

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 29, 1995

8:15 A.M. - City Hall, City Commission Hearing Room

300 N. Turner, Hobbs, New Mexico

Dockets Nos 21-95 and 22-95 are tentatively set for July 13, 1995 and July 27, 1995. Applications for hearing must be filed at least 23 days in advance of hearing date. Please note, this Examiner Hearing will be held in Hobbs, New Mexico. The following cases will be heard by an Examiner:

CASE 11275: (Continued from May 4, 1995, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Sage Oil Company and all other interested parties to appear and show cause why the Gulf State Well No. 1, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 30, Township 10 South, Range 27 East, Chaves County, New Mexico (which is approximately 1/4 mile south of U. S. Highway No. 380 at mile marker No. 172), should not be plugged and abandoned in accordance with a Division-approved plugging program. Should the operator fail to properly plug said well, the Division should then be authorized to take such action as is deemed necessary to have said well properly plugged and abandoned and to direct the operator to pay the costs of such plugging.

CASE NOS. 10869 and 10881: Reopened

In the matter of Case Nos. 10869 and 10881 being reopened in accordance with provisions of Division Order No. R-10050, which amended the special pool rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, providing for a limiting gas-oil ratio of 7,000:1 cubic feet of gas per barrel of oil. Operators in the subject pool may appear and present evidence and testimony regarding the continuation or the adjustment of the 7,000:1 gas-oil ratio limitation within the South Dagger Draw-Upper Pennsylvanian Associated Pool.

CASE 11292: (Continued from June 15, 1995, Examiner Hearing.)

Application of Robert L. Bayless 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 NW/4 of Section 18, Township 24 North, Range 6 West, thereby forming a standard 160-acre spacing and proration unit for the Ballard-Pictured Cliffs 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 the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 8 miles northwest of Counselor, New Mexico.

CASE 11313: Application of Santa Fe Energy Resources, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Falcon Federal Unit Agreement for an area comprising 4,800 acres, more or less, of Federal and State lands in Townships 23 and 24 South, Range 32 East. Said unit area is centered approximately 25 miles east by south of Loving, New Mexico.

CASE 11314: Application of Santa Fe Energy Resources, Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Corral Canyon State Unit Agreement for an area comprising 2,238.88 acres, more or less, of State lands comprising the S/2 of Section 36, Township 24 South, Range 29 East and all of Sections 1, 2, and 12, Township 25 South, Range 29 East. Said unit area is centered approximately 9 miles southeast by east of Malaga, New Mexico.

CASE 11315: Application of Mallon Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Mallon "34" Federal Well No. 1 (API No. 30-025-32787) located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 34, Township 19 South, Range 34 East, and utilize said well to dispose of produced salt water into the San Andres formation through the perforated interval from approximately 5947 feet to 6306 feet. Said well is located approximately 1.5 miles east of mile post No. 78 on U. S. Highway 62/180.

CASE 11316: Application of Marathon Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its Royal Well No. 1 at an unorthodox oil well location to test the Blinbery formation and Undesignated East Vacuum-Drinkard Pool 2310 feet from the South line and 1310 feet from the East line (Unit I) of Section 33, Township 17 South, Range 35 East. The NE/2 SE/4 of said Section 33 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for both intervals. Said unit is located approximately 3 miles east southeast of Buckeye, New Mexico.

CASE 11317: Application of Bonneville Fuels Corporation for compulsory pooling and an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the South Humble City-Strawn Pool underlying the W/2 SW/4 of Section 13, Township 17 South, Range 37 East, forming a standard 80-acre oil spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at an unorthodox oil well location 710 feet from the South line and 330 feet from the West line (Unit M) of said Section 13. 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 2.25 miles north of Humble City, New Mexico.

CASE 11318: Application of Bahlborg Exploration Inc., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authorization to drill its Lowe Well No. 2 at an unorthodox oil well location 2540 feet from the South line and 100 feet from the West line (Unit L) of Section 25, Township 13 South, Range 37 East. The NW/4 SW/4 of said Section 25 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit. Applicant further requests approval of the subject unorthodox location as to the King-Wolfcamp Pool, Undesignated King-Pennsylvanian Pool, and Undesignated King-Devonian Pool. Said unit is located approximately 11.5 miles southeast by east of Tatum, New Mexico.

CASE 11319: (This Case will be Continued to July 13, 1995, Examiner Hearing.)

Application of Sullivan and Company "3-D" Program I L.L.C. for directional drilling and an unorthodox bottomhole oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authorization to drill its Lowe "25" Well No. 1 from an unorthodox surface location within the SW/ NW/4 (Unit E) of Section 25, Township 13 South, Range 37 East to an unorthodox bottomhole location within a 50 foot target area of a point 435 feet from the North line and 100 feet from the West line (also in Unit E) of said Section 25. The SW/4 NW/4 of said Section 25 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit. Applicant further requests approval of the subject unorthodox location as to the King-Wolfcamp Pool, Undesignated King-Pennsylvanian Pool, and Undesignated King-Devonian Pool. Said unit is located approximately 11.5 miles southeast by east of Tatum, New Mexico.

CASE 11320: Application of Ernie L. Hegwer Company to suspend injection operations on a portion of the Chevron U. S. A. Inc. Eunice Monument South Unit Waterflood Project, Lea County, New Mexico. Applicant, in the above-styled cause, as owner of a certain lease in Section 35, Township 20 South, Range 37 East and operator of the Bay Federal Well No. 3, located 660 feet from the North and West lines (Unit D) of said Section 35, seeks to suspend injection operations on a portion of the Eunice Monument South Unit Waterflood Project operated by Chevron U. S. A. Inc. and located in Townships 20 and 21 South, Ranges 36 and 37 East, Eunice Monument Grayburg San Andres Pool. The Bay Federal Well No. 3 is located approximately 5 miles northwest by west of Oil Center, New Mexico.

CASE 11321: Application of Coastal Management Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location in the Southwest Gladiola-Devonian Pool to be drilled 642 feet from the South line and 2434 feet from the East line (Unit O) of Section 27, Township 12 South, Range 37 East. The W/2 SE/4 of said Section 27 is to be dedicated to said well forming a standard 80-acre oil spacing and proration unit for said pool. Said unit is located approximately 7.5 miles east by south of Tatum, New Mexico.

CASE 11283: (Continued from June 15, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for an amendment to Division Order No. R-9976-A authorizing a location change of a certain unorthodox infill gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-9976-A, which order authorized the applicant to infill drill the Pecos Slope-Abo (unprorated) Gas Pool within a portion of Townships 5, 6, and 7 South, Ranges 25 and 26 East, by changing the location approved by said order of its Catterson "SS" Federal Well No. 7, which has already been drilled, to reflect its current position 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 33, Township 7 South, Range 26 East. Said well is located approximately 14 miles west of Elkins, New Mexico.

CASE 11322: Application of Yates Petroleum Corporation for underground gas storage, Chaves County, New Mexico. Applicant, in the above styled-cause, seeks approval to re-inject produced San Andres gas into the Undesignated Southeast Acme-San Andres Pool as part of its Trailblazer Gas Storage Project through its existing Trailblazer "ANL" Well No. 2, located 2310 feet from the North line and 330 feet from the East line, in the SE/4 NE/4 (Unit H) of Section 11, Township 8 South, Range 27 East. Said well is located approximately 7 miles southwest by west of Elkins, New Mexico.

CASE 11323: Application of Stevens & Tull, Inc. for an exception to the casing requirements of Division Order No. R-111-P, Lea County, New Mexico. Applicant, in the above styled-cause, seeks authority to delete the salt protection string requirements of Division Order No. R-111-P in the "Oil-Potash Area" from its proposed Federal "9" Well No. 7 to be drilled 2310 feet from the South line and 990 feet from the East line (Unit I) of Section 9, Township 20 South, Range 33 East, to test the West Teas-Yates Seven Rivers Pool. Said well site is located approximately one mile north of U. S. Highway 62/180 at mile post No. 72.

CASE 11324: (This Case will be Continued to July 13, 1995, Examiner Hearing.)

Application of Texaco Exploration and Production Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, and a special project allowable, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the West Lindrith Gallup-Dakota Oil Pool underlying Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 31, Township 25 North, Range 3 West, to form a non-standard 335.93-acre oil spacing and proration unit for said pool. The applicant proposes to re-complete the existing L. L. McConnell Well No. 13, located at a standard surface location 970 feet from the South line and 1800 feet from the West line (Unit N) of said Section 31, by kicking-off from vertical in an easterly direction commencing to build angle at an appropriate rate to horizontally traverse the proposed producing area. Further, the applicant seeks the promulgation of special operating rules and procedures therefor including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 790 feet to the outer boundary of the project area, and for a special project allowable. Said area is located approximately 8.5 miles west-northwest of Lindrith, New Mexico.

CASE 11325: (This Case will be Continued to July 13, 1995, Examiner Hearing.)

Application of Texaco Exploration and Production Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, and a special project allowable, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the West Lindrith Gallup-Dakota Oil Pool underlying the S/2 of Section 17, Township 25 North, Range 3 West, to form a non-standard 320-acre oil spacing and proration unit for said pool. The applicant proposes to re-complete the existing C. W. Roberts Well No. 4, located at a previously approved unorthodox surface oil well location (Division Administrative Order NSL-626) 660 feet from the South and West lines (Unit M) of said Section 17, by kicking-off from vertical in an easterly direction commencing to build angle at an appropriate rate to horizontally traverse the proposed producing area. Further, the applicant seeks the promulgation of special operating rules and procedures therefor including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 660 feet to the outer boundary of the project area, and for a special project allowable. Said area is located approximately 9 miles northwest of Lindrith, New Mexico.

CASE 11326: (This Case will be Continued to July 13, 1995, Examiner Hearing.)

Application of Texaco Exploration and Production Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, simultaneous dedication, and a special project allowable, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the West Lindrith Gallup-Dakota Oil Pool underlying the S/2 of Section 21, Township 25 North, Range 3 West, to form a non-standard 320-acre oil spacing and proration unit for said pool. The applicant proposes to re-complete the existing Jicarilla "C" Well No. 35, located at a standard surface location 1850 feet from the South line and 1190 feet from the West line (Unit L) of said Section 21, by kicking-off from vertical in an easterly direction commencing to build angle at an appropriate rate to horizontally traverse the proposed producing area. Further, the applicant seeks the promulgation of special operating rules and procedures therefor including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 790 feet to the outer boundary of the project area. The applicant also requests the assignment of a special project allowable for the proposed oversized oil spacing and proration unit to be simultaneously dedicated to both the Jicarilla "C" Well No. 35 and to the Jicarilla "C" Well No. 26, located at a standard oil well location 1850 feet from the South line and 790 feet from the East line (Unit I) of said Section 21. Said area is located approximately 7.5 miles northwest of Lindrith, New Mexico.

CASE 11327: Application of Merrion Oil & Gas Corporation for a high angle/horizontal directional drilling pilot project and for the promulgation of special operating rules therefor, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the designated and Undesignated Snake Eyes-Entrada Oil Pool underlying a single fee lease comprising all or portions of Sections 19, 20, and 21, Township 21 North, Range 8 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells within said project area including provisions for administrative authorization for horizontal wells, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, the assignment of a special oil allowable or formula for the project area and the designation of a target window such that horizontal or producing portions of such a wellbore shall be no closer than 330 feet to the outer boundary of the project area. Said area is located approximately 16 miles south by east of Nageesi, New Mexico.

CASE 11328: Application of Merrion Oil & Gas Corporation for a high angle/horizontal directional drilling pilot project and for the promulgation of special operating rules therefor, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Media-Entrada Oil Pool within its proposed Media Entrada Secondary (Federal) Unit comprising portions of Sections 14, 15, 22, and 23, Township 19 North, Range 3 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells within said Unit Area including provisions for administrative authorization for horizontal wells, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, the assignment of a special oil allowable or formula for the project area and the designation of a target window such that horizontal or producing portions of such a wellbore shall be no closer than 330 feet to the outer boundary of the project area. Said area is located approximately 14 miles southwest of Cuba, New Mexico.

CASE 11329: Application of Merrion Oil & Gas Corporation to amend Division Order No. R-9079, to extend the horizontal limits of the existing high angle/horizontal directional drilling pilot project area, and to adopt additional special operating rules therefor, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-9079 by extending the project area approved therein to include the N/2 NW/4, SE/4 NW/4, NE/4 SW/4, and S/2 SW/4 of Section 15 and the SE/4 NE/4 and NE/4 SE/4 of Section 16, of Township 19 North, Range 5 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells within said Cooperative Area including provisions for administrative authorization for horizontal wells, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, the assignment of a special oil allowable or formula for the project area and the designation of a target window such that horizontal or producing portions of such a wellbore shall be no closer than 330 feet to the outer boundary of the project area. Said area is located approximately 22 miles northwest of San Luis, New Mexico.

CASE 11270: (Continued from June 15, 1995, Examiner Hearing.)

Application of Maralo, 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 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 3, Township 19 South, Range 28 East, thereby forming a 320.90-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 Millman-Wolfcamp Gas Pool, Undesignated Millman-Atoka Gas Pool, Undesignated North Turkey Track-Atoka Gas Pool, and Undesignated Millman-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 the operator of the well and unit, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 3 miles east-southeast of the old Illinois Oil Camp.

CASE 11330: Application of Meridian Oil Inc. for downhole commingling, a non-standard gas proration unit, dual completion, and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional East Blanco-Pictured Cliffs Pool gas production with coal gas production from the Basin-Fruitland Coal (Gas) Pool and to dual said commingled production with gas production from the Blanco-Mesaverde Pool within the wellbore of its San Juan "30-4" Unit Well No. 40 to be drilled at an unorthodox gas well location for all three zones 2450 feet from the South line and 2270 feet from the East line (Unit J) of Section 21, Township 30 North, Range 4 West. The E/2 of said Section 21 is to be dedicated to said well in all three zones thereby forming a standard 320-acre gas spacing and proration unit in the Basin-Fruitland Coal (Gas) Pool and Blanco-Mesaverde Pool and a non-standard unit for the East Blanco-Mesaverde Pool. Said unit is located approximately 18 miles southwest of Dulce, New Mexico.

CASE 11297: (Continued from June 15, 1995, Examiner Hearing.)

Application of Exxon Corporation for a waterflood project, qualification for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" for said project, and for 18 non-standard oil well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to institute a waterflood project in the designated and Undesignated Avalon-Delaware Pool within its proposed Avalon Delaware Unit Area (being the subject of Case No. 11298) located in portions of Townships 20 and 21 South, Ranges 27 and 28 East, by the injection of water through 18 new wells to be drilled as injection wells and one well to be converted from a producing oil well to an injection well. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Applicant further seeks approval to drill 18 new producing wells throughout the project area at locations considered to be unorthodox. The proposed unit area is centered approximately 8 miles north of Carlsbad, New Mexico.

CASE 11298: (Continued from June 15, 1995, Examiner Hearing.)

Application of Exxon Corporation for statutory unitization, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a waterflood project, all mineral interests in the designated and Undesignated Avalon-Delaware Pool underlying its proposed Avalon Delaware Unit Area encompassing some 2,140.14 acres, more or less, of Federal, State, and Fee lands comprising portions of Sections 25 and 35, Township 20 South, Range 27 East, all or portions of Sections 29, 30, 31, and 32, Township 20 South, Range 28 East, and portions of Sections 4, 5, and 6, Township 21 South, Range 28 East. Among the matters to be considered at the hearing, pursuant to the "New Mexico Statutory Unitization Act", Sections 70-7-1 et. seq., NMSA, 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 investments, 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 the unit operator, and time of commencement and termination of unit operations. Said unit area is centered approximately 8 miles north of Carlsbad, New Mexico.

DOCKET: COMMISSION HEARING - THURSDAY - JULY 6, 1995
9:00 A.M. - 2040 SOUTH PACHECO
SANTA FE, NEW MEXICO

The Land Commissioner's designee for this hearing will be Jami Bailey

CASE 11233: (De Novo)

Application of Nearburg Exploration Company 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 underlying the SW/4 of Section 13, Township 19 South, Range 25 East, forming a standard 160-acre 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 Undesignated North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to its Fairchild "13" Well No. 2 to be drilled at a standard location in the SE/4 SW/4 (Unit N) of said Section 13. 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 Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4.5 miles west-northwest of Lakewood, New Mexico. Upon the application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11234: (De Novo)

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 underlying the SW/4 of Section 13, Township 19 South, Range 25 East, forming a standard 160-acre 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 Undesignated North Dagger Draw Upper-Pennsylvanian 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 the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4.5 miles west-northwest of Lakewood, New Mexico. Upon the application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10280: (De Novo and Continued from April 27, 1995, Commission Hearing.)

In the matter of Case No. 10280 being reopened pursuant to the provisions of Division Order Nos. R-9594 and R-9594-A, which orders promulgated temporary special rules and regulations for the Milnesand-Abo Pool in Lea and Roosevelt Counties, New Mexico, including a provision for 80-acre spacing. Operators in the subject pool may appear and show cause why said spacing pool rules should not be rescinded and why the Milnesand-Abo Pool should not be developed on other than 40-acre spacing and proration units. Upon the application of Petroleum Production Management, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.