

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 26, 1993

RE: CASE NO. 10674
Order No. R-9854-A

Mr. James Bruce
Hinkle, Cox, Eaton, Coffield
and Hensley
Attorneys at Law
Post Office Box 2068
Santa Fe, New Mexico 87504-2068

Dear Mr. Bruce:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD
Tom Kellahin

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

FAX (505) 982-8623

CLARENCE E. HINKLE (1904-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1967)

OF COUNSEL
O. M. CALHOUN*
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

WASHINGTON, D.C.
SPECIAL COUNSEL
ALAN J. STATMAN*

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
ROBERT P. TINNIN, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
NICHOLAS J. NOEDING
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. McBRIDE
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
GARY D. COMPTON*
MICHAEL A. GROSS
THOMAS D. HAINES, JR.
GREGORY J. NIBERT
DAVID T. MARKEITE*
MARK C. DOW

FRED W. SCHWENDIMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*
REBECCA NICHOLS JOHNSON
WILLIAM P. JOHNSON
STANLEY K. KOTOVSKY, JR.
H. R. THOMAS
ELLEN S. CASEY
MARGARET CARTER LUDEWIG

S. BARRY PAISNER
STEPHEN M. CRAMPTON
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
MARGARET R. MCNETT
BRIAN T. CARTWRIGHT*
LISA K. SMITH*
ROBERT H. BETHEA*
BRADLEY W. HOWARD
CHARLES A. SUTTON
NORMAN D. EWART
DARREN T. GROCE*
MOLLY MCINTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART*
DARREN L. BROOKS
CHRISTINE E. LALE
PAUL G. NASON
DARLA M. SILVA

*NOT LICENSED IN NEW MEXICO

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88202
(505) 622-6510
FAX (505) 623-9332

2800 CLAYDESTA CENTER
6 DESTA DRIVE
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691
FAX (915) 683-6518

1700 TEAM BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

500 MARQUETTE N.W., SUITE 800
POST OFFICE BOX 2043
ALBUQUERQUE, NEW MEXICO 87103
(505) 768-1500
FAX (505) 768-1529

September 21, 1993

Michael E. Stogner
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Dear Mr. Stogner:

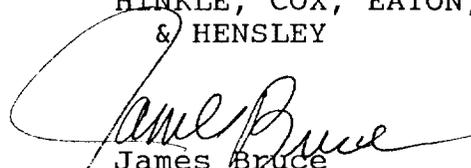
Please dismiss the following cases:

1. No. 10,760 (Breck Operating Corp.); and
2. No. 10,674 (Exxon Corporation).

Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

c: W. Thomas Kellahin, Esq.
(via facsimile transmission)

VIA HAND DELIVERY

JGB5\93H17.c

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 4, 1993
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

Dockets Nos. 9-93 and 10-93 are tentatively set for March 18, 1993 and April 8, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

The following cases will be heard before David R. Catanach, Examiner or Michael E. Stogner, Alternate Examiner:

CASE 10673: Application of Murphy H. Baxter for a unit agreement, Roosevelt County, New Mexico. Applicant seeks approval of the Parks State Unit Agreement for an area comprising 1840 acres, more or less, of state and fee lands in all or portions of Sections 16, 20, 21, 22, and 28 of Township 6 South, Range 36 East. Said unit is located 27 miles south of Portales, New Mexico.

CASE 10574: (Continued from February 18, 1993, Examiner Hearing.)

Application of Yates Petroleum Corporation 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 Canyon formation, at approximately 8,200 feet, underlying the following described acreage in Section 14, Township 20 South, Range 24 East, and in the following described manner: the N/2 to form a single standard 320-acre 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 necessarily limited to the South Dagger Draw-Upper Pennsylvanian Associated Pool); the NE/4 and NW/4 to form two standard 160-acre gas spacing and proration units for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NW/4 NE/4 and SW/4 NW/4 to form two standard 40-acre oil spacing and proration units for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. The proposed 320-acre unit is to be dedicated to either a single well to be drilled at a standard location in Unit B or Unit E or to both wells to be simultaneously dedicated to the 320-acre unit. Further the 160-acre gas unit comprising the NE/4 and the 40-acre oil unit comprising the NW/4 NE/4 are to be dedicated to the proposed well to be drilled in Unit B. The 160-acre gas unit comprising the NW/4 and the 40-acre oil unit comprising the SW/4 NW/4 are to be dedicated to the proposed well to be drilled in Unit E. Also to be considered will be the cost of drilling and completing said well or wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of each well and a charge for risk involved in drilling said well or wells. The subject area in this matter is located approximately 7.5 miles west by south of Seven Rivers, New Mexico.

CASE 10671: (Readvertised)

Application of Chuza Operating for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks the creation of a new pool for the production of oil from the Blinbery and Paddock formations comprising the SE/4 NE/4 and NE/4 SE/4 of Section 11, and the SW/4 NW/4 of Section 12, both in Township 23 South, Range 37 East, and the promulgation of special rules therefor including a provision for a gas-oil limitation of 6000 cubic feet of gas per barrel of oil. Applicant further requests that the proposed special pool rules be made effective retroactive to December 14, 1992. Said area is located approximately 8 miles south by east of Eunice, New Mexico.

CASE 10669: (Continued from February 18, 1993, Examiner Hearing.)

Application of Columbia Gas Development Corporation for pool creation, special pool rules and a discovery allowable, Lea County, New Mexico. Applicant seeks the creation of a new pool for the production of oil from the Wolfcamp formation comprising the NW/4 of Section 34, Township 14 South, Range 38 East, and the promulgation of special rules therefor including a provision for 160-acre spacing and proration units and designated well location requirements. Applicant further seeks the assignment of an oil discovery allowable, pursuant to Division General Rule 509, to the McMillan "34" Well No. 1 located 400 feet from the North line and 1980 feet from the West line (Unit C) of said Section 34. Said area is located approximately 2.5 miles southwest of Bronco, Texas.

CASE 10674: Application of Exxon Corporation for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location for its existing John D. Knox Well No. 11 located 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 10, Township 21 South, Range 36 East, Eumont Gas Pool. Said well is to be simultaneously dedicated with the John D. Knox Well Nos. 1 and 13 located in Units J and H, respectively, of said Section 10 to the existing 320-acre Eumont Gas spacing and proration unit comprising the E/2 of said Section 10. Said unit is located approximately one mile southeast of Oil Center, New Mexico.

CASE 10675: Application of Phillips Petroleum Company for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location 810 feet from the North line and 660 feet from the West line (Unit D) of Section 26, Township 12 South, Range 34 East, West Ranger Lake-Devonian Gas Pool. The N/2 of said Section 26 is to be dedicated to said well, forming a standard 320-acre gas spacing unit. Said unit is located approximately 10 miles west of Tatum, New Mexico.

CASE 10676: Application of Mitchell Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the following described areas in Section 35, Township 24 South, Range 29 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; the NW/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; the E/2 NW/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the SE/4 NW/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to a single well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 16 miles southeast of Carlsbad, New Mexico.

CASE 10677: Application of Conoco Inc. for an unorthodox gas well location Eddy County, New Mexico. Applicant seeks approval to drill its proposed Preston Federal Well No. 5 at an unorthodox gas well location 840 feet from the South line and 1980 feet from the East line (Unit O) of Section 34, Township 20 South, Range 24 East, Undesignated Cemetery-Morrow Gas Pool, the E/2 of said Section 34 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said well is located approximately 10 miles west-southwest of Seven Rivers, New Mexico.

CASE 10678: Application of Conoco Inc. for an unorthodox gas well location and to amend Division Order No. R-4988, Lea County, New Mexico. Applicant seeks approval to drill its Lockhart B Well No. 11 at an unorthodox gas well location 760 feet from the North line and 660 feet from the East line (Unit A) of Section 14, Township 21 South, Range 36 East, Eumont Gas Pool, and to amend Division Order No. R-4988 to allow for the simultaneous dedication of said well to the 480-acre non-standard gas spacing and proration unit approved by said Order and consisting of the E/2 E/2 of Section 14 and the W/2 of Section 13, Township 21 South, Range 36 East, with its Lockhart B Well No. 9 located in Unit L of said Section 13. Said unit is located approximately 2 1/2 miles southeast of Oil Center, New Mexico.

CASE 10659: (Continued from February 18, 1993, Examiner Hearing.)

Application of Meridian Oil Inc. for a non-standard gas proration unit, Lea County, New Mexico. Applicant seeks approval to establish a non-standard 160-acre gas spacing and proration unit in the Undesignated Rhodes Yates-Seven Rivers Gas Pool comprising the E/2 E/2 of Section 7, Township 26 South, Range 37 East, being approximately 4 miles south of Jal, New Mexico. Said unit is to be dedicated to a well to be drilled at a standard gas well location in the NE/4 NE/4 (Unit A) of said Section 7.

CASE 10679: 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 oil well location, and special project oil allowable, Rio Arriba County, New Mexico. Applicant seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Northeast Ojito Gallup-Dakota Oil Pool underlying the N/2 of Section 23, Township 26 North, Range 3 West, thereby creating a non-standard 320-acre oil spacing and proration unit for said pool. The applicant proposes to drill its Jicarilla "99" Well No. 17 from an unorthodox surface location 150 feet from the North line and 670 feet from the West line (Unit D) of said Section 22, drill vertically to a true vertical depth of approximately 6,700 feet, kick off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to either the north or south boundary, nor closer than 790 feet to the east or west boundary of the spacing unit, and for a special project allowable. Said project area is located approximately 12 miles northwest of Lindrith, New Mexico.

CASE 10680: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, and an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant seeks to initiate a high angle/horizontal directional drilling pilot project in the Gavilan-Mancos Oil Pool underlying all of Section 8, Township 26 North, Range 2 West, being a standard 640-acre spacing and proration unit for said pool. The applicant proposes to drill its Cheney Federal B Well No. 2 at an unorthodox surface location 1650 feet from the South line and 990 feet from the West line (Unit L) of said Section 8, kick off from vertical in an estimated westerly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 790 feet from the outer boundary of the spacing unit. Said project is located approximately 13 miles north of Lindrith, New Mexico.

CASE 10687: (Continued from September 9, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the following described areas in Section 17, Township 18 South, Range 28 East, and in the following manner: the E/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; and the SE/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 unit is to be dedicated to its Illinois Camp "17" State Well No. 2, to be drilled at a standard location within said E/2 proration unit. 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 2 miles north of Illinois Camp.

CASE 10688: (Continued from September 9, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the following described areas in Section 31, Township 17 South, Range 28 East, and in the following manner: the S/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; the SE/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; and the SW/4 SE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Chalk Bluff "31" State Well No. 1, to be drilled at a standard location within said S/2 proration unit. 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 1 mile southwest of the Baylor Triangulation Station.

CASE 10829: Application of Mewbourne 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 Morrow formation, underlying the following described areas in Section 32, Township 18 South, Range 34 East, and in the following manner: the E/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; the SE/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; and the W/2 SE/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, including the EK-Bone Spring Pool. Said unit is to be dedicated to the applicant's Larica 32 State Well No. 1, to be drilled at an orthodox location within said E/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 7.5 miles west of Arkansas Junction.

CASE 10760: (Continued from August 26, 1993, Examiner Hearing.)

Application of Breck Operating 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 20, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool developed within said vertical extent. Said unit is to be dedicated to its Kutz-Government Well No. 9, recompleted at an approved unorthodox location within said W/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 5 miles southeast of Bloomfield, New Mexico.

CASE 10674: (Reopened)

Application of Exxon Corporation for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location for its existing John D. Knox Well No. 11 located 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 10, Township 21 South, Range 36 East, Eumont Gas Pool. Said well is to be simultaneously dedicated with the John D. Knox Well Nos. 1 and 13 located in Units J and H, respectively, of said Section 10 to the existing 320-acre Eumont Gas spacing and proration unit comprising the E/2 of said Section 10. Said unit is located approximately one mile southeast of Oil Center, New Mexico.

CASE 10808: (Continued from August 26, 1993, Examiner Hearing.)

Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project and special operating rules therefor, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying the SE/4 SW/4 of Section 36, Township 15 South, Range 37 East. Applicant proposes to re-enter its Shell Oil Company State "SDA" Well No. 2 which is at an orthodox location 660 feet from the South line and 1650 feet from the West line (Unit N) of said Section 36, kick-off from vertical in a southwesterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of the proration unit, and for a special project allowable. Said project is located approximately 10 miles east by northeast of Lovington, New Mexico.

CASE 10809: (Readvertised)

Application of Kinlaw Oil Corporation 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 oil allowable, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying Lots 1 and 8 of Section 5, Township 16 South, Range 38 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its V.F. Petroleum Huber State Well No. 1 which is at an unorthodox surface location 330 feet from the North line and 1150 feet from the East line (Unit A) of said Section 5, kick-off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area, including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of the proration unit, and for a special project allowable. Said project is located approximately 2 miles east of Hobbs Army Airfield Aux. #1.

CASE 10766: (Readvertised)

Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and non-standard spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill a well at an unorthodox location 1980 feet from the North line and 1830 feet from the West line (Unit F) of Section 11, Township 21 South, Range 36 East, Eumont Gas Pool. Applicant also seeks authority to dedicate a non-standard 160-acre spacing unit comprised of the SE/4 NW/4, S/2 NE/4 and the NW/4 SE/4 of said Section 11 to said well. Said unit is located approximately 1 mile east of Oil Center, New Mexico.

CASE 10795: (Readvertised)

Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and non-standard spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill its Foster Well No. 3 in the Eumont Gas Pool at an unorthodox gas well location 660 feet from the South line and 330 feet from the East line (Unit P) of Section 34, Township 19 South, Range 36 East, to be dedicated to a non-standard 160-acre spacing unit comprising the S/2 S/2 of said Section 34. Said unit is located approximately one mile northwest of the Warren Gas Co. Compressor Station.

CASE 10824: (Continued from September 9, 1993, Examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Salt Draw 33 Fed. Well No. 1 at an unorthodox gas well location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 33, Township 24 South, Range 28 East, to test the Atoka formation. The E/2 of said Section 33 will be dedicated to the well. Said well is located approximately 3 miles south of Malaga, New Mexico.

CASE 10828: Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox gas well location and to amend Order No. R-9904, Lea County, New Mexico. Applicant seeks approval to drill its Sinagua "18" Federal Well No. 1 as a gas well at an unorthodox location 2210 feet from the North and East lines (Unit G) of Section 18, Township 20 South, Range 34 East, to test the Morrow formation. The N/2 of said Section 18 will be dedicated to the well. Applicant further requests that Order No. R-9904, a compulsory pooling order, be amended to permit the drilling of a well at said unorthodox location. Said well is located approximately 4 miles southwest of the Warren Gas Co. Compressor Station.