

PRELIMINARY DOCKET: COMMISSION MEETING -THURSDAY – SEPTEMBER 13, 2007

9:00 A.M. – Porter Hall
 1220 South St. Francis
 Santa Fe, New Mexico

Land Commissioner, Patrick H. Lyons, may designate Jami Bailey as his representative for this meeting, or may participate himself.

Notice: The minutes of the August 16, 2007 Commission Meeting will be adopted.

Notice: During this meeting, the Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

Final action may be taken on the following:

CASE 13531: DeNovo

Application of Yates Petroleum Corporation for and Order (1) directing Pride Energy Company to reimburse Yates for the well costs incurred by Yates in its attempt to re-enter the State "X" Well No. 1 (API No. 30-025-01838) located in Section 12, Township 12 South, Range 34 East, NMPM, prior to the time Pride Energy Company assumed operations of the well, (2) directing Pride Energy Company to account for and pay all sums it is now improperly holding pursuant to expired orders of the Division and Commission, and (3) requiring Pride Energy Company to plug and abandon the State "X" Well No. 1, Lea County, New Mexico.

Locator Key for Cases

Case 13492 - No. 1
 Case 13493 - No. 2
 Case 13858 - No. 3
 Case 13859 - No. 4
 Case 13893 - No. 5
 Case 13920 - No. 6

1. **CASE 13492:** *Rehearing (Continued from the August 16, 2007 Commission Meeting.) Application of Samson Resources Company, Kaiser-Francis Oil Company, and Mewbourne Oil Company for cancellation of two drilling permits and approval of a drilling permit, Lea County, New Mexico.* Applicants seek an order canceling two drilling permits issued to Chesapeake Operating, Inc. covering (i) the S/2 of Section 4, Township 21 South, Range 35 East, and (ii) Lots 9-16 of said Section 4, and requiring the Division's Hobbs District office to approve a drilling permit filed by Mewbourne Oil Company covering Lots 9, 10, 15, 16, and the SE/4 of Section 4, to form a standard 320-acre gas spacing and proration unit in the South Osudo-Morrow Gas Pool. The units are located approximately 6-1/2 miles west of Oil Center, New Mexico.
2. **CASE 13493:** *Rehearing Continued from the August 16, 2007 Commission meeting. Application of Chesapeake Permian, L.P. for Compulsory Pooling, Lea County, New Mexico.* Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Irregular Section 4, Township 21 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for any production from any and all formations/pools developed on 320-acre gas spacing within that vertical extent, including but not limited to the South Osudo Morrow Pool. This unit is to be dedicated to its KF 4 State Well No. 1 (API #30-025-37129) that is being drilled at a standard well location in Unit X of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 6 miles west from Oil Center, New Mexic.

Upon application of Chesapeake Operating, Inc. and Chesapeake Permian, L.P., a rehearing of these cases will be held to take evidence and testimony on 1) why the Oil Conservation Commission should or should not uphold its establishment of a 640-acre proration unit in the southern two thirds of Section 4, Township 21 South, Range 35 East, NMPM, and 2) which entity should be the operator of the KF-4 Well and any future wells in the proration unit.

3. **CASE 13858: De Novo**

Application of the New Mexico Oil Conservation Division for a Compliance Order against Pronghorn Management Corporation. Pronghorn Management Corporation is ordered to show cause why the Oil Conservation Commission should grant the request for De Novo Hearing of this matter given that Pronghorn Management Corporation did not timely file the request.

4. **CASE 13859: De Novo**

Application of the New Mexico Oil Conservation Division for a Compliance Order against Pronghorn Management Corp. Pronghorn Management Corporation is ordered to show cause why the Oil Conservation Commission should grant the request for De Novo Hearing of this matter given that Pronghorn Management Corporation did not timely file the request.

5. **CASE 13893: De Novo**

Application of Yates Petroleum Corporation for approval of a pilot project in the North Dagger Draw-Upper Pennsylvanian Unit for purposes of establishing proper waterflood injection patterns and for a temporary exemption from the provisions of Division Rule 203 concerning approved temporary abandonment of wells, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order authorizing a pilot program in the S/2 of Section 20 and all of Section 29, Township 19 South, Range 25 East, N.M.P.M., within the North Dagger Draw-Upper Pennsylvanian Unit, for purposes of establishing a program to determine proper injection patterns in the Unit Area, Eddy County, New Mexico. Applicant also seeks an exemption from the Approved Temporary Abandonment provisions of Division Rule 203 during the time pilot project operations are being conducted. Said wells are located approximately 12 miles south southwest of Artesia, New Mexico. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1221.

6. **CASE 13920: De Novo**

Application of the New Mexico Oil Conservation Division for a Compliance Order against Northstar Oil & Gas. The Applicant seeks an order finding that operator is in violation of 19.15.4.201 NMAC as to two wells, determining that the violation is knowing and willful and imposing a penalty of not less than \$2,000, requiring operator to bring the two wells into compliance with 19.15.4.201 NMAC by a date certain and authorizing the division to plug said wells in the event of non-compliance and forfeit the applicable financial assurance. The affected wells are: Barbara #001, 30-045-24263, P-12-29N-15W; Davie #001, 30-045-25092, M-2-29N-15W. The wells are located approximately 15 miles west of Farmington in San Juan County, New Mexico. Upon application of Northstar Oil and Gas Corp., this case will be heard De Novo pursuant to the provisions of Rule 1221.