

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 22, 2009

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

Docket Nos. 3-09 and 4-09 are tentatively set for February 5, 2009 and February 19, 2009. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 1211.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 at the applicant's request. The following cases will be heard by an Examiner.

Locator Key for Cases

Case 14162 - No. 4
Case 14173 - No. 5
Case 14192 - No. 10
Case 14221 - No. 7
Case 14234 - No. 8
Case 14242 - No. 1
Case 14243 - No. 2
Case 14249 - No. 6
Case 14264 - No. 9
Case 14268 - No. 3

1. **CASE 14242:** *(Continued from the December 18, 2008 Examiner Hearing.)*
Application of Enervest Operating LLC to amend the Unit Agreement and the Unit Operating Agreement for the West Loco Hills Grayburg No. 4 Sand Unit, and for statutory unitization, Eddy County, New Mexico.
Applicant seeks an order amending the Unit Agreement and Unit Operating Agreement, and statutorily unitizing all mineral interests in, the Grayburg formation in the previously approved West Loco Hills Grayburg No. 4 Sand Unit underlying 5307.73 acres of federal, state, and fee lands covering parts of Township 17 South, Range 29 East, Township 18 South, Range 29 East, and Township 18 South, Range 30 East, N.M.P.M., described in Commission Order No. R-2166. Among the matters to be considered at hearing, pursuant to the New Mexico Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.*, will be: The necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate. The unit area is centered approximately 6 miles southwest of Loco Hills, New Mexico.
2. **CASE 14243:** *(Continued from the December 18, 2008 Examiner Hearing.)*
Application of Enervest Operating LLC for expansion of the waterflood project for the West Loco Hills Grayburg No. 4 Sand Unit, Eddy County, New Mexico.
Applicant seeks approval to expand the waterflood project in the West Loco Hills Grayburg No. 4 Sand Unit by the injection of water into the Grayburg formation into wells located on 5307.73 acres of federal, state, and fee lands covering parts of Township 17 South, Range 29 East, Township 18 South, Range 29 East, and Township 18 South, Range 30 East, N.M.P.M., described in Commission Order No. R-2166. The unit area is centered approximately 6 miles southwest of Loco Hills, New Mexico.
3. **CASE 14268:** ***Application of Devon Energy Production Company, L.P. 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 15, Township 19 South, Range 31 East, NMPM, and in the following manner: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated West Lusk-Morrow Gas Pool; the SE/4 to form a standard 160-

acre oil or gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent, including the Undesignated Lusk-Strawn Pool; and the NW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated West Lusk-Yates Pool, Undesignated Hackberry-Delaware Pool, and Undesignated Hackberry-Bone Spring Pool. The units are to be dedicated to the Acme "15" Fed. Com. Well No. 1, to be drilled at an orthodox location in the NW/4 SE/4 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 units are located approximately 12 miles southeast of Loco Hills, New Mexico.

4. **CASE 14162:** (Continued from the December 18, 2008 Examiner Hearing.)
Application of Merrion Oil and Gas, Corp. for compulsory pooling in San Juan County, New Mexico. Merrion Oil and Gas, Corp. seeks an order pooling all unleased and uncommitted mineral interest and all uncommitted working interest owners in the Basin Fruitland Coal Pool in the W/2 of Section 9, Township 29N, Range 13W, NMPM, forming a standard 320 acre spacing unit for said Pool. The spacing unit will be dedicated to the drilling of the Glade Park 1 well in the NW/4 and the Glade Park 2 well in the SW/4. Also to be considered will be the cost of drilling and completing both wells and the allocation of cost thereof, as well as the actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. This spacing unit is located inside the city limits of Farmington, New Mexico.
5. **CASE 14173:** (Continued from the December 18, 2008 Examiner Hearing.)
Application of Kaiser-Francis Oil Company for an exception to Division Rule 104.C(2), Lea County, New Mexico. Applicant seeks an exception to Division Rule 104.C(2) to drill and produce its Bell Lake Unit Well No. 33 as an infill well in an existing 318.38 acre gas spacing unit in the South Bell Lake-Morrow Gas Pool comprising Lots 6, 7, E½SW¼, and SE¼ (the S½ equivalent) of Section 6, Township 24 South, Range 34 East, N.M.P.M., at an orthodox gas well location in the NE¼SE¼ (Unit I) of Section 6. Applicant further seeks to simultaneously dedicate production from the South Bell Lake-Morrow Gas Pool in Section 6 to the Bell Lake Unit Well No. 33 and to Kaiser-Francis Oil Company's existing Bell Lake Unit Well No. 26, located 1650 feet from the south line and 660 feet from the east line (Unit I) of Section 6. The two wells shall not produce concurrently from the same Morrow sands. The well unit is located approximately 23 miles southwest of Oil Center, New Mexico.
6. **CASE 14249:** (Continued from the December 4, 2008 Examiner Hearing.)
Application of Marbob Energy Corporation for a non-standard spacing and proration unit and compulsory pooling, Chaves County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard spacing unit comprised of the S/2 N/2 of Section 23, Township 15 South, Range 31 East, NMPM, and (2) pooling all mineral interests in the Wolfcamp formation in this non-standard spacing and proration unit which spacing unit will be the project area for the Hoptoit State Com Well No. 3 (**API No. 30-005-27992**) to be horizontally drilled from a surface location 1980 feet from the North line and 330 feet from the East line (Unit H) and then in a westerly direction as a wildcat well in the Wolfcamp formation to a bottom hole terminus at a location 1980 feet from the North line and 330 feet from the West line (Unit E) of said Section 23. 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 Marbob Energy Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 30 miles east of Hagerman, New Mexico.
7. **CASE 14221:** (Continued from the December 4, 2008 Examiner Hearing.)
Application of Chesapeake Energy Corporation for cancellation of certain permits to drill ("APDs") issued to Marbob Energy Corp, Chaves County, New Mexico. Applicant seeks an order cancelling the Division's approval of the following application for permit to drill ("APD") issued to Marbob Energy Corp for the Hoptoit State Com #3 Well (API # 30-005-27992), a horizontal wellbore with a surface location in Unit H of Section 23, T15S, R31E, Chaves County and to be dedication to a non-standard 160-acre spacing unit consisting of the S/2N/2 of this section. This unit is located approximately 30 miles east of Hagerman, New Mexico.