

DOCKET: EXAMINER HEARING - THURSDAY – MARCH 5, 2015

8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 07-15 and 08-15 are tentatively set for March 19, 2015 and April 2, 2015. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 19.15.4.13.B requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday 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 Thursday before the hearing, the hearing may be continued. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer. The following cases will be heard by an Examiner.

Locator Key for Cases***Case 15105 - No. 7******Case 15191 - No. 10******Case 15255 - No. 6******Case 15262 - No. 5******Case 15264 - No. 3******Case 15266 - No. 1******Case 15267 - No. 2******Case 15268 - No. 4******Case 15269 - No. 8******Case 15270 - No. 9***

1. ***CASE 15266: Application of the New Mexico Oil Conservation Division ("OCD") Compliance and Enforcement Manager for a compliance order against Jam Oil, LLC, directors, and officers, jointly and severally, finding that the operator is in violation of the oil and gas act, NMSA 1978, Sections 70-2-1 et seq. and OCD rules, NMAC 19.15.2 et seq., requiring operator to return to compliance with division rules by a date certain, and in the event of non-compliance, request for additional sanctions.***
2. ***CASE 15267: Application of the New Mexico Oil Conservation Division ("OCD") Compliance and Enforcement Manager for a compliance order against C O Fulton, directors, and officers, jointly and severally, finding that the operator is in violation of the oil and gas act, NMSA 1978, Sections 70-2-1 et seq. and OCD rules, NMAC 19.15.2 et seq., requiring operator to return to compliance with division rules by a date certain, and in the event of non-compliance, request for additional sanctions.***
3. ***CASE 15264: (Continued from the February 19, 2015 Examiner Hearing.) Application of Devon Energy Production Company, L.P. for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.*** Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S/2 N/2 of Section 22, Township 22 South, Range 27 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the S/2 N/2 of Section 22 to form a non-standard 160 acre oil spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing within that vertical extent. The unit will be dedicated to the **Grandi 22 Well No. 2H**, a horizontal well with a surface location 1360 feet from the north line and 255 feet from the west line, and a terminus 2265 feet from the north line and 330 feet from the west line, of Section 22. Also to be considered will be the designation of applicant as operator of the well. The unit is located approximately 2 miles north-northwest of Otis, New Mexico.
4. ***CASE 15268: Application of Anschutz Oil Company, LLC for a non-standard oil spacing and proration unit and compulsory pooling, Rio Arriba County, New Mexico.*** Anschutz Oil Company, LLC seeks an order approving a 640-acre non-standard oil spacing and proration unit (project area) in the Mancos formation comprised of the W/2 of Section 14 and E/2 of Section 15, Township 25 North, Range 2 West, N.M.P.M. Applicant further seeks the pooling of all mineral interests in the Mancos formation underlying the non-standard spacing and proration unit (project area) for any formations and/or pools developed on 640 acre spacing within that vertical extent, including the Gavilan-Mancos Pool. Applicant has drilled its **Regina Com. 25-2-14-15 Well No. 1H** to a depth sufficient to test the Gavilan-Mancos Pool. It is a horizontal well drilled from a surface location in the NW/4 NE/4 of Section 14, with a terminus in the NW/4 NE/4 of Section 15. The

beginning of the producing interval is 893.3 feet from the north line and 2291.4 feet from the west line of Section 14, with a terminus 859.6 feet from the north line and 1821 feet from the east line of Section 15. The partially unorthodox location was previously approved. 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 Anschutz Exploration Corporation as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 15 miles northwest of Gallina, New Mexico.

5. **CASE 15262:** (Continued from the February 5, 2015 Examiner Hearing.)

Application of Mesquite SWD, Inc. for approval of a salt water disposal well, Lea County, New Mexico. Applicant seeks an order approving disposal of produced water into the Basal Yates and Upper Seven Rivers formations at depths of 3378-3388 feet subsurface in the proposed **Johnny East SWD Well No. 1**, to be located 300 feet from the south line and 2340 feet from the west line of Section 11, Township 25 South, Range 36 East, NMPM. The well is located approximately 3 miles northwest of Jal, New Mexico.

6. **CASE 15255:** (Continued from the February 19, 2015 Examiner Hearing.)

Application of Legacy Reserves Operating LP to institute a tertiary recovery project for the Drickey Queen Sand Unit, and to qualify the project for the recovered oil tax rate, Chaves County, New Mexico. Applicant seeks approval to institute a tertiary recovery project for the Drickey Queen Sand Unit by the injection of water and carbon dioxide into the Queen formation into 31 water injection wells and 20 WAG (water-alternating-gas) injection wells located on 7002.52 acres of federal, state, and fee lands covering all or parts of 33-35, Township 13 South, Range 31 East, N.M.P.M., and Sections 1-4, 9-11, 14-16, and 22, Township 14 South, Range 31 East, N.M.P.M. Applicant further seeks to qualify the tertiary recovery project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5). The unit area is centered approximately 19-1/2 miles south-southwest of Caprock, New Mexico.

7. **CASE 15105 (re-opened):** Amended Application of COG Operating LLC to Amend Order R-13823 to Limit Pooled

Formation and to Compulsory Pool Additional Mineral Interest in the Approved Spacing Unit, Lea County, New Mexico. Applicant in the above-styled cause seeks an to amend Division Order R-13823 to limit the pooled formation to the Third Bone Spring Sand and to include the pooling of additional mineral interests in the Scharb-Bone Spring Pool (pool code 55610) underlying the 240-acre oil spacing and proration unit created under Division Order R-13823. The spacing and proration unit consists of the E/2 SE/4 of Section 6 and the E/2 E/2 of Section 7, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. Said area is located approximately 23 miles west of Hobbs, New Mexico.

8. **CASE 15269:** Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit and compulsory

pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre spacing and proration unit comprised of the W/2 W/2 of Section 21, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **White City 21 25 27 Fed Com No. 5H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) to a standard bottom hole location in NW/4 NW/4 (Unit D) of Section 21. The completed interval for this well will remain within the 330-foot standard offset required by the rules. 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 Chevron U.S.A. Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 10 miles Southwest of Malaga, New Mexico.

9. **CASE 15270:** Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit and compulsory

pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre spacing and proration unit comprised of the E/2 W/2 of Section 21, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **White City 21 25 27 Fed Com No. 6H Well**, which will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) to a standard bottom hole location in NE/4 NW/4 (Unit C) of Section 21. The completed interval for this well will remain within the 330-foot standard offset required by the rules. 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 Chevron U.S.A. Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 10 miles Southwest of Malaga, New Mexico.