



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

MEMORANDUM

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

TO: ALL INTERESTED PARTIES

FROM: WILLIAM J. LEMAY, Director *MS for WJL*
Oil Conservation Division

SUBJECT: EXAMINERS HEARING SCHEDULED FOR APRIL 4, 1991

DATE: FEBRUARY 25, 1991

The April 4, 1991 Examiner Hearing is currently heavily docketed with two cases involving statutory unitization and the institution of a waterflood project with 108 injection wells (Case No. 10252 and 10253); also the Basin Fruitland Coal Gas Pool special Rules and Regulations review case (Case No. 9420) is scheduled for this date. The length of time involved to hear these cases alone could possibly extend into 2 days. Therefore no new cases will be scheduled for this date nor will any current cases be continued to this docket.

Further, for those parties involved in the April 4th hearing, a determination has not yet been made as to the location of the hearing. Please check with the docket issued at that time for verification whether the April 4th Examiner hearing will be in Farmington or Santa Fe.



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MEMORANDUM

TO: NEW MEXICO OIL PRODUCERS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: REGULATORY INITIATIVES TO INCREASE NEW MEXICO'S OIL PRODUCTION

The Oil Conservation Commission conducted a hearing on September 24, 1990, to receive comments and suggestions from industry concerning regulatory actions which might be taken to encourage industry activity and increase New Mexico oil production. The hearing was conducted as a result of the Persian Gulf crisis and in response to the Department of Energy requests for increased domestic oil production.

Hearing participants were generally in agreement that OCD should authorize higher well allowables in those pools where higher producing rates would not cause waste or damage correlative rates.

Since the September, 1990 hearing, OCD has heard and approved four cases which involved requests by the applicant to increase pool allowables. Orders have not yet been issued for two other cases involving increased allowables which were heard at the February 7, 1991 hearing. It will be OCD policy to continue this initiative and to entertain hearing requests for higher pool allowables which can be supported by performance data from the pool provided it can also be shown that the increase in allowable will not cause waste or harm correlative rights.

Other suggestions which the OCD plans to implement involve the encouragement of new oil field technology such as horizontal drilling and improving the overall efficiency of our regulatory process.

February 22, 1991

dr/

Dockets Nos. 8-91 and 9-91 are tentatively set for March 21, 1991 and April 4, 1991. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 7, 1991

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

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

CASE 10141: (Continued from February 7, 1991, Examiner Hearing.)

Application of Samuel Gary Jr. and Associates, Inc. for a gas reinjection/pressure maintenance project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a gas reinjection/pressure maintenance project in its San Isidro (Shallow) Unit Area located in Townships 20 and 21 North, Ranges 2 and 3 West, by the injection of gas into the Rio Puerco-Mancos Oil Pool through the openhole interval from approximately 3793 feet to 4188 feet in its San Isidro 11 Well No. 16 located 660 feet from the South line and 630 feet from the West line (Unit P) of Section 11, Township 20 North, Range 3 West. Said project area is located approximately 5 to 13 miles west-southwest of Cuba, New Mexico.

CASE 10233: (Continued from February 7, 1991, Examiner Hearing.)

Application of Mobil Exploration & Producing Company for approval of salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the South Vacuum Devonian Pool, in the open hole interval from approximately 11,800 feet to 13,970 feet in its State Section 27 Well No. 1 located 660 feet from the North line and 1983 feet from the East line (Unit B) of Section 27, Township 18 South, Range 35 East. Said well is located approximately 5 miles east of the old Hobbs Army Air Corps Auxiliary Airfield No. 4.

CASE 10255: Application of Mobil Exploration & Producing U.S. Inc. for an unorthodox oil well location and a non-standard oil proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location in the Undesignated West Lindrith Gallup-Dakota Oil Pool for its Lindrith "B" Unit Well No. 78 to be drilled 2030 feet from the South line and 143 feet from the West line (Unit L) of Section 6, Township 24 North, Range 2 West, Lots 6 and 7 and the E/2 SW/4 (SW/4 equivalent) of said Section 6 to be dedicated to said well forming a non-standard 151.34-acre oil spacing and proration unit for said pool. Said unit is located approximately 3.5 miles northwest of Lindrith, New Mexico.

CASE 10241: (Readvertised)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Undesignated West Dagger Draw-Morrow Gas Pool to be drilled 560 feet from the South and East lines (Unit P) of Section 9, Township 20 South, Range 24 East, the E/2 of said Section 9 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said unit is located approximately 10 miles west of Seven Rivers, New Mexico.

CASE 10234: (Continued from February 7, 1991, Examiner Hearing.)

Application of Yates Petroleum Corporation 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 surface to the base of the Ordovician formation underlying the following described acreage in Section 29, Township 9 South, Range 26 East, and in the following manner: the N/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 within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Foor Ranch-PrePermian Gas Pool and Undesignated East Bitter Lakes-Wolfcamp Gas Pool; the NE/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 within said vertical extent, which presently includes but is not necessarily limited to the South Pecos Slope-Abo Gas Pool; and the SW/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on 40-acre oil spacing within said vertical extent. Said units are to be dedicated to a single well to be drilled 1980 feet from the North line and 2310 feet from the East line (Unit G) of said Section 29, which is a standard oil and gas well location for zones spaced on 320 acres and 40 acres but is an unorthodox gas well location for zones spaced on 160 acres. 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 north of Mile Marker No. 167 on U.S. Highway 380.

CASE 10256: Application of LBO New Mexico, Inc. 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 Mississippian formation or to a depth of 11,200 feet, whichever is deeper, underlying the following described acreage in Section 9, Township 11 South, Range 33 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 W/2 SW/4 forming a standard 80-acre oil spacing and proration unit in the North Bagley-Permo Pennsylvanian Pool; and the NW/4 SW/4 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. Said units are to be dedicated to a single well to be drilled 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 9 being a standard oil well location but an unorthodox gas well location. 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 5 miles east by south of Caprock, New Mexico.

CASE 10202: (Continued from February 7, 1991, Examiner Hearing.)

Application of Seay Exploration, Inc. 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 Abo formation underlying the following described acreage and in the following manner: Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 6, Township 20 South, Range 39 East, forming a 160.12-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 160-acre spacing, which presently includes but is not necessarily limited to the House-Yates Seven Rivers Gas Pool and the SW/4 NE/4 of said Section 6 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 House-San Andres, Undesignated House-Blinbery and House-Drinkard Pools. Said units are to be dedicated to a single well to be drilled at a standard location in the SW/4 NE/4 (Unit G) of said Section 6. 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-southeast of the community of Madine, New Mexico.

CASE 10257: Application of Nearburg Producing Company 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 in the Undesignated North Osudo-Morrow Gas Pool underlying all of irregular Section 19, Township 19 South, Range 36 East, forming a non-standard 629.62-acre gas spacing and proration unit for said pool, 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 8 miles west by north of Monument, New Mexico.

CASE 10258: Application of Nearburg Producing 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 Morrow formation underlying the N/2 of Section 23, Township 20 South, Range 34 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 Laguna Valley-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 4.5 miles south of U.S. Highway 62/180 at Mile Marker No. 80.5.

CASE 10259: Application of Chevron U.S.A., Inc. for statutory unitization, Lea 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 Grayburg and San Andres formations, more or less, underlying 5922.26 acres, more or less, of Federal, State, and Fee lands comprising portions of Townships 21 and 22 South, Ranges 36 and 37 East. Said unit is to be designated the Arrowhead Grayburg (San Andres) Unit. 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 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 limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Said Unit Area is located 3 to 5 miles west of Eunice, New Mexico.

CASE 10260: Application of Chevron U.S.A., Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its proposed Arrowhead Grayburg (San Andres) Unit Area (Division Case No. 10259) located in portions of Townships 21 and 22 South, Ranges 36 and 37 East, by the injection of water into the unitized internal which includes the Grayburg and San Andres formations, more or less, through 50 certain wells to either be drilled, recompleted or converted from producing to water injection wells. Said project area is located 3 to 5 miles west of Eunice, New Mexico.

Application of Chevron U.S.A., Inc. for pool extensions and contractions, Lea County, New Mexico. Applicant, in the above-styled cause, in conjunction with its Arrowhead Grayburg (San Andres) Unit and waterflood project (Division Cases Nos. 10259 and 10260), applicant seeks to contract and extend the horizontal and/or vertical limits of the Arrowhead-Grayburg, Penrose-Skelly, Langlie-Mattix, and Eumont Gas Pools in portions of Townships 21 and 22 South, Ranges 36 and 37 East, which is 3 to 5 miles west of Eunice, New Mexico.

CASE 10236: (Continued from February 7, 1991, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 50 feet below the base of the Queen formation to 50 feet below the base of the Delaware formation underlying the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 31 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated East Shugart-Delaware 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 2.75 miles south by west of New Mexico State Highway No. 529 at the Lea/Eddy County line.

CASE 10237: (Continued from February 7, 1991, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 50 feet below the base of the Queen formation to 50 feet below the base of the Delaware formation underlying the NE/4 SW/4 (Unit K) of Section 12, Township 18 South, Range 31 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated East Shugart-Delaware 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 miles south by west of the New Mexico State Highway 529 at the Lea/Eddy County line.

CASE 10238: (Continued from February 7, 1991, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 50 feet below the base of the Queen formation to 50 feet below the base of the Delaware formation underlying the SE/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 31 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated East Shugart-Delaware 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 miles south by west of the New Mexico State Highway 529 at the Lea/Eddy County line.

CASE 10239: (Continued from February 7, 1991, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 50 feet below the base of the Queen formation to 50 feet below the base of the Delaware formation underlying the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 31 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated East Shugart-Delaware 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 3.25 miles south by east of the New Mexico State Highway 529 at the Lea/Eddy County line.

CASE 10249: (Continued from February 21, 1991, Examiner Hearing.)

Application of Pacific Enterprises Oil Company (USA) for a non-standard gas proration unit and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the current Special Rules and Regulations for the McMillan-Morrow Gas Pool, as promulgated by Division Order No. R-2917, as amended, and to establish a non-standard 320-acre gas spacing and proration unit comprising the S/2 of Section 18, Township 20 South, Range 27 East, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the West line (Unit M) of said Section 18. Said unit is located approximately 9.5 miles south of the Old Illinois Camp.

CASE 10250: (Continued from February 21, 1991, Examiner Hearing.)

Application of Pacific Enterprises Oil Company (USA) for the rescission of special pool rules and for two non-standard 640-acre gas proration units or, in the alternative, to amend Division Order No. R-2917, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of the Special Rules and Regulations for the spacing and location of wells in the McMillan-Morrow Gas Pool, comprising Sections 13 and 24, Township 20 South, Range 26 East and Sections 7, 18, and 19, Township 20 South, Range 27 East, and seeks to have said pool governed by the provisions of General Rule 104.C.II(a) for gas pools of Pennsylvanian age. Further, the applicant requests the concomitant creation of two non-standard 640-acre gas spacing and proration units for the McMillan-Morrow Gas Pool in Section 13, Township 20 South, Range 26 East, for the existing Yates Drilling Company Pecos River Deep Unit located in Unit H of said Section 13 and in Section 19, Township 20 South, Range 27 East, for the existing Presidio Exploration Inc. State "I" Com Well No. 1 located in Unit F of Section 19, Township 20 South, Range 27 East. IN THE ALTERNATIVE, the applicant seeks to amend the current Rules and Regulations for said McMillan-Morrow Gas Pool, as promulgated by Division Order No. R-2917, as amended, to permit the optional drilling of an additional well on each 640-acre proration unit. Said pool is located approximately 5 miles south-southeast of Lakewood, New Mexico.

CASE 10262: Application of J. Oil and Gas Production Company, d.b.a. P. T. Adams, for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox well location 1340 feet from the South line and 990 feet from the East line (Unit I) of Section 26, Township 7 South, Range 28 East, to test the Fusselman formation. The S/2 of said Section 26 forming a standard 320-acre gas spacing and proration unit to be dedicated should the well be classified as a gas well in the Undesignated South Elkins-Fusselman Gas Pool or the NE/4 SE/4 of said Section 26 forming a standard 40-acre oil spacing and proration unit should the well be classified as an oil well in the Undesignated South Elkins-Fusselman Pool. Said well location is approximately 1.5 miles south of Elkins, New Mexico.

CASE 10211: (Continued from February 21, 1991, Examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. 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 Wolfcamp formation underlying the following described acreage in Section 8, Township 18 South, Range 33 East, and in the following manner: the W/2 NW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Corbin-Wolfcamp Pool; and the SW/4 NW/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 within said vertical extent, which presently includes but is not necessarily limited to the Undesignated West Corbin-Delaware Pool, Undesignated Central Corbin-Queen Pool, Undesignated West Corbin-San Andres Pool, and Undesignated Corbin-Bone Spring Pool. Said units are to be dedicated to a single well to be drilled at a standard oil well location 1980 feet from the North line and 660 feet from the West line 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 unit is located approximately 7.5 miles southeast by south of Maljamar, New Mexico

CASE 10219: (Continued from February 21, 1991, Examiner Hearing.)

Application of Hanley Petroleum Inc. 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 Wolfcamp formation underlying the following described acreage in Section 8, Township 18 South, Range 33 East, and in the following manner: the W/2 NW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and or/pools developed on 80-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Corbin-Wolfcamp Pool; and the SW/4 NW/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 within said vertical extent, which presently includes but is not necessarily limited to the Undesignated West Corbin-Delaware Pool, Undesignated Central Corbin-Queen Pool, Undesignated West Corbin-San Andres Pool, and Undesignated Corbin-Bone Spring Pool. Said units are to be dedicated to a single well to be drilled at a standard oil well location 1980 feet from the North line and 660 feet from the West line 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 unit is located approximately 7.5 miles southeast by south of Maljamar, New Mexico.