



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 8, 1990

POST OFFICE BOX 2088
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SANTA FE, NEW MEXICO 87504
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Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9854
ORDER NO. R-9131-A and
R-5353-K

Applicant:
OCD (Stevens Operating Corporation)

Dear Sir:

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

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Ernest Carroll, A. J. Losee, James Bruce

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. 9854
Order No. R-9131

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Stevens Operating Corporation (Stevens), seeks the creation of a new pool for the production of oil from the Fusselman formation comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico, and for the promulgation of special rules and regulations therefor including provisions for 320-acre oil spacing and proration units, designated well location requirements, a special gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, and a special 320-acre oil allowable of 650 barrels per day.

(3) In addition, the applicant requests that the above-described special pool rules be instituted for a temporary period of nine months in order to allow the operators in the pool time to gather additional reservoir data.

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(4) The evidence presented indicates that the Yates Petroleum Corporation Pathfinder "AFT" State Well No. 3 located 1650 feet from the South line and 2310 feet from the West line (Unit K) of said Section 21, which was drilled and completed in 1988, has discovered a separate common source of supply in the Fusselman formation.

(5) In addition, there are currently two other wells which have recently been drilled to and completed in the Fusselman formation in this area, these being the Stevens Operating Corporation McBride State Com Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28, and the Yates Petroleum Corporation Pathfinder "AFT" State Well No. 6 located 1980 feet from the North and West lines (Unit F) of said Section 21.

(6) All three of the above-described wells were drilled on 320-acre gas spacing in accordance with Division General Rule No. 104 (C)(II) in anticipation of encountering a gas pool within said Fusselman formation.

(7) The geologic and engineering evidence currently available indicates that the subject reservoir is actually an oil pool which contains a significant gas cap, has definable oil-gas and oil-water contacts, and is bounded by north-south trending faults which limit the extent of the reservoir to portions of Sections 21, 28 and possibly 33.

(8) Yates Petroleum Corporation (Yates), the only other operator in the pool at the present time, appeared at the hearing in opposition to Steven's proposed gas-oil ratio limitation, oil allowable, and nine-month test period and in support of ninety-day temporary special pool rules including 320-acre well spacing, a gas-oil ratio limitation of 2,000 cubic feet of gas per barrel of oil and an oil allowable of 222 barrels per day.

(9) Stevens contends that its proposed gas-oil ratio limitation and oil allowable as described above are necessary: (1) in order to produce liquid hydrocarbons from its McBride State Com Well No. 1, which, according to production test data, is currently incapable of producing oil at a gas producing rate of less than 0.7 MMCFG per day, and (2) in order to obtain necessary test data to determine the most efficient gas-oil ratio and rate of production for the subject reservoir.

(10) The producing characteristics exhibited by the McBride State Com Well No. 1 are due, at least in part, to its current completion, which, according to the evidence presented, may be improper for this type of reservoir.

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(11) The gas-oil ratio and oil allowable proposed by Yates, if approved, would preclude the production of oil from the McBride State Com Well No. 1 unless physical changes in the well's completion are performed.

(12) Although physical changes in the wellbore of said McBride State Com Well No. 1 may ultimately be determined necessary in order to efficiently produce the liquid hydrocarbons from the subject reservoir, there is some evidence available at the present time which indicates that the subject reservoir may be vertically fractured which could render any workover operations on the subject well ineffective.

(13) According to the more complete geologic and seismic evidence presented by Yates in this case, the subject reservoir is limited to an area of approximately 355 acres.

(14) Both Yates and Stevens presented original oil and gas in place estimates for the subject reservoir, and, because these estimates are critical in determining oil and gas allowables for the subject pool, the more conservative estimates provided by Yates should be utilized.

(15) According to Yate's estimates, the original oil and gas in place within the subject reservoir is approximately 9.1 million barrels of oil and 16.4 BCF of gas.

(16) The oil allowable and gas-oil ratio limitation proposed by Stevens, which would amount to a gas allowable of 13 MMCFG per day, may cause serious and irreversible damage to the reservoir by depleting, during the proposed nine month test period, upwards to 43% of the gas contained within the gas cap, which may in turn result in a substantial amount of oil left unrecovered in the reservoir, thereby causing waste.

(17) According to testimony by Stevens, the producing gas rate during the test period would not likely exceed 2.5 MMCFG per day which indicates that the gas-oil ratio and oil allowable proposed by Stevens in this case are excessive and unnecessary.

(18) In addition, according to testimony by Yates, a test period of ninety days should be sufficient time to gather additional reservoir data needed to determine the proper temporary spacing and most efficient rate of production for the subject pool.

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(19) The nine-month test period, oil allowable, and gas-oil ratio limitation proposed by Stevens in this case are unnecessary, excessive, and may cause reservoir damage, and should therefore be effectively reduced.

(20) At the present time, there is insufficient information regarding the appropriate well spacing for the subject pool; however, the geologic evidence presented suggests that due to the limited extent of the reservoir, the proposed 320-acre well spacing is excessive.

(21) In order to prevent the drilling of unnecessary wells during the interim test period and until further data is obtained regarding the appropriate spacing for this pool, the subject pool should be drilled and spaced on 160-acre oil proration units, and the subject pool should be assigned a depth bracket allowable of 382 barrels of oil per day in accordance with the depth bracket allowable provisions of Division General Rule No. 505.

(22) A new pool classified as an oil pool for Fusselman production should be created and designated the Diablo-Fusselman Pool, with horizontal limits comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

(23) Temporary ninety-day special rules and regulations should be promulgated for the Diablo-Fusselman Pool which provide for 160-acre oil proration units, an oil allowable of 382 barrels of oil per day, and a gas-oil ratio limitation of 6,500 cubic feet of gas per barrel of oil which will: (1) allow Stevens the opportunity to test and produce its McBride State Com Well No. 1, (2) allow sufficient time for both operators to gather additional reservoir data, and (3) should not cause reservoir damage inasmuch as the total volume of gas produced during this test period for the entire pool is approximately 2.7% of the original gas in place.

(24) The temporary special rules and regulations should also provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(25) This case should be reopened at an examiner hearing in May, 1990, at which time the operators in the subject pool should be prepared to appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for the Diablo-Fusselman Pool.

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IT IS THEREFORE ORDERED THAT:

(1) A new pool in Chaves County, New Mexico, classified as an oil pool for Fusselman production, is hereby created and designated the Diablo-Fusselman Pool, with horizontal limits comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM.

(2) Stevens Operating Corporation's proposed temporary special rules and regulations for the Diablo-Fusselman Pool, including provisions for 320-acre well spacing, a gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, an oil allowable of 650 barrels of oil per day, and a nine-month test period are hereby modified as described below.

(3) Ninety-day Temporary Special Rules and Regulations for said pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
DIABLO-FUSSELMAN POOL**

RULE 1. Each well completed or recompleted in the Diablo-Fusselman Pool or in the Fusselman formation within one mile thereof, and not nearer to or within the limits of another designated Fusselman Pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 382 barrels per day with a corresponding gas-oil ratio limitation of 6,500 cubic feet of gas per barrel of oil, and in the event there is more than one well on an 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The locations of all wells presently drilling to or completed in the Diablo-Fusselman Pool or in the Fusselman formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia district office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1987 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Diablo-Fusselman Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

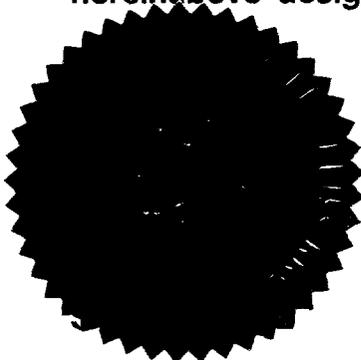
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Order No. R-9131
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Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Diablo-Fusselman Pool or in its corresponding vertical limits within one mile thereof, shall receive no more than one-half of a standard allowable for said pool.

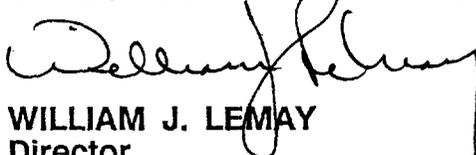
(5) This case shall be reopened at an examiner hearing in May, 1990, at which time the operators in the subject pool should be prepared to appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for the Diablo-Fusselman Pool.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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. 9854(REOPENED)
ORDER NOS. R-9131-A
R-5353-K

IN THE MATTER OF CASE 9854 BEING REOPENED PURSUANT TO THE PROVISIONS OF DIVISION ORDER NO. R-9131, WHICH CREATED, DEFINED, AND PROMULGATED TEMPORARY SPECIAL RULES AND REGULATIONS INCLUDING PROVISIONS FOR 160-ACRE SPACING AND PRORATION UNITS, DESIGNATED WELL LOCATION REQUIREMENTS, AND ESTABLISHED A GAS/OIL RATIO (GOR) LIMITATION OF 6,500 CUBIC FEET OF GAS PER BARREL OF OIL FOR THE DIABLO-FUSSELMAN POOL, CHAVES COUNTY, NEW MEXICO.

FURTHER, THE APPLICANT IN THE ORIGINAL CASE, STEVENS OPERATING CORPORATION, NOW SEEKS TO INCLUDE WITHIN SAID SPECIAL RULES, PROVISIONS FOR ADMINISTRATIVE AUTHORIZATION FOR HORIZONTAL/HIGH-ANGLE WELLBORES.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of August, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

Case No. 9854

Order No. R-9131-A
R-5353-K

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(2) By Division Order No. R-9131, issued in Case No. 9854 and dated March 2, 1990, the Division created and defined the Diablo-Fusselman Pool for the production of oil from the Fusselman formation with horizontal limits comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico. Said order also promulgated Special Rules and Regulations for the pool including provisions for 160-acre spacing and proration units, designated well location requirements and established a Gas/Oil Ratio (GOR) limitation of 6500 cubic feet of gas per barrel of oil.

(3) Order No. R-9131 also provided that Case No. 9854 be reopened in May, 1990, at which time the operators in the pool would appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for the Diablo-Fusselman Pool.

(4) Following the entry of Order No. R-9131, Stevens Operating Corporation filed an application seeking adoption of an administrative procedure for approval of horizontal/high-angle drilling in the Diablo-Fusselman Pool.

(5) Stevens Operating Corporation (Stevens) and Yates Petroleum Corporation (Yates) are currently the only two operators in the Diablo-Fusselman Pool and both appeared and presented testimony in the reopened case.

(6) At this time, both Yates and Stevens request that said Special Rules be amended to also include provisions for 80-acre spacing, an 80-acre depth bracket allowable of 222 barrels of oil per day (pursuant to General Rule 505(a)), a continuation of the 6500 to 1 gas/oil ratio limitation, and designated well location requirements such that each well be no closer than 330 feet from the outer boundary of its spacing and proration unit.

(7) The geological and engineering testimony presented at the time of the hearing substantiates further Finding Paragraph No. (7) of said Order No. R-9131 that the Fusselman formation in the defined area of this pool consists of an excessively thick and distinct gas cap with no oil saturation, a thin oil column and finally a very active water drive mechanism underneath. This evidence indicates therefore that said pool should properly be classified as an "Associated Pool" and all further development of this pool should proceed under the "General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico" governing such as promulgated by Division Order No. R-5353, as amended.

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R-5353-K

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(8) The Diablo-Fusselman Pool should therefore be reclassified as the Diablo-Fusselman Associated Pool and, pursuant to the cumulative evidence available to date, wells classified as oil may be efficiently and economically developed on 80-acre spacing units and gas wells should remain on 160-acre spacing units as originally allowed under Order No. R-9131.

(9) The temporary special rules and regulations should also be promulgated to provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(10) The applicant's request for a pool-wide administrative procedure for horizontal/high-angle drilling is somewhat premature for this pool at its present stage of development and should therefore be denied.

(11) However, adequate evidence was presented at the hearing and sufficient notice was given in this matter to allow Stevens to proceed with its plans to initiate a horizontal drilling pilot project on its McBride State Com Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

(12) Stevens proposes to dedicate said well to a standard 80-acre oil spacing and proration unit (pursuant to the proposed amended rules) comprising the N/2 NW/4 of said Section 28 and to initiate a horizontal drilling pilot project therein.

(13) Conventionally drilled (vertical) wells completed in the oil column of this pool have experienced significant "coning", both down from the gas cap and up from the water zone.

(14) By drilling this test well horizontally within the thin oil-bearing column, Stevens is attempting to show that coning can be alleviated by creating a small pressure drop along the large length of a horizontal wellbore instead of a large pressure drop through a small area available to a vertical wellbore. Because there should be larger reservoir contact by a horizontal wellbore, more efficient drainage of the reservoir should result.

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(15) Stevens proposes to utilize said McBride State Com No. 1 by plugging back to approximately the base of the "Chert Marker" (approximate depth of 6260 feet), cut a window in the 5 1/2-inch casing and drill a 90-degree turn-off of vertical to horizontal utilizing a medium or intermediate radius curve of 100 feet (57 degrees build per 100 feet) in a westerly direction (260 degrees azimuth), wherefrom a 1000 foot horizontal section will complete the drilling portion of the wellbore. A 2 7/8-inch slotted liner will be placed in the horizontal portion of the wellbore. At the base of the curved portion of the wellbore, the non-perforated 2 7/8-inch tubing will be cemented back into the vertical hole.

(16) To allow for "flexibility", to minimize risk and maximize the success of such a completion, the designation of a prescribed area limiting the horizontal displacement of the wellbore should be adopted such that the producing interval of the well cannot be any closer than 100 feet to the outer boundary of the proposed proration unit (N/2 NW/4 of said Section 28).

(17) No interested party objected to Stevens' request to drill said well in the above-described method. In fact said proposal was supported by Yates.

(18) The applicant should be required to determine the actual location of the kick-off point prior to directional drilling operations. Also, the applicant should notify the supervisor of the Artesia District Office of the Division of the proposed direction of the deviated hole and of the date and time of commencement of the directional drilling in order that the same may be witnessed.

(19) The applicant should be required to conduct a directional survey on the lateral portion of the wellbore during or after completion of the drilling operations on the well and submit copies of all such surveys to both the Santa Fe and Artesia Offices of the Division.

(20) At the time of the hearing, the applicant requested a four month time period to gather and evaluate additional reservoir information and respond to any rule changes to the subject Fusselman pool.

(21) Four months is an insufficient period of time for proper evaluation of this pool under said rules, therefore, a longer time frame of 12 months should be adopted unless any party should request otherwise.

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R-5353-K

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(22) This case should be reopened at an Examiner Hearing in August, 1991 at which time the operators of the pool should be prepared to appear and show cause why said pool should not be reclassified as either a gas pool or an oil pool, to be governed by such applicable statewide rules or to make any such recommendations regarding the proper spacing and development for said pool on a permanent basis.

IT IS THEREFORE ORDERED THAT:

(1) Effective August 1, 1990, the Diablo-Fusselman Pool in Chaves County, New Mexico is hereby reclassified as an associated pool and redesignated the Diablo-Fusselman Associated Pool.

(2) The Special Rules and Regulations for the Diablo-Fusselman Pool as promulgated by Division Order No. R-9131, dated March 2, 1990, are hereby superseded by this order.

(3) The Diablo-Fusselman Associated Pool shall be governed by the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, as promulgated by Order No. R-5353, as amended, insofar as said General Rules and Regulations are not inconsistent with the Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules shall apply.

SPECIAL RULES AND REGULATIONS
FOR THE
DIABLO FUSSELMAN ASSOCIATED POOL

- RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 160 acres.
- RULE 2. (b) Each well, oil or gas, shall be located no closer than 330 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary.
- RULE 6. The limiting gas-oil ratio shall be 6,500 cubic feet of gas for each barrel of oil produced.

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R-5353-K

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IT IS FURTHER ORDERED THAT:

(4) The locations of all wells presently drilling to or completed in the Diablo-Fusselman Associated Pool or in the Fusselman formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(5) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in the Laws 1969, Chapter 271, existing oil wells in the Diablo-Fusselman Associated Pool shall have dedicated thereto 80 acres and existing gas wells shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new forms C-102 with the Division dedicating the appropriate acreage to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Diablo-Fusselman Associated Pool or in the formation within one mile thereof shall receive no more than a 40-acre allowable for the pool.

(6) The applicant's request to include provisions for an administrative procedure to authorize horizontal/high-angle drilling with the above Special Pool Rules and Regulations for the Diablo-Fusselman Pool is hereby denied.

IT IS FURTHER ORDERED THAT

(7) Stevens Operating Corporation is hereby authorized to conduct a horizontal directional drilling pilot project comprising the N/2 NW/4 of Section 28, Township 10 South, Range 27 East, NMPM, Diablo-Fusselman Associated Pool, Chaves County, New Mexico, thereby forming a standard 80-acre oil spacing and proration unit for said pool.

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R-5353-K

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(8) The applicant is further authorized to plug-back, sidetrack and directionally drill horizontally through the oil-bearing zone of the Fusselman formation in its McBride State Com Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28 by cutting a window in the 5 1/2-inch casing at a depth of approximately 6260 feet in a westerly direction, deviate to approximately 90 degrees and drill horizontally for 1000 feet. Said well is to be completed with a slotted 2 7/8-inch liner to be set in the horizontal portion of the hole.

(9) The lateral extent of the horizontal wellbore shall be such that the producing interval be no closer than 100 feet to the outer boundary of said proration unit.

(10) The geographic location of the kick-off point for the proposed horizontal well shall be determined prior to directional drilling. Also, the operator shall notify the supervisor of the Artesia District Office of the Division of the proposed direction of the deviated hole and of the date and time of the directional drilling in order that the same may be witnessed.

(11) The applicant shall conduct a directional drilling survey on the well during or after completion of horizontal drilling operations.

(12) Upon completion of the horizontal drilling operations on the well, the applicant shall file copies of all such directional drilling surveys along with a final report specifying the depth and location of the terminus of said horizontal wellbore to both the Santa Fe and Artesia Offices of the Division.

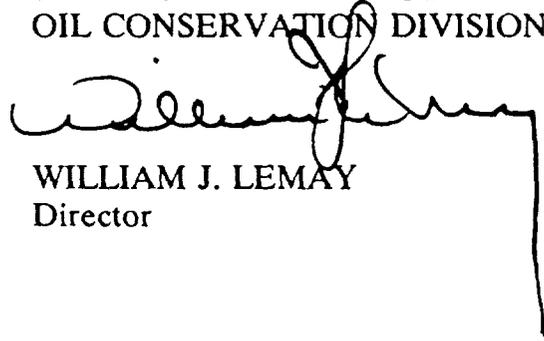
(13) This case shall be reopened at an Examiner Hearing in August, 1991, or sooner if requested by any operator in said pool. At such time the operators in the pool should be prepared to appear and show cause why said pool should not be reclassified as either a gas pool or oil pool, to be governed by applicable statewide rules or to make any such recommendations regarding the proper spacing and development for said pool on a permanent basis.

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(14) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

SEAL

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

July 31, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5600

CERTIFIED - RETURN
RECEIPT REQUESTED

Stevens Operating Corporation
P. O. Box 2088
Roswell, New Mexico 88201

Gentlemen:

In accordance with the provisions of Division Order No. R-9131-A/R-5353-K entered on August 3, 1990, the Oil Conservation Division is reopening Case No. 9854 in order to give all operators in the Diablo-Fusselman Associated Pool in Chaves County, New Mexico, the opportunity to appear and show cause why said pool should not be reclassified as either a gas pool or oil pool, to be governed by applicable statewide rules, or to make any recommendations regarding the proper spacing and development for said pool on a permanent basis.

This case will be heard before an examiner on August 22, 1991, in the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, at 8:15 a.m. A copy of the advertisement for this hearing is enclosed.

Sincerely,

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

Florene Davidson
OC Staff Specialist

enc.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico by its Oil Conservation Division hereby gives notice pursuant to law and Rules and Regulations of said Division promulgated thereunder of the following public hearing to be held at 8:15 A.M. on August 22, 1991, at the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, before Jim Morrow, Examiner or Michael E. Stogner or David R. Catanach, Alternate Examiners, all duly appointed for said hearing as provided by law.

STATE OF NEW MEXICO TO:

All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 10370:

Application of Coleman Oil and Gas, Inc. for salt
water disposal, San Juan County, New Mexico.

Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Point Lookout interval of the Blanco-Mesaverde Pool in the perforated interval from approximately 4380 feet to 4480 feet in its Sunco Disposal Well No. 1 to be drilled 1595 feet from the North line and 1005 feet from the West line (Unit E) of Section 2, Township 29 North, Range 12 West. Said location is approximately 2.5 miles south by east of Flora Vista, New Mexico.

CASE 10371:

Application of Amoco Production Company to amend Division Order No. R-9487, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks to amend Division Order No. R-9487, dated May 8, 1991, which order authorized the applicant to recomplete its existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, by side-tracking and directionally drilling from the existing wellbore in such a manner as to bottom the newly deviated portion of the wellbore in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line in Unit E of said Section 12. Said order also provided that all of said Section 12 be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said pool, and an acreage factor of 0.49 was assigned the well for allowable purposes. At this time the applicant proposes to abandon the Smith well and requests authorization to drill a vertical replacement well at an unorthodox gas well location 2049 feet from the North line and 480 feet from the West line (Unit E) of said Section 12; all other provisions of said Order No. R-9487 should remain in full force and effect. IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.

CASE 10372:

Application of Parker & Parsley Development Company for compulsory pooling, Rio Arriba County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the S/2 equivalent of Section 33, Township 31 North, Range 4 West, forming a standard 320-acre, more or less, spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes only the Basin-Fruitland Coal Gas Pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 33. 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 15 miles west-southwest of Dulce, New Mexico.

CASE 10373:

Application of Collins & Ware, Inc. for compulsory pooling, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests from a depth of 7,000 feet to the base of the Morrow formation underlying the S/2 of Section 25, Township 23 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the South Culebra Bluff-Atoka Gas Pool, Undesignated Cedar Canyon-Morrow Gas Pool, and Undesignated North Loving-Morrow Gas Pool. Said unit is to be dedicated to a 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 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 3.25 miles east-southeast of Loving, New Mexico.

CASE 10374:

Application of Collins & Ware, Inc. 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 Lots 1 and 2, NE/4, and E/2 NW/4 (N/2 equivalent) of Section 7, Township 24 South, Range 29 East, forming a 319.36-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 Malaga-Atoka Gas Pool, Undesignated Malaga-Morrow Gas Pool, and Undesignated Cedar Canyon-Morrow Gas Pool. Said unit is to be dedicated to a 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 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 miles east-northeast of Malaga, New Mexico.

CASE 10375:

Application of Union Oil Company of California
D/B/A UNOCAL for high angle directional drilling
pilot project, special operating rules therefor,
unorthodox gas well location and simultaneous
dedication, Rio Arriba County, New Mexico.

Applicant, in the above-styled cause, seeks authority to initiate a high angle directional drilling pilot project in an existing 160-acre gas spacing and proration unit in the South Blanco Pictured Cliffs Pool comprising the NE/4 of Section 20, Township 27 North, Range 6 West. The applicant proposes to utilize its existing Rincon Unit Well No. 254 located at an unorthodox surface gas well location 1419 feet from the North line and 794 feet from the East line (Unit H) of said Section 20 and penetrate the Pictured Cliffs formation with a 60 degree angled wellbore oriented in a westerly direction. Applicant proposes to keep the horizontal displacement of said well's producing interval within the allowed 790 foot offsetting provisions for said pool, pursuant to the Special Rules and Regulations for the South Blanco Pictured Cliffs Pool, as promulgated by Division Order No. R-8170, as amended. Further, the applicant proposes to simultaneously dedicate production from said well with production from the existing Rincon Unit Well No. 52 located at a standard gas well location 1650 feet from the North line and 990 feet from the East line (Unit H) of said Section 20, therefore any provisions adopted for said project area should contain provisions allowing for appropriate exceptions or amendments to the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by said Order No. R-8170, as amended. Said unit is located approximately 10.5 miles southwest by south of Gobernador, New Mexico.

CASE 9854: (Reopened)

In the matter of Case 9854 being reopened pursuant to the provisions of Division Order No. R-9131-A/R-5353-K, which order reclassified the Diablo-Fusselman Pool in Chaves County, New Mexico, as an associated pool with special rules and regulations including provisions for 80-acre oil and 160-acre gas spacing and proration units, designated well location requirements, and established a gas/oil ratio (GOR) limitation of 6,500 cubic feet of gas per barrel of oil. All interested parties may appear and show cause why the Diablo-Fusselman Associated Pool should not be reclassified as either a gas pool or oil pool, to be governed by applicable statewide rules or to make any such recommendations regarding the proper spacing and development for said pool on a permanent basis.

CASE 10376:

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider:

The extension of the following pools in San Juan County:

Bisti-Lower Gallup Oil
South Bisti-Gallup Oil
West Kutz-Pictured Cliffs
North Pinon-Fruitland Sand

The extension of the following pools in San Juan and Rio Arriba Counties:

Blanco-Pictured Cliffs
Otero-Chacra

The extension of the Lybrook-Gallup Oil Pool in Rio Arriba, San Juan, and Sandoval Counties;

The extension of the Ojo Encino-Entrada Oil Pool in McKinley County:

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 31st day of July, 1991.

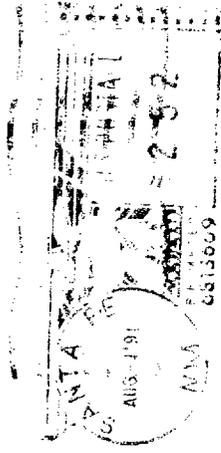
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. Lemay
WILLIAM J. LEMAY *by FD*
Director

S E A L

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088



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Insufficient Address
No such street
Do not remain in state
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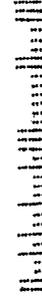
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