

CASE 13381: *Continued from December 16, 2004, Examiner Hearing.*

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 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 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 NE/4 SE/4 (Unit I) 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 involved in drilling and completing the well. The units are located approximately 2 miles south-southwest of Otis, New Mexico.

CASE 13125: *Reopened*

In the matter of Case 13125 being reopened pursuant to the provisions of Division Order No. R-12069, which order promulgated temporary special pool rules for the East Dean-Wolfcamp Pool in Lea County, New Mexico, including provisions for 80-acre spacing units and designated well locations. Operators in the East Dean-Wolfcamp Pool should appear and show cause why the temporary special pool rules for this pool should not be rescinded and the pool not be developed on statewide 40-acre spacing.

CASE 13377: *Reopened and Readvertised*

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 3, 4, 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 13387: *Continued from December 16, 2004, Examiner Hearing.*

Application of Latigo Petroleum, Inc. for a non-standard gas spacing and proration unit and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks to reinstate the former non-standard 160-acre gas spacing and proration unit within the Justis Gas Pool (76360) comprising the SW/4 of Section 1, Township 25 South, Range 37 East, which is located approximately five miles east-northeast of Jal, New Mexico, previously approved by Division Order No. R-586-C, issued in Case No. 1293 on October 3, 1957. This unit now to be dedicated to the Applicant's proposed Hodges "B" Federal Well No. 7 to be drilled at an unorthodox gas well location 1880 feet from the South line and 390 feet from the West line (Unit L) of Section 1.

CASE 13362: *Amended*

Amended Application of the New Mexico Oil Conservation Division for a Compliance Order Against KC Resources Inc. The Applicant seeks an order requiring operator KC Resources Inc. to bring two inactive wells into compliance with 19.15.4.201 NMAC by a date certain and, in the event of non-compliance, requiring KC Resources Inc. to plug and abandon both wells by a date certain and authorizing the Division to forfeit immediately the applicable plugging bond and plug both wells if KC Resources Inc. fails to meet the plugging deadline. The inactive wells are the Lea YH State #002, API #30-025-26299, P-25-18S-34E, NMPM and the Lea YH State #004, API #30-025-26687, I-25-18S-34E, NMPM, located approximately 22 miles west of Hobbs in Lea County, New Mexico.