

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
FOR THE PURPOSE OF CONSIDERING:**

**DE NOVO
CASE NO. 10887
Order No. R-10048-A**

**APPLICATION OF KAISER-FRANCIS OIL
COMPANY FOR DIRECTIONAL DRILLING,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 10, 1994 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 11th day of April, 1994, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Kaiser-Francis Oil Company ("Kaiser-Francis"), seeks authority to test and develop the undesignated Los Medanos-Delaware and/or undesignated West Sand Dunes-Delaware Pools underlying the NE/4 of Section 20 and the W/2 NE/4 and NW/4 of Section 21, Township 23 South, Range 31 East, NMPM, Eddy County New Mexico, by drilling directional into the ten 40-acre standard oil well spacing and proration units comprising said area from ten various surface locations around its periphery in Sections 16, 17, 20, and 21, all in said Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico.

(3) This matter originally came on for hearing at 8:15 a.m. on December 16, 1993 at Santa Fe, New Mexico, before Examiner Jim Morrow and pursuant to this hearing, Division Order No. R-10048 was issued on January 12, 1994, which granted Kaiser-Francis' application.

(4) Also appearing at said December 16, 1993 hearing were Pogo Producing Company, Yates Petroleum Corporation, and Santa Fe Energy Operating Partners, L.P. (Santa Fe).

(5) On January 26, 1994, application for hearing de novo was made by Santa Fe and the matter was set for hearing before the Commission.

(6) On application of Kaiser-Francis to dismiss with prejudice Santa Fe's application for a de novo hearing, the Commission heard legal argument on March 10, 1994 as to whatever standing Santa Fe has to pursue the de novo application.

(7) Santa Fe is not an interest owner in any of the wells to be drilled by Kaiser-Francis, does not own interest in lands being encroached upon, is not affected in any way by the Kaiser-Francis application and therefore is not a party of record adversely affected by Division Order No. R-10048 and does not have the right to have this matter heard de novo by the Commission as required under New Mexico Oil Conservation Division Rule 1220.

(8) Santa Fe claims that directional drilling, which Kaiser-Francis proposed to do under Division Order No. R-10048, causes physical and economic waste and should not be allowed until Kaiser-Francis exhausts all of its administrative and legal remedies with Federal agencies, to drill vertically.

(9) Santa Fe seeks to have the Commission question Kaiser-Francis' business judgement and impose business conclusions on the operational practices of Kaiser-Francis. Santa Fe's argument of "waste" is generic in nature and without merit in this case.

(10) Santa Fe has chosen the wrong forum in pursuing a de novo hearing. Their disagreement with BLM practice and policy does not involve Division or Commission rules or regulations.

IT IS THEREFORE ORDERED THAT:

(1) Santa Fe's application for de novo hearing in Case No. 10087 is hereby dismissed with prejudice.

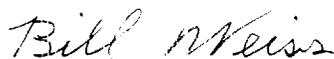
(2) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Commission may deem necessary.

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

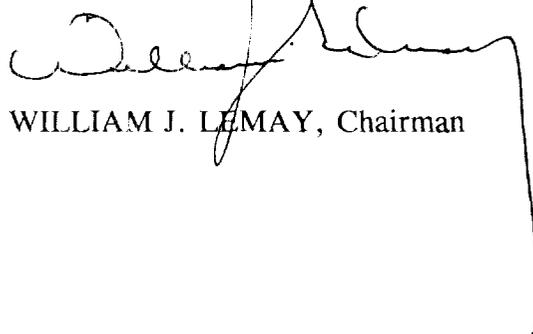
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

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