

Dockets Nos. 10-89 and 11-89 are tentatively set for March 29 and April 12, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 15, 1989

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

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

- ALLOWABLE:** (1) Consideration of the allowable production of gas for April, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for April, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9610: (Continued from March 1, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Knights Bridge Petroleum Corporation and James Marchbanks and all other interested parties to appear and show cause why the Triple Crown Well No. 1 located 660 feet from the South line and 1980 feet from the East line (Unit Q) of Section 6, Township 9 North, Range 31 East, Quay County, New Mexico (being located approximately 7.75 miles northeast by north of Quay, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Additionally, the Division seeks an order directing the operator to pay the costs of such plugging and if the Operator fails to do so, ordering a forfeiture of the Operator's bond and authorizing the Director of the Division to make demand upon First National Bank of Tucumcari to pay to the Division so much of the funds of the certificate of deposit given as collateral for the bond as is necessary to pay the costs of plugging said well.

CASE 9620: Application of Texmex Seven Ltd. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pretty Bird Unit Area comprising 11,782.54 acres, more or less, of State and Federal lands in Townships 18 and 19 South, Ranges 17 and 18 East. Said unit area is located approximately 16 miles east by north of Pinon, New Mexico.

CASE 9621: Application of Amoco Production Company for six non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks exceptions to Division Order No. R-8768 to establish six non-standard gas spacing and proration units for Basin-Fruitland Coal (Gas) Pool production in Irregular Sections 6, 7, 18, 19, and 30, Township 29 North, Range 9 West. Said row of Sections are located approximately 0.75 miles east of Blanco, New Mexico and extends north and south for approximately 2 miles.

CASE 9606: (Continued from March 1, 1989, Examiner Hearing.)

Application of Read & Stevens, Inc. for statutory unitization, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Bunker Hill-Penrose Associated Pool underlying 1360.00 acres, more or less, of State, Federal, and Fee lands in portions of Sections 13, 14, 23, and 24, Township 16 South, Range 31 East. Said unit is to be designated the Bunker Hill Unit Area. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said Unit Area is centered approximately 3.5 miles south-southwest of a point common to Eddy, Chaves, and Lea Counties, New Mexico.

CASE 9607: (Continued from March 1, 1989, Examiner Hearing.)

Application of Read & Stevens, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Penrose Formation in its proposed Bunker Hill Unit Area (Division Case No. 9606) underlying portions of Sections 13, 14, 23, and 24, Township 16 South, Range 31 East, Bunker Hill-Penrose Associated Pool. Said area is centered approximately 3.5 miles south-southwest of a point common to Eddy, Lea and Chaves Counties, New Mexico.

CASE 9619: (Readvertised)

Application of Santa Fe Exploration 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 in the Undesignated Indian Basin-Morrow Gas Pool underlying all of Section 8, Township 21 South, Range 23 East, forming a standard 640-acre spacing and proration unit for said pool to be dedicated to a well to be drilled

at an unorthodox gas well location 660 feet from the South and East lines (Unit P) of said Section 8. 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 well is located approximately 3.75 miles west-northwest of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9622: Application of Conoco, Inc. for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations for the Warren-Drinkard Pool in Sections 27, 28, 29, and 32, Township 20 South, Range 38 East, to include a provision for a gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil with a retroactive effective date for such special pool rules to November 10, 1988. Said pool is in an area located approximately 8.5 miles north of Eunice, New Mexico.

CASE 8623: Application of Meridian Oil, Inc. for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 299.85-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising Lots 3, 4, 5, 6 and 7, the SE/4 NW/4, and the E/2 SW/4 of Section 8 and Lots 1 and 2 and the E/2 NW/4 of Section 7, both in Township 30 North, Range 9 West. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location 1030 feet from the South line and 850 feet from the West line (Unit N) of said Section 6. Said unit is located approximately 9 miles east of Aztec, New Mexico.

CASE 9145: (Continued from February 15, 1989, Examiner Hearing.) (Reopened)

In the matter of Case 9145 being reopened pursuant to the provisions of Division Order No. R-8497, which promulgated temporary special rules and regulations for the North Knowles-Devonian Pool, Lea County, including a provision for 80-acre spacing units. Operators in the subject pool may appear and show cause why the North Knowles-Devonian Pool rules should not be rescinded.

CASE 9624: Application of W. A. Moncrief, Jr. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to either the base of the Strawn formation or to a depth of 11,300 feet, whichever is deeper, underlying the E/2 NE/4 of Section 30, Township 16 South, Range 37 East, forming a standard 80-acre spacing and proration unit for any and all pools developed on 80-acre spacing (which presently includes but is not necessarily limited to the Northeast Lovington-Pennsylvanian Pool), said unit to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the North line and 510 feet from the East line (Unit H) of said Section 30. 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 well location is approximately 5 miles southeast of Lovington, New Mexico.

CASE 9625: Application of Marshall Pipe and Supply Company for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Undesignated Tule-Montoya Gas Pool underlying the following described acreage in Section 23, Township 2 South, Range 29 East, and in the following described manner:

- the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing;
- the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing; and,
- the S/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 includes but is not necessarily limited to the Tule-Pennsylvanian Gas Pool and the Undesignated Tule-Montoya Gas Pool).

All of the above-described units are to be dedicated to the existing Perry Well No. 1 drilled at a previously approved unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of said Section 23 (Division Order No. R-8617). 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 well is approximately 4.5 miles east-northeast from the point common to Roosevelt, Chaves, and De Baca Counties, New Mexico.

CASE 9628: Application of Mobil Producing Texas and New Mexico, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated North Vacuum Atoka-Morrow Gas Pool underlying the S/2 of Section 17, Township 17 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its State Section 17 Com Well No. 3 to be drilled at a previously approved unorthodox gas well location (NSL-2626) 2034 feet from the South line and 2064 feet from the West line (Unit K) of said Section 17. 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 well location is approximately 2 miles north-northeast of Buckeye, New Mexico.

CASE 9627: Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 330 feet from the North and East lines (Unit A) of Section 25, Township 7 South, Range 29 East, San Andres formation, the NE/4 of said Section 25 to be dedicated to the well forming a standard 160-acre gas spacing and proration unit. Said location is approximately 7.5 miles east by south of Elkins, New Mexico.

CASE 9628: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the plugged and abandoned Carper Drilling Company, Inc. Marathon-State Well No. 1 located at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 33, Township 17 South, Range 24 East, to test any and all formations and/or pools from the top of the Undesignated Collins Ranch-Wolfcamp Gas Pool to the base of the Morrow formation, the N/2 of said Section 33 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said well is located approximately 7.75 miles east by south of Hope, New Mexico.

CASE 9629: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Ordovician formation underlying the E/2 of Section 36, Township 10 South, Range 26 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. Said unit is to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 36. 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 location is approximately 16 miles east of Roswell, New Mexico.

CASE 9630: Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 1650 feet from the North line and 2310 feet from the East line (Unit G) of Section 36, Township 10 South, Range 26 East, Ordovician formation, the E/2 of said Section 36 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit. Said location is approximately 16 miles east of Roswell, New Mexico.

CASE 9631: Application of BHP Petroleum Company, Inc. for compulsory pooling and an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Montoya formation underlying the E/2 of Section 36, Township 10 South, Range 26 East, forming a standard 320-acre gas spacing and proration unit for all formations within said vertical extent, said unit is to be dedicated to a well to be drilled at an unorthodox gas well location 1650 feet from the North line and 2310 feet from the East line (Unit G) of said Section 36. 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 location is approximately 16 miles east of Roswell, New Mexico.

CASE 9602: (Continued from March 1, 1989, Examiner Hearing.)

Application of BHP Petroleum, Inc. for special GOR, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of special pool rules for the East Avalon-Bone Spring Pool, establishing a limiting gas-oil ratio of 5,000 cubic feet of gas per barrel of oil. Said pool is located in portions of Townships 20 and 21 South, Ranges 27 and 28 East, which is approximately 9 miles northeast of Carlsbad, New Mexico.

CASE 9608: (Continued from March 1, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Bone Spring production and designated as the Magruder-Bone Spring Gas Pool. The discovery well is the OXY USA Inc. State CP Com Well No. 1 located in Unit J of Section 9, Township 21 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 9: SE/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the West Millman-Wolfcamp Gas Pool. The discovery well is the Yates Petroleum Corp. State HU Com Well No. 1 located in Unit N of Section 7, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 7: S/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the West Wickiup Hill-Strawn Gas Pool. The discovery well is the Yates Petroleum Corp. Eland AFC Federal Com Well No. 1 located in Unit N of Section 12, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 12: W/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Diamond Mound-Morrow Gas Pool. The discovery well is the Mesa Operating Derrick Federal Com Well No. 1 located in Unit K of Section 5, Township 18 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 33: All
Section 34: All
Section 35: All
Section 36: All

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 30: S/2
Section 31: All
Section 32: All

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 1: All
Section 2: Lots 1, 2, 7, 8, 9, 10, 15 and 16
Section 9: S/2
Section 10: All
Section 11: All
Section 12: All
Section 15: N/2
Section 16: N/2

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 3: Lots 1 through 16
Section 4: Lots 1 through 16
Section 5: Lots 1 through 16
Section 6: All

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Diamond Mound-Atoka Gas Pool. The discovery well is the Northern Natural Gas Co. Vandagriff Federal Com Well No. 1 located in Unit K of Section 1, Township 16 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM
Section 1: All
Section 2: Lots 1, 2, 7, 8, 9, and 10
Section 9: S/2
Section 10: All
Section 11: All
Section 12: All
Section 16: N/2

- (f) ABOLISH the Diamond Mound Atoka-Morrow Gas Pool in Eddy and Chaves Counties, New Mexico.
(g) • EXTEND the Diablo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM
Section 22: E/2 SW/4 and SE/4

- (h) EXTEND the North Grayburg-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 22: W/2

- (i) EXTEND the Owen Mesa-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM
Section 35: NE/4
Section 36: N/2

- (j) EXTEND the North Shugart-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 5: SW/4