

DOCKET: EXAMINER HEARING - THURSDAY - NOVEMBER 18, 2004

8:15 A.M. - 1220 South St. Francis

Santa Fe, New Mexico

Docket Nos. 33-04 and 34-04 are tentatively set for December 2, 2004 and December 16, 2004. Applications for hearing must be filed at least 23 days in advance of hearing date. OCD Rule 1208.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Friday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Friday before the hearing, the hearing may be continued or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant's request. The following cases will be heard by an Examiner.

CASE 13375: *Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.* Applicant seeks an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated South Vacuum-McKee Gas Pool. This unit is to be dedicated to the South Vacuum 22 Well No. 1, to be drilled at a standard location in SW/4 SE/4 (Unit O) of said Section 22 to test the McKee formation at a depth of approximately 14,000 feet. 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, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 19 miles northwest of Hobbs and 4 miles southwest of Buckeye, New Mexico.

CASE 13376: *Application of COG Operating LLC for compulsory pooling, Lea County, New Mexico.* Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 33, Township 19 South, Range 33 East, to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated Gem-Morrow Gas Pool. The unit is to be dedicated to the proposed Union Maduro Fed. Com. Well No. 3Y, to be drilled from a surface location 1880 feet from the North line and 1980 feet from the West line of section 33, to an orthodox bottomhole location in the NW/4 NE/4 (Unit B) of Section 33. Also to be considered will be the cost of drilling and completing the 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 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 16 miles southwest of Buckeye, New Mexico.

CASE 13377: *Application of Pecos Production Company for approval of a cooperative waterflood project and to qualify the project for the recovered oil tax rate, Eddy County, New Mexico.* Applicant seeks an order approving a cooperative waterflood project in the Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool on State Lease V-640 insofar as it covers Lots 1, 2, S/2 NW/4, and SW/4 of Section 2, Federal Lease NM 29228 covering Lots 1, 2, and S/2 NE/4 of Section 3, and Federal Lease NM 67985 covering the SE/4 of Section 3, all in Township 19 South, Range 30 East, by the injection of produced water into five wells, located in Units E, K, and M of Section 2, and Units A and I of Section 3. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The project area is located approximately 9 miles south-southeast of Loco Hills, New Mexico.

CASE 13352: *Continued from November 4, 2004, Examiner Hearing.*
Application of Samson Resources Company for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 15, Township 21 South, Range 32 East, and in the following manner: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated Hat Mesa-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within that vertical extent; and the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on 40-acre spacing within that vertical extent. The units are to be dedicated to the proposed Mesa Verde Federal "15" Well No. 1, to be drilled at an orthodox location in the NE/4 NE/4 (Unit A) of Section 15. Also to be considered will be the cost of drilling and completing the 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 200% charge for the risk involved in drilling and

completing the well. The unit is located approximately 6½ miles southeast of the intersection of U.S. Highway 62/180 and State Highway 176.

CASE 13378: *Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.*

Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 28, Township 22 South, Range 27 East, and in the following manner: The S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the East Carlsbad-Wolfcamp Gas Pool, South Carlsbad-Strawn Gas Pool, Undesignated Otis-Atoka Gas Pool, and South Carlsbad-Morrow Gas Pool; the SE/4 to form a standard 160-acre oil or gas spacing and proration unit for any and all formations developed on 160-acre spacing within that vertical extent, including the Undesignated North Cass Draw-Wolfcamp Pool; and the SE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on 40-acre spacing within that vertical extent, including the Undesignated Wye-Delaware Pool. The units are to be dedicated to the proposed Skeen Well No. 2, to be drilled at an orthodox location in the SE/4 SE/4 (Unit P) of Section 28. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 2 miles northwest of Otis, New Mexico.

CASE 13379: *Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.*

Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 29, Township 22 South, Range 27 East, and in the following manner: The S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, South Carlsbad-Strawn Gas Pool, and South Carlsbad-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within that vertical extent; and the NE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on 40-acre spacing within that vertical extent, including the Wye-Delaware Pool. The units are to be dedicated to the proposed Rogers Well No. 1, to be drilled at an orthodox location in the NE/4 SE/4 (Unit I) of Section 29. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 2½ miles west-northwest of Otis, New Mexico.

CASE 13380: *Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.*

Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 33, Township 22 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated Cass Draw-Wolfcamp Gas Pool, Undesignated South Carlsbad-Strawn Gas Pool, Undesignated Otis-Atoka Gas Pool, and South Carlsbad-Morrow Gas Pool. The unit is to be dedicated to the proposed Otis Well No. 1, to be drilled at an orthodox location in the NE/4 NW/4 (Unit C) of Section 33. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 1½ miles west of Otis, New Mexico.

CASE 13381: *Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.*

Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 17, Township 22 South, Range 27 East, and in the following manner: The S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, South Carlsbad-Strawn Gas Pool, and South Carlsbad-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within that vertical extent; and the SE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on 40-acre spacing within that vertical extent, including the Undesignated South Carlsbad-Cherry Canyon Pool. The units are to be dedicated to the proposed Kodiak Well No. 1, to be drilled at an orthodox location in the SE/4 SE/4 (Unit P) of Section 17. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk