

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Pre-hearing Statement
NMOCD Case No. 10235
Page 2

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Meridian Oil Inc. seeks approval for a highly deviated directional drilling pilot project including special operating rules, a non-standard oil proration unit, an unorthodox well location, and a project allowable for its Huerfano Unit Well No. 300.

PROPOSED EVIDENCE

APPLICANT

| WITNESSES (name and expertise) | EST. TIME | EXHIBITS |
|--|-----------|--|
| Mike Dawson (geologist) <i>B.S. Geol. Michigan / M.S. San Diego / Concord</i> | 10 Min. | geologic displays Locator map |
| Chuck Jones (P.E.) | 10 Min. | Offset operator plat |
| Paul Allen (Drilling) | 10 Min. | Plan & profile view of wellbore |
| Alan Alexander (landman) | 10 Min. | Topographic map Vertical vs. high angle profile Huerfano Unit map |

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to the hearing)

None.

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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| Alan Alexander (landman) | 10 Min. | Vertical vs. high angle profile Huerfano Unit map |

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to the hearing)

None.

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF MERIDIAN OIL, INC. FOR A
HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT, SPECIAL
OPERATING RULES THEREFOR, A
NON-STANDARD OIL PRORATION UNIT,
AN UNORTHODOX WELL LOCATION,
AND A SPECIAL PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO.

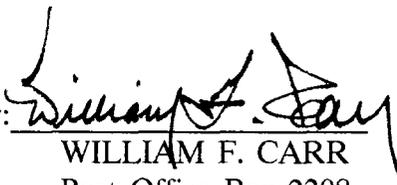
CASE NO. 10325

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its appearance in
the above referenced case on behalf of Amoco Production Company.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

RECEIVED

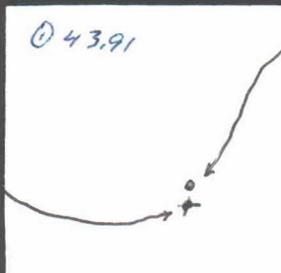
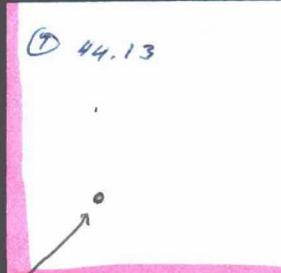
JUN 6 1991

OIL CONSERVATION DIV
SANTA FE

ATTORNEYS FOR AMOCO
PRODUCTION COMPANY

Sec. 31 Township No. 27 North of Range No. 10 West

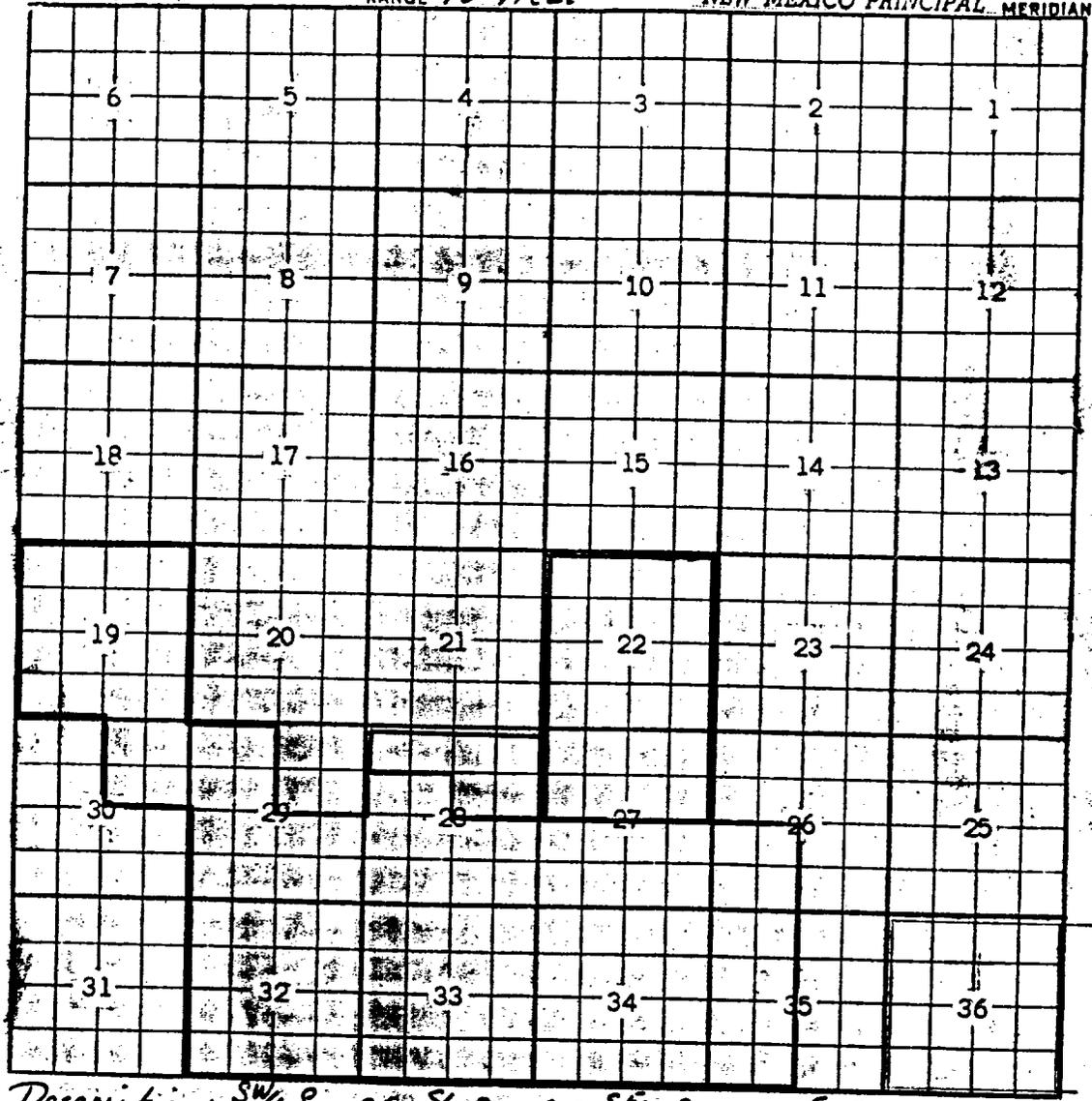
El Paso Natural Gas Co.
Huerfano Unit
Well No. 220
890' FNL - 800' FEL
Spud: 10/12/72
West Kutz P.C.
Completion
Perf'd: 4/74

| | | | |
|--|--|---|--|
| <p>① 43.91</p>  | <p>Meridian Oil Inc. Huerfano Unit NP Well No. 274 850' FNL + WL Spud: 10/1/79 Basin Dakota Completion</p> | <p>Meridian Oil Inc. Huerfano Unit Well No. 17-R 900' FNL - 1850' FEL Spud: 6/20/66 West Kutz P.C. Completion</p> | |
| <p>② 43.99</p> <p>Meridian Oil Inc. Huerfano Unit Well No. 78 1800' FNL - 1170' FEL Spud: 7/17/56 West Kutz Refurred C.P. Wells Completion</p> | | <p>El Paso Natural Gas Co. Huerfano Unit Well No. 17 1550' FNL + EL Spud: 9/1/52 West Kutz P.C. Completion Perf'd: April 1966</p> | <p>Meridian Oil Inc. Huerfano Unit Well No. 282 2510' FNL - 1180' FEL Spud: 5/9/78 Basin Dakota Comp.</p> <p>↓</p> |
| <p>③ 44.05</p> | | | <p>1450' FNL * 1060' FEL</p> |
| <p>④ 44.13</p>  | | | <p>Meridian Oil Inc. Huerfano Unit Well No. 79 1180' FNL - 1185' FEL Spud: 7/13/56 West Kutz P.C. Comp.</p> |

Meridian Oil Inc.
Huerfano Unit Well
No. 6
990' FNL + WL
Spud: 10/12/51
West Kutz P.C. Comp.
Recompletion in the Basin
Fruitland Coal (Gas) Pool
October 1990

656.08 acres
Total

County San Juan Pool Angels Peak - Gallup Associated
TOWNSHIP 27 North RANGE 10 West NEW MEXICO PRINCIPAL MERIDIAN



Description: SW¹/₄ Sec. 26; 1/2 Sec. 27; SE¹/₄ Sec. 28; E¹/₂ Sec. 33;
All Sec. 34; W¹/₂ Sec. 35 (R. 1167, 5-1-58)
Reclassified as an Oil Pool (R. 1357, 4-1-59)
Ext: SW¹/₄ Sec. 28; 1/2 Sec. 29; All Sec. 32; W¹/₂ Sec. 33 (R. 1373, 5-1-59)
- 1/2 NW¹/₄ Sec. 28 (R. 1489, 10-1-59) - SE¹/₄ Sec. 19; NW¹/₄ Sec. 29; NE¹/₄ Sec. 30 (R. 1653, 5-1-60)
- W¹/₂ Sec. 19 (R. 1943, 5-1-61) - NE¹/₄ Sec. 19 (R. 2102, 11-1-61)
Ext: All Sec. 36 (R-5339, 2-1-77)
Ext: All Sec. 22, N¹/₂ Sec. 27 (R-2046, 8-6-82)
Ext: NE¹/₄ and N¹/₂ NW¹/₄ Sec. 28 (R-8273, 8-6-86)

Well Schematic

T": 750'

EXHIBIT "A"

WEST

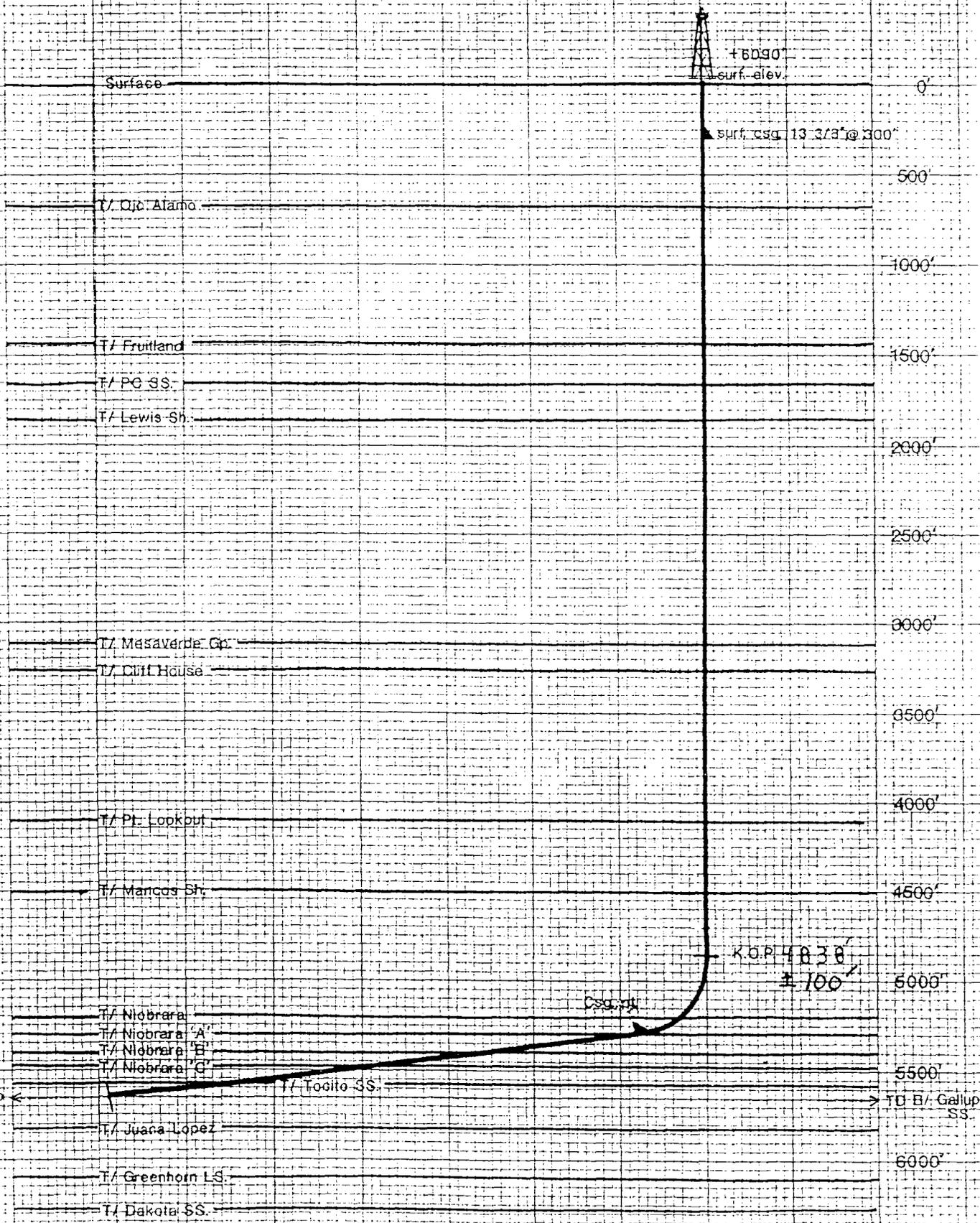
EAST

Huerfano Unit #300

SE 31, T27N R10W

Deviation: 75-90°

TVD



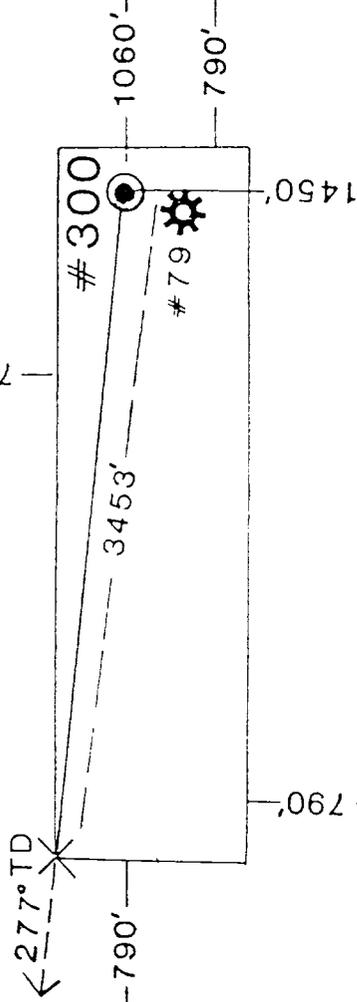
Sec. 31, T27N - R10W

1" = 1000'

azimuth: 265-280°

Fracture Trend
N 16° E

SEC. 31
N/2
S/2



#275

#287

Huerfano High Angle Project

ASSOCIATED OIL AND GAS POOLS
Northwest and Southeast New Mexico

Order No. R-5353, Adopting Special Rules and Regulations for Certain Associated Oil and Gas Pools and General Rules and Regulations for All Associated Oil and Gas Pools in Northwest and Southeast New Mexico, February 1, 1977.

Order No. R-5353 reclassifies as an oil pool, and rescinds Order No. R-4359, August 1, 1972, as amended by Order No. R-4583, August 1, 1973, adopting rules for the Jennings-Delaware Associated Pool, Lea County, New Mexico.

Order No. R-5353 reclassifies as an oil pool, and rescinds Order No. R-3437, June 18, 1968, as amended by Order No. R-3437-A, July 17, 1969, Order No. R-3437-B, January 15, 1971, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973, adopting rules for the North Paduca-Delaware Pool, Lea County, New Mexico.

Order No. R-5353 reclassifies as an oil pool the Northwest Todd-San Andres Associated Pool. See separate Order No. R-4441-A, February 1, 1977, adopting special rules for the Northwest Todd-San Andres Pool.

Application of the Oil Conservation Commission on its Own Motion to Consider the Adoption of General Rules and Regulations Governing All Associated Oil and Gas Pools of Southeast and Northwest New Mexico and the Adoption of Special Rules for Certain Associated Pools.

CASE NO. 5813
Order No. R-5353

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 23, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of January, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the Commission has heretofore created and designated six pools in Northwest New Mexico and 15 pools in Southeast New Mexico as "associated" oil and gas pools, being pools in which a gas cap was found to overlie an oil zone.

(3) That in order to prevent waste and to protect correlative rights, the Commission has heretofore promulgated special rules and regulations for said associated oil and gas pools, as follows:

NORTHWEST NEW MEXICO

| POOL | COUNTY | ORDER NO. |
|-------------------------------|------------|-----------|
| Angels Peak-Gallup | San Juan | R-1410-C |
| Devils Fork-Gallup | Rio Arriba | R-5181 |
| Escrito-Gallup | Rio Arriba | R-1793-A |
| Gallegos-Gallup | San Juan | R-3707 |
| Tapacito-Gallup | Rio Arriba | R-3211 |
| Tocito Dome-Pennsylvanian "D" | San Juan | R-2758 |

SOUTHEAST NEW MEXICO

| POOL | COUNTY | ORDER NO. |
|---------------------------------------|-----------|-----------|
| Bluitt-San Andres | Roosevelt | R-1670-I |
| Southeast Chaves Queen Gas Area | Chaves | R-4435 |
| South Dagger Draw-Upper Pennsylvanian | Eddy | R-4637 |
| Double L-Queen | Chaves | R-3981-A |
| Jennings-Delaware | Lea | R-4359 |
| Mesa-Queen | Lea | R-2935 |
| North Paduca-Delaware | Lea | R-3437 |
| Penasco Draw-San Andres-Yeso | Eddy | R-4365 |
| Peterson-Pennsylvanian | Roosevelt | R-4538 |
| Round Tank-Queen | Chaves | R-1670-J |
| Sawyer-San Andres | Lea | R-1517 |
| Todd-Lower San Andres | Roosevelt | R-1670-G |
| | | R-3153 |
| Northwest Todd-San Andres | Roosevelt | R-4441 |
| Twin Lakes-San Andres | Chaves | R-4102 |
| Vest Ranch-Queen | Chaves | R-5180 |

(4) That the aforesaid special rules and regulations for the above-named associated oil and gas pools provide, among other things, for the definition of oil wells and gas wells, the size of oil spacing units and gas spacing units, standard well locations, gas-oil ratio limitations, well testing, and gas well allowables.

(5) That there is a wide variation in the various special pool rules applicable to the aforesaid associated pools, not only in substantive content and purpose, but also in format and general manner of presentation.

(6) That said variations have caused confusion and have resulted in unnecessary administrative burden to both the operators in said pools and the Commission.

(7) That the adoption of general rules applicable to all associated pools, with provision for certain special rules applicable to particular pools only, would tend to eliminate said confusion and would ease the administrative burden of both the operators in said pools and the Commission.

(8) That in order to more nearly equalize the time frame within which oil wells and gas wells in associated pools may produce their current allowable, thereby equalizing withdrawals from their respective portions of the associated reservoir, the general rules for associated pools should provide for a one-month proration period for gas wells, and oil wells should continue to be operated under the provisions of Rule 502 of the Commission General Rules and Regulations.

(9) That in order to provide a reasonable period of time for the production of the current allowable from a gas well in an

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

associated pool, provision should be made in the general associated pool rules for underproduction from such well to be carried forward into subsequent proration periods, provided however, that such underproduction in excess of three times the current monthly allowable should not be carried forward, but should be cancelled.

(10) That in order to provide a reasonable period of time in which overproduction of current allowable by a gas well in an associated pool may be compensated for by underproduction, provision should be made in the general associated pool rules for such overproduction to be carried forward into subsequent proration periods, provided however, that any well which is overproduced by an amount exceeding three times its current monthly allowable should be shut in until such well is overproduced by an amount less than three times its current monthly allowable.

(11) That the volumetric gas allowable formulas applicable to the Bluit-San Andres Associated Pool and the Todd-Lower San Andres Associated Pool are no longer effective and should not be included in the special pool rules for said pools.

(12) That the inclusion of liquid gravity as a criterion in the classification of oil wells and gas wells in the Angels Peak-Gallup, Devils Fork-Gallup, Bluit-San Andres, Peterson-Pennsylvanian, and Todd-Lower San Andres Pools appears to serve no useful purpose, and should be discontinued.

(13) That the Jennings-Delaware Associated Pool and the North Paduca-Delaware Associated Pool, as heretofore created and defined, no longer fit the associated pool classification, and that said pools should be redefined as oil pools subject to the Commission General Rules and Regulations, and the Special Rules for said pools should be rescinded.

(14) That the Northwest Todd-San Andres Associated Pool as previously created and defined no longer fits the associated pool classification and should be redefined as an oil pool and the special pool rules therefor amended to provide only for 80-acre oil well spacing units and a gas-oil ratio limitation of 5000 to 1.

(15) That the existing special associated pool rules for the remaining 18 associated pools which provide for spacing of oil wells and gas wells, oil well and gas well locations, definition of oil wells and gas wells based on gas-liquid ratios, and special gas-oil ratio limitations, any of which are in conflict with the general rules and regulations for associated pools should be retained, but should be incorporated in one overall order applicable to associated oil and gas pools, and the orders presently applicable to said pools superseded.

(16) That the gas well location requirements for the Double L-Queen Associated Pool should be amended to comply with the general rules and regulations for associated pools.

(17) That all associated pool gas well underproduction should be cancelled as of January 31, 1977.

(18) That the Secretary-Director of the Commission should be authorized to administratively reinstate such cancelled underproduction, up to three times the current monthly allowable, upon a showing by the operator that such underproduction could be made up.

(19) That the rescission, amendment, and supersedure of the Special Pool Rules listed in Finding No. (3) above, and the adoption of General Rules applicable to the associated oil and gas pools in the State of New Mexico in accordance with the above findings will prevent waste and protect correlative rights, is in the public interest, and should be approved.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1977, general rules and regulations are hereby adopted for the associated oil and gas pools of northwest and Southeast New Mexico as follows:

GENERAL RULES AND REGULATIONS FOR THE ASSOCIATED OIL AND GAS POOLS OF NORTHWEST NEW MEXICO AND SOUTHEAST NEW MEXICO.

(See Special Pool Rules for each pool for rules applicable to that particular pool. Special Pool Rules will be found in the same classification order as in the General Section. If the Special Rule is in conflict with the General Rule, the Special Rule shall be applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1. Any well drilled to the producing formation of an associated pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2. (a) See Special Pool Rules for applicable size of oil and gas spacing and proration units. Unless otherwise specified by the Special Pool Rules, 40-acre units shall comprise a governmental quarter-quarter section substantially in the form of a square, being a legal subdivision of the United States Public Land Surveys; 80-acre units shall comprise two contiguous quarter-quarter sections, being the N/2, S/2, E/2, or W/2 of a single governmental quarter section; 160-acre units shall comprise a governmental quarter section; and 320-acre units shall comprise two contiguous quarter sections, being the N/2, S/2, E/2, or W/2 of a single governmental section.

RULE 2. (b) Each well drilled or completed on a spacing and proration unit within an associated pool governed by these rules shall be located as provided below:

OIL WELLS AND GAS WELLS - NORTHWEST NEW MEXICO

| Standard Proration Unit | Location Requirements |
|-------------------------|---|
| 40 Acres | Not closer than 330 feet to the boundary of the tract |
| 80, 160 and 320 Acres | Not closer than 790 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary |

OIL WELLS - SOUTHEAST NEW MEXICO

| Standard Proration Unit | Location Requirements |
|-------------------------|--|
| 40 Acres | Not closer than 330 feet to the boundary of the tract |
| 80 and 160 Acres | Within 150 feet of the center of the quarter-quarter section wherein located |

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

GAS WELLS - SOUTHEAST NEW MEXICO

| Standard Proration Unit | Location Requirements |
|-------------------------|---|
| 160 Acres | Within 150 feet of the center of the quarter-quarter section wherein located |
| 320 Acres | Not closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary |

RULE 2. (c) The Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Rule 2(b) above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or where the size and shape of an approved non-standard spacing and proration unit render a standard location impossible.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Secretary-Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 3. (a) Each gas well shall be located on a standard unit containing 160 acres or 320 acres, more or less, as provided in the special rules for the pool in which it is situated.

(b) Each oil well shall be located on a standard unit containing 40 acres, 80 acres or 160 acres, more or less, as provided in the special rules for the pool in which it is situated.

RULE 4 (a) The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 3(a) or 3(b) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

(1) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(2) Assigning an allowable to the non-standard unit.

(b) The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3(a) or Rule 3(b), when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

(1) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(2) The non-standard unit lies wholly within a governmental subdivision or subdivisions which would be a standard unit for the well (half quarter section, quarter section, or half section) but contains less acreage than a standard unit.

(3) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half quarter section, quarter section or half section (for 80-acre, 160-acre, and 320-acre standard dedications respectively) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(4) In lieu of Paragraph (3) of this rule, the applicant may furnish proof of the fact that all of the foresaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application

B. WELL CLASSIFICATION AND GAS-OIL RATIO LIMITATION

RULE 5. (a) A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons.

(b) The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. That the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced.

RULE 7. An oil well shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-oil ratio for the pool. In the event there is more than one oil well on an oil proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-oil ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is a number equal to the number of acres in a standard oil proration unit in such pool. In the event there is more than one gas well on a gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)

C. WELL TESTING

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut-in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. (a) Semi-annual gas-liquid ratio tests shall be taken on all wells during each year in accordance with a test schedule prepared by the district office of the Commission. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The supervisor of the appropriate district office of the Commission may grant an exception to the above test requirements where it is demonstrated that the well(s) produce(s) no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

(b) The Secretary-Director of the Commission shall have authority to grant pool-wide exceptions to Rule 9(a) above, without notice and hearing upon a showing that production from wells within such pool has stabilized to the point where such tests would be of essentially no value for application of these general rules for associated pools.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

D. ASSIGNMENT OF ALLOWABLE

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-102, C-104, C-116, and, in the case of a gas well, a transporter's notice of gas connection, properly executed. The District Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-oil ratio for the pool.

E. GAS PRORATIONING

RULE 12. The associated gas proration period shall be the proration month which shall begin at 7 a.m. on the first day of the month and shall end at 7 a.m. on the first day of the next succeeding month.

RULE 13. (a) Any associated gas well which has an under-produced status at the end of any associated gas proration period, shall carry such underproduction into subsequent periods.

(b) Underproduction in excess of three times the current monthly allowable shall not be carried forward but shall be cancelled. For purposes of this rule, the monthly allowable shall be the full monthly allowable which would be assigned an associated gas well with the same acreage dedication in the same pool.

(c) Overproduction during any month shall be applied to a well's cumulative underproduction, if any, calculated in accordance with Paragraphs (a) and (b) above.

RULE 14. Any associated gas well which has an overproduced status at the end of any associated gas proration period shall carry such overproduction into subsequent periods. If at any time a well is overproduced an amount exceeding three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 15. The allowable assigned to a well during any one month of an associated gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 16. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

F. REPORTING OF PRODUCTION

RULE 17. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 18. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

G. GENERAL PROVISIONS

RULE 19. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 20. All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection.

RULE 21. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

(2) That the above General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico shall be applicable to the following associated pools:

NORTHWEST NEW MEXICO

| | |
|--------------------|-------------------------------|
| Angels Peak-Gallup | Gallegos-Gallup |
| Devils Fork-Gallup | Tapacito-Gallup |
| Escrito-Gallup | Tocito Dome-Pennsylvanian "D" |

SOUTHEAST NEW MEXICO

| | |
|---------------------------------------|------------------------------|
| Bluitt-San Andres | Penasco Draw-San Andres-Yeso |
| Southeast Chaves Queen Gas Area | Peterson-Pennsylvanian |
| South Dagger Draw-Upper Pennsylvanian | Round Tank-Queen |
| Double L-Queen | Sawyer-San Andres |
| Mesa-Queen | Todd-Lower San Andres |
| | Twin Lakes-San Andres |
| | Vest Ranch-Queen |

(3) That effective February 1, 1977, the following Special Rules and Regulations shall be applicable to the below-named associated pools: (See Special Rules and Regulations applicable to each pool at end of order).

(3) (As Numbered) That effective February 1, 1977, the following orders, as amended, which apply to the aforementioned associated pools (See Special Rules and Regulations carried at end of order for these pools), are hereby superseded:

| | | |
|----------|----------|----------|
| R-1410-C | R-1670-I | R-1670-J |
| R-5181 | R-4435 | R-1517 |
| R-1793-A | R-4637 | R-1670-G |
| R-3707 | R-3981-A | R-3153 |
| R-3211 | R-2935 | R-4102 |
| R-2758 | R-4365 | R-5180 |
| | R-4538 | |

(4) That the Jennings-Delaware Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool, and Order No. R-4359 is hereby rescinded, effective February 1, 1977.

(5) That the North Paduca-Delaware Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool, and Order No. R-3437 is hereby rescinded, effective February 1, 1977.

(6) That effective February 1, 1977, the Northwest Todd-San Andres Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool with Order No. R-4441 to be superseded by Order No. R-4441-A, to be issued concomitantly with the instant order, No. R-5353.

(7) That effective January 31, 1977, all underproduction accrued to gas wells in the associated pools affected by this order is hereby cancelled.

(8) That the Secretary-Director of the Commission is hereby authorized to reinstate any well's accrued underproduction cancelled effective January 31, 1977, provided that such reinstated underproduction shall not exceed three times the well's current monthly allowable and provided further that the application for reinstatement of such underproduction shall contain evidence that the affected well is capable of producing such underproduction and that said application is received by the Secretary-Director not later than April 1, 1977.

(9) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

ANGELS PEAK-GALLUP ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Angels Peak-Gallup Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1410, adopting rules for the Angels Peak-Gallup Pool, San Juan County, New Mexico, May 28, 1959, as amended by Order No. R-1410-A, August 11, 1959, as superseded by Order No. R-1410-C, October 1, 1960, as amended by Order No. R-1410-D, July 17, 1962, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2 (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)DEVILS FORK-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977, as Amended by Order No. R-5353-G, August 1, 1981.

(Order No. R-5353 supersedes Order No. R-5181, adopting amended rules for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, April 1, 1976. Order No. R-5181 rescinded Order No. R-1670-B, November 1, 1960, adopting rules for the Devils Fork-Gallup Gas Pool, as amended by Order No. R-1670-B-1, October 18, 1962, Order No. R-4367, August 30, 1972, Order No. R-4404, September 27, 1972, and Order No. R-5483, August 1, 1973. Order No. R-1670-B superseded Order No. R-1641-A, June 10, 1960, which superseded Order No. R-1641, March 30, 1960, creating and adopting rules for the Devils Fork-Gallup Gas Pool.)

RULE 2. (As Amended by Order No. R-5353-G, August 1, 1981.) (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

ESCRITO-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Escrito-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1793-A, adopting rules for the Escrito-Gallup Pool, Rio Arriba County, New Mexico, December 1, 1960, as amended by Order No. R-4367, August 30, 1972, Order No. R-4404, September 27, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

GALLEGOS-GALLUP ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Gallegos-Gallup Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3707, adopting rules for the Gallegos-Gallup Pool, San Juan County, New Mexico, May 1, 1969, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

TAPACITO-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3211, creating and adopting rules for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, April 1, 1967, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

EXAMINER HEARING - THURSDAY - JUNE 13, 1991

CASE 10323: Application of Collins & Ware, Inc. for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation or to a depth of 15,100 feet, whichever is deeper, underlying Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 31, Township 21 South, Range 32 East, forming a non-standard 334.72-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Red Tank-Atoka Gas Pool and Undesignated Bilbrey-Morrow Gas Pool. Said unit is to be dedicated to 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 32.75 miles west of Eunice, New Mexico.

CASE 10290: (Continued from May 2, 1991, Examiner Hearing.)

Application of Avon Energy Corporation for amendment of Division Order Nos. R-3185, R-3185-A and R-3528 to expand the vertical limits and to establish an injection pressure limitation for the Turner "B" Lease Waterflood Project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-3185, R-3185-A, and R-3528 to expand the vertical limits and to establish an injection pressure limitation for the Turner "B" Lease Waterflood Project to 450 psi above the formation parting pressure as determined from step-rate tests for four (4) certain injection wells in the entire Grayburg-San Andres formation of the Grayburg-Jackson Pool within the project area being all or parts of Sections 17, 20, 29, and 30 of Township 17 South, Range 31 East. Said project area is located approximately 4.5 miles east of Loco Hills, New Mexico.

CASE 10324: Application of Meridian Oil, Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, an exception to Rule 2(b) of the special rules governing the Blanco-Mesaverde pool, and a special project gas allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a high angle/horizontal directional drilling pilot project in the equivalent E/2 (Lots 1, 3, 7, 8, 9, 10, 13, and 14) of Section 21, Township 31 North, Range 9 West, forming a 314.96-acre gas spacing and proration unit in the Blanco-Mesaverde Pool, by commencing its Sunray "G" Well No. 2R at a standard gas well location in the SW/4 SE/4 equivalent (Lot 13) of said Section 21, drill vertically to a depth of approximately 4766 feet, kick-off in a northeasterly direction, build angle up to 80 to 90 degrees and drill horizontally for approximately 3600 feet. Applicant further requests that special operating provisions and rules be established for said project area including the designation of a prescribed area limiting the horizontal displacement of the well's producing interval such that it can be no closer than 790 feet to the outer boundary of said proration unit and for a special project gas allowable. Also an exception to Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, as amended, is being sought allowing a third well to be drilled and produced on an existing proration unit in which are dedicated the Sunray "G" Wells Nos. 2 and 2A located in Units G and P, respectively, of said Section 21. Said unit is located approximately 12 miles east-northeast of Aztec, New Mexico.

CASE 10325: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Angel Peak-Gallup Associated Pool underlying Lots 3 and 4, E/2 SW/4, and SE/4 (S/2 equivalent) of Section 31, Township 27 North, Range 10 West, which is considered a standard 328.18-acre gas spacing and proration unit for said pool but is an unorthodox oil proration unit, all pursuant to the special pool rules as promulgated by Division Order No. R-5353, as amended. The applicant purposes to drill from a tentative unorthodox surface location 1450 feet from the South line and 1060 feet from the East line (Unit D) of Section 31, Township 27 North, Range 10 West, kick-off from vertical in a westerly direction until an angle of 75 to 90 degrees is achieved and continue drilling horizontally for approximately 3450 feet. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of said well's producing interval such that it can be no closer than 790 feet to the outer boundary of the aforementioned 328.18-acre spacing and proration unit and for a special project allowable. Said unit is located approximately 12.5 miles south by east of Bloomfield, New Mexico.

CASE 10326: Application of Burnett Oil Company, Inc. for area expansion of its Gissler B-11 Waterflood Project and for waterflood expansion of its Grayburg Jackson San Andres Unit Waterflood Project, Eddy County, New Mexico. Applicant, in the above-styled cause seeks authority to expand the Gissler B-11 Waterflood Project Area, authorized by Division Order No. R-4676, to include an additional 200 acres on its Gissler and Gissler "A" Leases comprising the S/2 SE/4 of Section 11, N/2 NE/4 of Section 14, and the SW/4 SW/4 of Section 12, all in Township 17 South, Range 30 East. Applicant also seeks to expand said project by converting the Gissler "A" Well Nos. 12 and 14 located, respectively, in Unit P of Section 11 and Unit A of Section 14 to water injection wells in the Grayburg formation of the Grayburg Jackson Pool. The applicant further seeks to expand its Grayburg Jackson San Andres Unit Waterflood Project to include both wells by extending the injection intervals into the San Andres formation as well. Said area is located approximately 3 miles northeast of Loco Hills, New Mexico.

CASE 10327: Application of Yates Petroleum Corporation for pool extension and the assignment of a special depth bracket oil allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to extend the horizontal limits of the Los Medanos-Delaware Pool to include the S/2 of Section 9, the N/2 and SE/4 of Section 16, and the N/2 of Section 21, all in Township 23 South, Range 31 East. Further, the applicant seeks a special depth bracket oil allowable, pursuant to Division (General) Rule 505(d), for said pool whereby the allowable would be based on the deepest perforation (rather than the shallowest as provided for in General Rule 505(a)) in its Medano "VA" State Well No. 1 located in Unit K of said Section 16. Said pool area is located approximately 5.5 miles northwest of the Lea/Eddy County Line on New Mexico State Highway No. 128.

CASE 10328: Application of Sage Energy Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the NE 4 NE 4 (Unit A) of Section 12, Township 13 South, Range 37 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing which presently includes but is not necessarily limited to the Undesignated South Gladiola-Wolfcamp Pool, Undesignated West Bronco-Devonian Pool, and Undesignated Stallion-Devonian Pool. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3.5 miles southeast by south of Gladiola, New Mexico.

CASE 10317: (Continued from May 30, 1991, Examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 17, Township 17 South, Range 29 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Grayburg-Atoka Gas Pool, Undesignated North Grayburg-Atoka Gas Pool, and South Empire-Morrow Gas Pool, said unit to be dedicated to 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 miles west by north of Loco Hills, New Mexico.

CASE 10329: Application of Mewbourne Oil Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Strawn formation comprising the S/2 SW/4 of Section 2, Township 18 South, Range 30 East, and the promulgation of special rules therefor including provisions for 80-acre spacing and designated well location requirements. Said area is located approximately 4 miles southeast by south of Loco Hills, New Mexico.

CASE 10330: Application of Mewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described area in Section 20, Township 19 South, Range 27 East, and in the following manner: the N/2 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 includes but is not limited to the Undesignated East Lake McMillan-Wolfcamp Gas Pool, Undesignated McMillan-Upper Pennsylvanian Gas Pool, Undesignated McMillan-Atoka Gas Pool, Undesignated Angell Ranch Atoka-Morrow Gas Pool, Undesignated East Lake-Morrow Gas Pool, and Undesignated North McMillan-Morrow Gas Pool and the NE/4 forming a standard 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 a single well to be drilled 990 feet from the North and East lines (Unit A) of said Section 20 being a standard gas well location for 160-acre spacing units but an unorthodox gas well location for zones developed on 320-acre spacing. 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 4 miles east-northeast of Lakewood, New Mexico.

CASE 10331: Application of Veteran Exploration Inc. to amend Division Order No. R-9330, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to modify Rule 7 of the Special Operating Rules and Regulations for the San Isidro (Shallow) Unit in the Rio Puerco-Mancos Oil Pool as promulgated by Division Order No. R-9330 allowing for the administrative approval of 640-acre oil spacing and proration units formed for the purpose of dedicating high angle/horizontal wellbores that cross Section lines. Said Unit Area is located approximately 5 to 13 miles west-southwest of Cuba, New Mexico.