

Anadarko 1 well in Cisco Co.

- 1300-1400 BWPD

Disposal

- Bradshaw Well No. 2

- Correlative Right issue

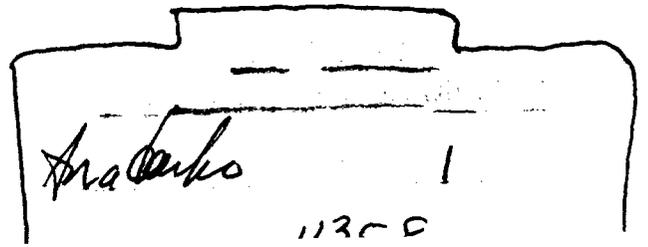
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DAGGER DRAW
SWD PROJECT

CHRONOLOGY

- June 06, 1983: Anadarko filed complete form C-108 to re-enter B&B No. 1 and complete for SWD in the lower Cisco-Canyon.
- July 01, 1983: Chama filed an application to compulsory pool & re-enter same wellbore to test for production in the Morrow and Cisco-Canyon.
- July 27, 1983: Commission heard both applications at a Commission Hearing (Case No. 7925).
- August 09, 1983: Commission granted Order R-7326 on application of Chama Petroleum with required commencement date of 8/31/83 for re-entry of B&B No. 1. Order R-7326 established certain cementing and completion requirements so the B&B No. 1 would be usable for SWD if Chama was unsuccessful.
- August 19, 1983: Chama applied for extension of August 31 commencement deadline, and requested October 15 deadline.
- August 22, 1983: Anadarko filed a written objection to the requested extension.
- August 22, 1983: Anadarko filed Application for Rehearing citing absence of necessary findings in the Order regarding waste prevention and protection of correlative rights.
- August 25, 1983: Chama filed Application for Rehearing citing objections to cementing and completion requirements in Order R-7326.
- September 16, 1983: Commission heard Applications for Rehearing.
- September 22, 1983: Commission granted Order R-7326-B with October 15 commencement date and certain testing & cementing requirements.
- September 22, 1983: Chama tendered their AFE for B&B No. 1 re-entry to Anadarko.
- September 23, 1983: Anadarko elects not to participate under provisions of Order R-7326-B.
- September 27, 1983: Chama moved in to re-enter B&B No. 1.
- September 30, 1983: Chama cemented 4-1/2" casing at 9484', failing to comply with cementing requirement in Order R-7326-B. Cement top was at 5410', instead of inside surface pipe at 1200', as required.
- December 01, 1983: Chama completed B&B No. 1 in Morrow at 9319-9328' for CACF of 458 MCFD.



January 7, 1986 Commission heard Chama's Application to Rescind Division Order R-7637. (Case #8739)

January 14, 1986 Tom Kellahin, on APC's behalf, files a proposed order for entry as a follow up to the hearing (case #8739).

February 26, 1986 Commission Order R-8139 denies Chama's request to rescind SWD Order #R-7637.

March 3, 1988 Yates Petroleum obtained Division Order SWD-336 to convert Coquina Oil Corporation's Osage No.1 to SWD. This well had previously been acquired and completed by Anadarko as a Cisco Canyon producer from 1982 to 1987, with cumulative production of 15 MBO and 552 MBW. (WOR=36.4, or 97.3% water.) This well was an updip 80 acre offset to the Dagger Draw SWD well and was used by APC in the previous hearings to demonstrate the non-commerciality of the immediate area.

Nearburg (Chama) did not question or protest Order SWD-336.

January 30, 1989 Yates Petroleum commences injection into Osage #1. • Note that the name "Osage" is also used in Nearburg's current Application to refer to Anadarko's SWD well. For clarity, Anadarko's well is the Dagger Draw SWD #1 in Section 22, and should not be confused with Yates' Osage #1 in Section 21.

March 1985 thru January 1994 APC injects 2,883,000 bbls into Dagger Draw SWD #1. (This number is accurate, and conflicts with Nearburg's incorrect estimate of 1,514,791 bbls cited in their Application.) Injection is ongoing.

October 6, 1994 Nearburg contacts George Buehler, a Production Engineer with APC in Midland, and advises him that Nearburg has spudded the Ross Ranch 22 #2, 651' from APC's SWD well. They advise him that they are planning to meet with the NMOCD in Artesia seeking to shut in APC's SWD. They also offer to take APC's water for \$0.25/bbl into their Devonian SWD system. George documented the meeting and referred the situation to Mark Sundland, who had recently assumed APC's New Mexico Production Engineering duties.

November 8, 1994 Nearburg, Anadarko, and Yates attend an informal meeting with the NMOCD in Artesia. Nearburg seeks to have the local NMOCD officer direct APC to shut in the SWD well. He refuses, citing the existing Order and APC's compliance with same.

April 27, 1995 Nearburg sends APC a certified letter requesting voluntary cessation of injection, and further, to formally terminate R-7637.

May 5, 1995 APC "respectfully declines" Nearburg's request in writing. In the same letter APC encourages Nearburg to purchase the SWD well at a fair market value to resolve the dispute.

July 10, 1995 Nearburg formally serves APC with its latest Application to rescind R-7637, as well as rescind Yates' SWD-336.

September 1995 APC continues to inject approx 1400 BWPD with cumulative injection of over 3,700,000 bbls water.

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION

COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 7925
Order No. R-7326

APPLICATION OF CHAMA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 27, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 9th day of August, 1983, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Chama Petroleum Company, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/2 of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated Pool, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to re-enter a plugged and abandoned well located 1980 feet from the North and East lines of said Section 22.
- (4) That Anadarko Production Company in companion Case 7914 proposes to re-enter and utilize said plugged and abandoned well as a salt water disposal well.
- (5) That Cases 7914 and 7925 were consolidated for the purpose of obtaining testimony.
- (6) That the testimony indicated potential oil and gas zones in said well.

Anadarko

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(7) That potential oil and gas zones should be tested/produced before said well is utilized as a salt water disposal well.

(8) That the application in Case 7925 should be granted.

(9) That no action should be taken in Case 7914 until the potential for the production of oil and gas in said well has been analyzed.

(10) That the proposed 320-acre spacing unit would apply to and should only be approved in the Wolfcamp, Pennsylvanian and Mississippian formations.

(11) That a standard oil spacing unit in the Cisco-Canyon formation (Upper Pennsylvanian) or a shallow gas proration unit would consist of the 160 acres being the NE/4 of said Section 22.

(12) That a standard oil spacing unit in any other formation would consist of 40 acres being the SW/4 NE/4 of said Section 22.

(13) That a 40-acre oil spacing unit, a 160-acre shallow gas or Cisco-Canyon formation oil spacing unit, and a 320-acre Wolfcamp-Mississippian gas spacing unit should each be pooled as described in the three preceding findings.

(14) That there are interest owners in the proposed proration units who have not agreed to pool their interests.

(15) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(16) That the applicant should be designated the operator of the subject well and units.

(17) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(18) That any non-consenting working interest owner who

does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the re-entry of the well.

(19) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(20) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(21) That \$4343.00 per month while re-entering and \$465.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(22) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(23) That upon the failure of the operator of said pooled units to commence re-entry of the well to which any of said units is dedicated on or before August 31, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

THE COMMISSION FURTHER FINDS:

(24) That the cement behind the production casing should be circulated to the surface or tied back into the intermediate casing in said well.

*OK
also talk about
casing size*

(25) That perforated non-commercial zones above and below the Cisco-Canyon formation should be squeeze cemented or isolated with a bridge plug capped with five sacks of cement.

(26) That no production casing should be recovered from the well.

IT IS THEREFORE ORDERED:

(1) That all appropriate mineral interests, whatever they may be, underlying the three following described spacing and proration units are hereby pooled to form the designated units which may be dedicated, as indicated below, to a well to be re-entered at a location 1980 feet from the North and East lines of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico:

- A. Unit No. 1 being a 40-acre oil proration unit applicable in any formation, other than the Cisco-Canyon, from the surface to the base of the Mississippian formation consisting of the SW/4 NE/4 of said Section 22.
- B. Unit No. 2 being a 160-acre gas proration unit applicable from the surface to the top of the Wolfcamp formation and/or a 160-acre oil proration unit applicable in the Cisco-Canyon formation consisting of the NE/4 of said Section 22.
- C. Unit No. 3 being a 320-acre gas proration unit applicable from the top of the Wolfcamp formation to the base of the Mississippian formation consisting of the E/2 of said Section 22.

PROVIDED HOWEVER, that the operator of said units shall commence the re-entry of said well on or before the 31st day of August, 1983, and shall thereafter continue the re-entry process of said well with due diligence to a depth sufficient to test the Morrow or shallower formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry of said well on or before the 31st day of August, 1983, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

*More Specific
due diligence
As further
extensions*

basic idea
-OK

PROVIDED FURTHER, ² that should said well not be completed, or abandoned, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Chama Petroleum Company is hereby designated the operator of the subject well and units.

(3) That after the effective date of this order and within 10 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 15 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the

date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the re-entry of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$4343.00 per month while re-entering and \$465.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That the cement behind the production casing shall be circulated to the surface or tied back into the intermediate casing.

*Approved
& sealed*

(14) That perforated non-commercial zones above and below the Cisco-Canyon formation shall be squeeze cemented or isolated with a bridge plug capped with five sacks of cement.

(15) That no production casing shall be recovered from the well.

(16) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

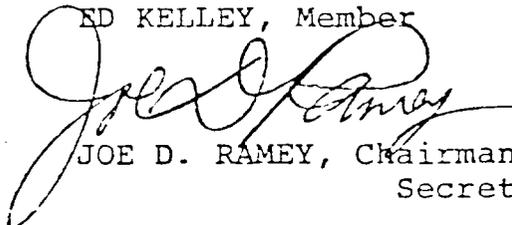
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and
Secretary

S E A L

Where's R-7326-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7925
Order No. R-7326-B

APPLICATION OF CHAMA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 16, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 22nd day of September, 1983, the Commission, a quorum being present, having considered the testimony, the record, and the exhibits, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof with respect to prevention of waste and protection of correlative rights.

(2) That the applicant, Chama Petroleum Company, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/2 of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated Pool, Eddy County, New Mexico.

(3) That this matter originally came on for hearing before the Commission on July 27, 1983.

(4) That on August 7, 1983, the Commission entered its Order No. R-7326 approving the application of Chama Petroleum Company.

(5) That the Commission received timely applications for rehearing of Case No. 7925 from Chama Petroleum Company and Anadarko Production Company.

Anadarko

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(6) That petitioners alleged, among other things, that additional findings concerning prevention of waste should be made by the Commission.

(7) That on September 16, 1983, a rehearing was held in Case No. 7925 for the purpose of permitting all interested parties to appear and present evidence relating to this matter.

(8) That a new Finding No. (7a) should be added to Order No. R-7326 to read:

"(7a) That failure to test/produce potential oil and gas zones before said well is utilized as a salt water disposal well could result in the waste of oil and gas resources."

(9) That Finding No. (15) in Order No. R-7326 should be changed to read:

"(15) That to avoid the drilling of unnecessary wells, to protect correlative rights, prevent waste, and to afford the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units."

(10) That the dates listed in Order No. (1) of Order R-7326 should be changed to October 15, 1983.

(11) That Order No. (14) of Order No. R-7326 should be changed to read:

"(14) That perforated non-commercial zones below the Cisco-Canyon shall be isolated with a bridge plug capped with five sacks of cement and perforated non-commercial zones above the Cisco-Canyon shall be squeeze cemented."

(12) That the remainder of Commission Order No. R-7326, entered August 9, 1983, should be affirmed.

(13) That it is not necessary for the Commission to determine economic criteria for the production or abandonment of oil or gas wells.

IT IS THEREFORE ORDERED:

(1) That Finding No. (7a) is added to Order No. R-7326 to read:

"(7a) That failure to test/produce potential oil and gas zones before said well is utilized as a salt water disposal well could result in the waste of oil and gas resources."

(2) That Finding No. (15) in Order R-7326 is changed to read:

"(15) That to avoid the drilling of unnecessary wells, to protect correlative rights, prevent waste, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units."

(3) That the dates listed in Order No.(1) of Order No. R-7326 are changed to October 15, 1983.

(4) That Order No. (14) of Order No. R-7326 is changed to read:

"(14) That perforated non-commercial zones below the Cisco-Canyon shall be isolated with a bridge plug capped with five sacks of cement and perforated non-commercial zones above the Cisco-Canyon shall be squeeze cemented."

(5) That the remainder of Commission Order No. R-7326, entered August 9, 1983, is hereby affirmed.

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Case No. 7925
Order No. R-7326-B

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, MEMBER


ED KELLEY, MEMBER


JOE D. RAMEY, CHAIRMAN AND
SECRETARY

S E A L

STATE OF NEW MEXICO
E, ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8234
Order No. R-7637

APPLICATION OF ANADARKO
PRODUCTION COMPANY FOR
SALT WATER DISPOSAL AND
AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 1, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 23rd day of August, 1984, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Anadarko Production Company, seeks authority to dispose of produced salt water into the Cisco Canyon formation in the perforated interval from approximately 7800 feet to 8040 feet in its Dagger Draw SWD Well No. 1 to be located at an unorthodox location 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the proposed disposal zone in the above well encompasses the "C" and "D" zones of the Cisco Canyon formation.

Anadarko

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(4) That no commercial oil and gas production has been found in the "C" and "D" zones in the immediate area of the said proposed disposal well.

(5) That the "C" and "D" zones appear to be separated from the "A" and "B" zones by impermeable non-porous dolomite and shales.

(6) That the disposal of produced water into the proposed disposal interval will not cause the premature drowning by water of any zone capable of producing commercial quantities of oil and gas in the area of said Section 22.

(7) That approval of the application will not impair correlative rights nor cause waste.

(8) That the injection should be accomplished through 2 7/8-inch plastic-lined tubing installed in a packer set at approximately 7800 feet; that the casing-tubing annulus should be filled with an inert fluid; and that a pressure gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(9) That the applicant should be authorized to dispose of up to a maximum of 10,000 Bbls/day of salt water into the proposed disposal well.

(10) That the injection well or system should be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 1560 psi.

(11) That the Director of the Division should be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected water from the "C" and "D" zones of the Cisco Canyon formation.

(12) That the operator should notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

(13) That the operator should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

IT IS THEREFORE ORDERED:

(1) That the applicant, Anađarko Production Company, is hereby authorized to drill its Dagger Draw Salt Water Disposal Well No. 1 at an unorthodox location 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, to dispose of produced salt water into the "C" and "D" zones of the Cisco Canyon formation, injection to be accomplished through 2 7/8-inch tubing installed in a packer set at approximately 7800 feet, with injection into the perforated interval from approximately 7800 feet to 8040 feet;

PROVIDED HOWEVER, that the tubing shall be plastic-lined; that the casing-tubing annulus shall be filled with an inert fluid; and that a pressure gauge shall be attached to the annulus or the annulus shall be equipped with an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

(2) That the injection well or system shall be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 1560 psi.

(3) That the Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the "C" and "D" zones of the Cisco Canyon formation.

(4) That the operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

(5) That the operator shall immediately notify the supervisor of the Division's Artesia district office of the failure of the tubing, casing, or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

(6) That the applicant shall submit monthly reports of its disposal operations in accordance with Rules 702, 703, 704, 705, 706, 708, and 1120 of the Division Rules and Regulations.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

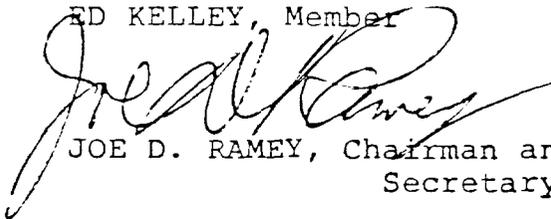
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and
Secretary

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8739
Order No. R-8139

APPLICATION OF CHAMA PETROLEUM
COMPANY TO RESCIND DIVISION ORDER
NO. R-7637, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 7, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of February, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Chama Petroleum Company (Chama), seeks to rescind Division Order No. R-7637 which authorizes the disposal of produced water into the "C" and "D" zones of the Cisco Canyon formation through the Dagger Draw Salt Water Disposal Well located 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated North Dagger Draw-Upper Pennsylvanian Pool, in which Anadarko Production Company (Anadarko) is the operator.

(3) Anadarko drilled, completed, and is disposing of produced water into said disposal well in accordance with Division Order No. R-7637.

Anadarko

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(4) Chama presented evidence attempting to show that the subject disposal zone was capable of commercial production of oil within and in proximity to said disposal well, arguing that continued injection would result in waste and violation of Chama's correlative rights.

(5) Anadarko presented substantial engineering and geological evidence, which demonstrated that the "C" and "D" disposal zones in the Cisco Canyon formation are not capable of commercial oil production within and within proximity to the NW/4 of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(6) The continued use of the subject disposal well is in accordance with Order No. R-7637 and will not constitute waste or impair correlative rights.

(7) Anadarko has acted as a prudent operator in its drilling, completion and operation of the subject disposal well.

(8) Division Order No. R-7637 should remain in full force and effect and the application of Chama should therefore be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Chama Petroleum Company to rescind Division Order No. R-7637 is hereby denied.

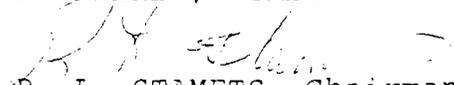
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS, Chairman and
Secretary

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NEARBURG ROSS RANCH 22 #2

NET PAY > 4% = 22 FT.

DEPTH	Sw	BVW	Rw	Rt	% PHI
7654	52.70%	0.021	0.4	900	4.00%
7655	48.19%	0.020	0.4	1000	4.15%
7656	33.45%	0.019	0.4	1100	5.70%
7657	38.14%	0.019	0.4	1100	5.00%
7698	63.25%	0.032	0.4	400	5.00%
7699	42.96%	0.037	0.4	300	8.50%
7700	47.06%	0.040	0.4	250	8.50%
7701	63.89%	0.045	0.4	200	7.00%
7702	65.55%	0.046	0.4	190	7.00%
7703	56.18%	0.037	0.4	300	6.50%
7704	44.68%	0.024	0.4	700	5.35%
7705	26.31%	0.022	0.4	800	8.50%
7706	20.05%	0.018	0.4	1300	8.75%
7707	17.82%	0.011	0.4	3500	6.00%
7708	23.57%	0.012	0.4	3000	4.90%
7709	29.88%	0.012	0.4	2800	4.00%
7717	30.24%	0.016	0.4	1500	5.40%
7718	33.41%	0.018	0.4	1300	5.25%
7725	23.09%	0.012	0.4	3000	5.00%
7730	21.76%	0.014	0.4	2000	6.50%
7731	21.95%	0.017	0.4	1400	7.70%
7732	<u>25.71%</u> 37.72%	0.014	0.4	2000	<u>5.50%</u> 6.10%

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COMPANY: NEARBURG PRODUCING COMPANY

WELL: ROSS RANCH 22 #2

FIELD: NORTH DAGGER DRAW

COUNTY: EDDY

STATE: NEW MEXICO

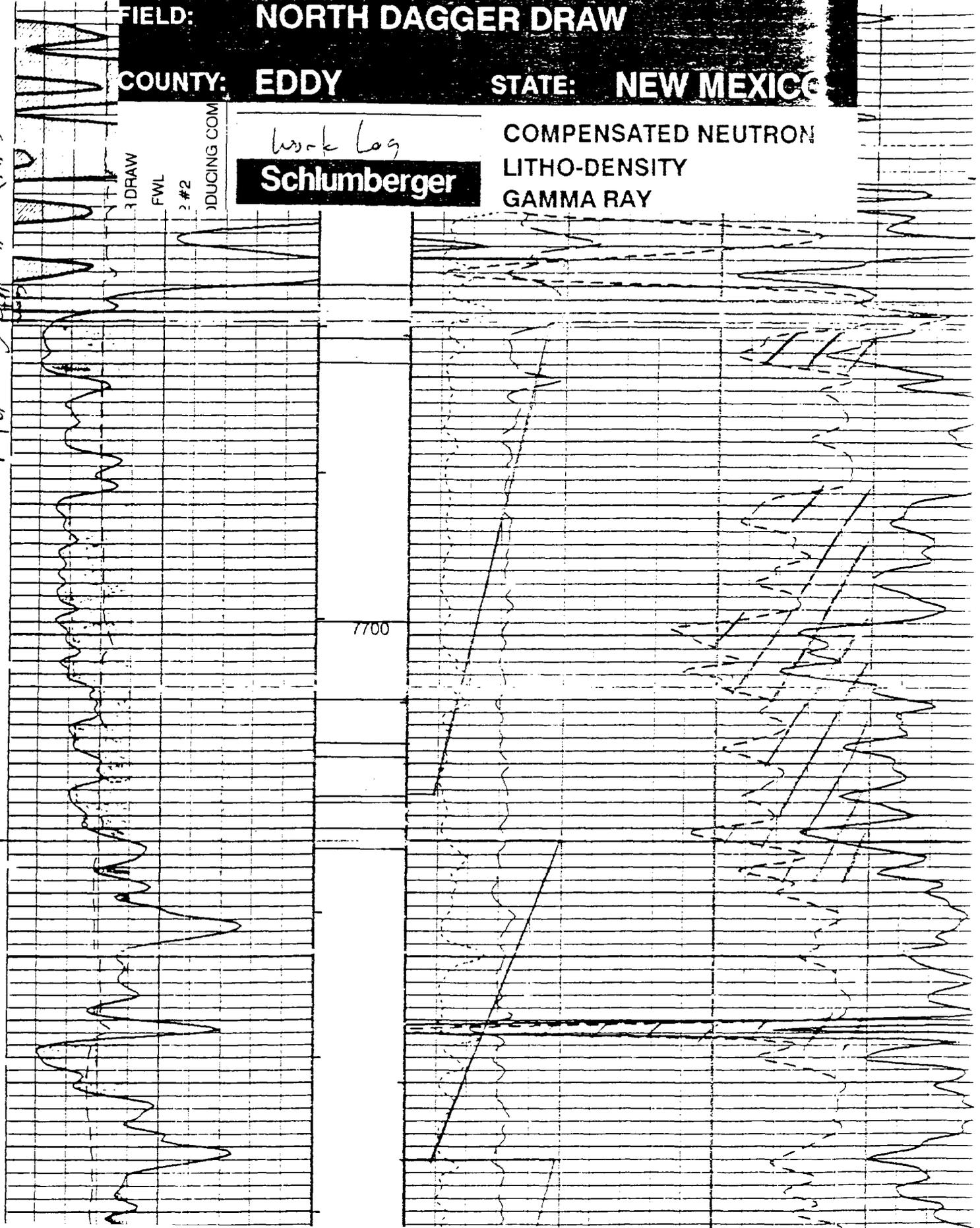
Work Log
Schlumberger

COMPENSATED NEUTRON
LITHO-DENSITY
GAMMA RAY

(-1116) 7644
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3 DRAW
FWL
#2
PRODUCING COM

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ANADARKO DAGGER DRAW SWD #1

NET PAY > 4% = 32 FT.

DEPTH	Sw	BVW	Rw	Rt	PHI
7652	26.08%	0.013	0.4	2500	4.85%
7653	19.42%	0.009	0.4	4700	4.75%
7677	36.29%	0.025	0.4	620	7.00%
7678	36.77%	0.030	0.4	440	8.20%
7679	36.37%	0.026	0.4	600	7.10%
7680	37.35%	0.024	0.4	700	6.40%
7681	39.84%	0.024	0.4	700	6.00%
7682	38.83%	0.026	0.4	600	6.65%
7683	36.44%	0.027	0.4	550	7.40%
7684	36.11%	0.026	0.4	600	7.15%
7685	38.77%	0.025	0.4	630	6.50%
7686	37.65%	0.021	0.4	900	5.60%
7687	23.31%	0.009	0.4	4600	4.00%
7696	43.46%	0.024	0.4	700	5.50%
7697	35.96%	0.027	0.4	550	7.50%
7698	40.41%	0.028	0.4	500	7.00%
7699	35.78%	0.022	0.4	800	6.25%
7700	39.84%	0.024	0.4	700	6.00%
7701	37.27%	0.022	0.4	800	6.00%
7707	23.42%	0.011	0.4	3600	4.50%
7708	23.54%	0.011	0.4	3200	4.75%
7709	24.31%	0.012	0.4	3000	4.75%
7710	28.75%	0.016	0.4	1600	5.50%
7726	24.10%	0.011	0.4	3400	4.50%
7727	26.25%	0.012	0.4	2600	4.73%
7728	25.30%	0.013	0.4	2500	5.00%
7729	40.66%	0.022	0.4	800	5.50%
7730	24.20%	0.011	0.4	3300	4.55%
7731	26.94%	0.014	0.4	2000	5.25%
7732	36.89%	0.026	0.4	600	7.00%
7733	43.03%	0.026	0.4	600	6.00%
7734	<u>21.95%</u> 32.66%	0.010	0.4	4100	<u>4.50%</u> 5.82%

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Page 1 of 1

Page 1 of 1

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Petroleum Information's Production Data on CD-ROM

5 of 21

Southeast New Mexico - February 1995

Entity Yearly Production Report - Reflown Tobin

=====

Entity	: B & B (008373)	Product:	CRUDE
Field	: DAGGER DRAW NORTH (15030)	Start	: 199212
Reservoir:	PENNSYLVANIAN UPPER (444)	Stop	: 199212
Operator	: NEARBURG PRODUCING COMPANY (23925)	Status	: INACTIVE
Location	: S22 T19S R25E G EDDY	Dist	: ARTESIA
Basin	: PERMIAN (430)	Well#	: 1
Zone	: PENNSYLVANIAN UPPER (406PSLVU)	Lat	: 32.64806
API	: 30015224660000	Lng	: 104.46992

Yearly Production

=====

Year	Year To Date			Opening Cumulatives		
	Gas	Liquid	Water	Gas	Liquid	Water
92	580	237	27718	0	0	0
93	0	0	0	580	237	27718
94	0	0	0	580	237	27718

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Aug-30-1995

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Petroleum Information's Production Data on CD-ROM

6 of 21

Southeast New Mexico - February 1995

Entity Yearly Production Report - Reflown Tobin

=====

Entity	: SOUTH BOYD (008420)	Product:	CRUDE
Field	: DAGGER DRAW EAST (15040)	Start	: 199204
Reservoir:	PENNSYLVANIAN UPPER (444)	Stop	: 199211
Operator	: NEARBURG PRODUCING COMPANY (23925)	Status	: INACTIVE
Location	: S27 T19S R25E F EDDY	Dist	: ARTESIA
Basin	: PERMIAN (430)	Well#	: 1
Zone	: PENNSYLVANIAN UPPER (406PSLVU)	Lat	: 32.63333
API	: 30015245680000	Lng	: 104.47427

Yearly Production

=====

Year	Year To Date			Opening Cumulatives		
	Gas	Liquid	Water	Gas	Liquid	Water
92	4153	5549	319180	0	0	0
93	0	0	0	4153	5549	319180
94	0	0	0	4153	5549	319180

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DAGGER DRAW
SWD PROJECT

CHRONOLOGY

- June 06, 1983: Anadarko filed complete form C-108 to re-enter B&B No. 1 and complete for SWD in the lower Cisco-Canyon.
- July 01, 1983: Chama filed an application to compulsory pool & re-enter same wellbore to test for production in the Morrow and Cisco-Canyon.
- July 27, 1983: Commission heard both applications at a Commission Hearing (Case No. 7925).
- August 09, 1983: Commission granted Order R-7326 on application of Chama Petroleum with required commencement date of 8/31/83 for re-entry of B&B No. 1. Order R-7326 established certain cementing and completion requirements so the B&B No. 1 would be usable for SWD if Chama was unsuccessful.
- August 19, 1983: Chama applied for extension of August 31 commencement deadline, and requested October 15 deadline.
- August 22, 1983: Anadarko filed a written objection to the requested extension.
- August 22, 1983: Anadarko filed Application for Rehearing citing absence of necessary findings in the Order regarding waste prevention and protection of correlative rights.
- August 25, 1983: Chama filed Application for Rehearing citing objections to cementing and completion requirements in Order R-7326.
- September 16, 1983: Commission heard Applications for Rehearing.
- September 22, 1983: Commission granted Order R-7326-B with October 15 commencement date and certain testing & cementing requirements.
- September 22, 1983: Chama tendered their AFE for B&B No. 1 re-entry to Anadarko.
- September 23, 1983: Anadarko elects not to participate under provisions of Order R-7326-B.
- September 27, 1983: Chama moved in to re-enter B&B No. 1.
- September 30, 1983: Chama cemented 4-1/2" casing at 9484', failing to comply with cementing requirement in Order R-7326-B. Cement top was at 5410', instead of inside surface pipe at 1200', as required.
- December 01, 1983: Chama completed B&B No. 1 in Morrow at 9319-9328' for CAGF of 453 MCFD.

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- May 25, 1984: Anadarko filed C-103 to drill Dagger Draw SWD No. 1 as a disposal well in lower Cisco-Canyon.
- June 09, 1984: Chama notified Anadarko and Division of their objection to Anadarko's application (Commission set hearing date of August 1, 1984).
- July 30, 1984: Through counsel, Chama offered to drop their objection if Anadarko would guarantee them 2000 BFPD disposal capacity at 25¢ per barrel.
- July 31, 1984: Anadarko offered to dispose their water as capacity was available at 25¢ per barrel. Chama declined and said they needed guaranteed volume.
- August 01, 1984: Commission heard Anadarko's application to drill the Dagger Draw SWD No. 1, and heard Chama's objection (Case No. 8234).
- August 23, 1984: Commission granted Anadarko's application in Order R-7637.
- October 07, 1984: Anadarko spuds Dagger Draw SWD No. 1 to drill for disposal in Cisco-Canyon "C" & "D" zone.
- November 27, 1984: Anadarko completed Dagger Draw SWD No. 1 as disposal well in Cisco-Canyon "C" & "D" zones, in full compliance with Commission Order R-7637.
- October 04, 1985: Chama files Application to RESCIND Order R-7637. The Application fails to raise any issue not previously addressed in Order R-7637. (Hearing set for October 23, 1985 docket Case No. 8739).
- October 21, 1985: Chama requests case 3739 be continued.

January 7, 1986 Commission heard Chama's Application to Rescind Division Order R-7637. (Case #8739)

January 14, 1986 Tom Kellahin, on APC's behalf, files a proposed order for entry as a follow up to the hearing (case #8739).

February 26, 1986 Commission Order R-8139 denies Chama's request to rescind SWD Order #R-7637.

March 3, 1988 Yates Petroleum obtained Division Order SWD-336 to convert Coquina Oil Corporation's Osage No.1 to SWD. This well had previously been acquired and completed by Anadarko as a Cisco Canyon producer from 1982 to 1987, with cumulative production of 15 MBO and 552 MBW. (WOR=36.4, or 97.3% water.) This well was an updip 80 acre offset to the Dagger Draw SWD well and was used by APC in the previous hearings to demonstrate the non-commerciality of the immediate area.

Nearburg (Chama) did not question or protest Order SWD-336.

January 30, 1989 Yates Petroleum commences injection into Osage #1. Note that the name "Osage" is also used in Nearburg's current Application to refer to Anadarko's SWD well. For clarity, Anadarko's well is the Dagger Draw SWD #1 in Section 22, and should not be confused with Yates' Osage #1 in Section 21.

March 1985 thru January 1994 APC injects 2,883,000 bbls into Dagger Draw SWD #1. (This number is accurate, and conflicts with Nearburg's incorrect estimate of 1,514,791 bbls cited in their Application.) Injection is ongoing.

October 6, 1994 Nearburg contacts George Buehler, a Production Engineer with APC in Midland, and advises him that Nearburg has spudded the Ross Ranch 22 #2, 651' from APC's SWD well. They advise him that they are planning to meet with the NMOCD in Artesia seeking to shut in APC's SWD. They also offer to take APC's water for \$0.25/bbl into their Devonian SWD system. George documented the meeting and referred the situation to Mark Sundland, who had recently assumed APC's New Mexico Production Engineering duties.

November 8, 1994 Nearburg, Anadarko, and Yates attend an informal meeting with the NMOCD in Artesia. Nearburg seeks to have the local NMOCD officer direct APC to shut in the SWD well. He refuses, citing the existing Order and APC's compliance with same.

April 27, 1995 Nearburg sends APC a certified letter requesting voluntary cessation of injection, and further, to formally terminate R-7637.

May 5, 1995 APC "respectfully declines" Nearburg's request in writing. In the same letter APC encourages Nearburg to purchase the SWD well at a fair market value to resolve the dispute.

July 10, 1995 Nearburg formally serves APC with its latest Application to rescind R-7637, as well as rescind Yates' SWD-336.

September 1995 APC continues to inject approx 1400 BWPD with cumulative injection of over 3,700,000 bbls water.

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 7925
Order No. R-7326

APPLICATION OF CHAMA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 27, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 9th day of August, 1983, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Chama Petroleum Company, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/2 of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated Pool, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to re-enter a plugged and abandoned well located 1980 feet from the North and East lines of said Section 22.
- (4) That Anadarko Production Company in companion Case 7914 proposes to re-enter and utilize said plugged and abandoned well as a salt water disposal well.
- (5) That Cases 7914 and 7925 were consolidated for the purpose of obtaining testimony.
- (6) That the testimony indicated potential oil and gas zones in said well.

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(7) That potential oil and gas zones should be tested/produced before said well is utilized as a salt water disposal well.

(8) That the application in Case 7925 should be granted.

(9) That no action should be taken in Case 7914 until the potential for the production of oil and gas in said well has been analyzed.

(10) That the proposed 320-acre spacing unit would apply to and should only be approved in the Wolfcamp, Pennsylvanian and Mississippian formations.

(11) That a standard oil spacing unit in the Cisco-Canyon formation (Upper Pennsylvanian) or a shallow gas proration unit would consist of the 160 acres being the NE/4 of said Section 22.

(12) That a standard oil spacing unit in any other formation would consist of 40 acres being the SW/4 NE/4 of said Section 22.

(13) That a 40-acre oil spacing unit, a 160-acre shallow gas or Cisco-Canyon formation oil spacing unit, and a 320-acre Wolfcamp-Mississippian gas spacing unit should each be pooled as described in the three preceding findings.

(14) That there are interest owners in the proposed proration units who have not agreed to pool their interests.

(15) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(16) That the applicant should be designated the operator of the subject well and units.

(17) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(18) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the re-entry of the well.

(19) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(20) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(21) That \$4343.00 per month while re-entering and \$465.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(22) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(23) That upon the failure of the operator of said pooled units to commence re-entry of the well to which any of said units is dedicated on or before August 31, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

THE COMMISSION FURTHER FINDS:

(24) That the cement behind the production casing should be circulated to the surface or tied back into the intermediate casing in said well.

*OK
also talk about
size*

(25) That perforated non-commercial zones above and below the Cisco-Canyon formation should be squeeze cemented or isolated with a bridge plug capped with five sacks of cement.

(26) That no production casing should be recovered from the well.

IT IS THEREFORE ORDERED:

(1) That all appropriate mineral interests, whatever they may be, underlying the three following described spacing and proration units are hereby pooled to form the designated units which may be dedicated, as indicated below, to a well to be re-entered at a location 1980 feet from the North and East lines of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico:

- A. Unit No. 1 being a 40-acre oil proration unit applicable in any formation, other than the Cisco-Canyon, from the surface to the base of the Mississippian formation consisting of the SW/4 NE/4 of said Section 22.
- B. Unit No. 2 being a 160-acre gas proration unit applicable from the surface to the top of the Wolfcamp formation and/or a 160-acre oil proration unit applicable in the Cisco-Canyon formation consisting of the NE/4 of said Section 22.
- C. Unit No. 3 being a 320-acre gas proration unit applicable from the top of the Wolfcamp formation to the base of the Mississippian formation consisting of the E/2 of said Section 22.

PROVIDED HOWEVER, that the operator of said units shall commence the re-entry of said well on or before the 31st day of August, 1983, and shall thereafter continue the re-entry process of said well with due diligence to a depth sufficient to test the Morrow or shallower formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry of said well on or before the 31st day of August, 1983, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

*More Specific
due diligence
As further
extensions*

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PROVIDED FURTHER, ² that should said well not be completed, or abandoned, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Chama Petroleum Company is hereby designated the operator of the subject well and units.

(3) That after the effective date of this order and within 10 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 15 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the

date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the re-entry of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$4343.00 per month while re-entering and \$465.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That the cement behind the production casing shall be circulated to the surface or tied back into the intermediate casing.

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(14) That perforated non-commercial zones above and below the Cisco-Canyon formation shall be squeeze cemented or isolated with a bridge plug capped with five sacks of cement.

yes
(15) That no production casing shall be recovered from the well.

(16) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary

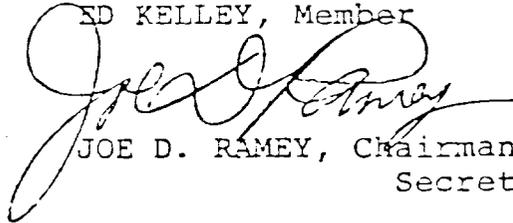
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and
Secretary

S E A L

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7925
Order No. R-7326-B

APPLICATION OF CHAMA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 16, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 22nd day of September, 1983, the Commission, a quorum being present, having considered the testimony, the record, and the exhibits, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof with respect to prevention of waste and protection of correlative rights.

(2) That the applicant, Chama Petroleum Company, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/2 of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated Pool, Eddy County, New Mexico.

(3) That this matter originally came on for hearing before the Commission on July 27, 1983.

(4) That on August 7, 1983, the Commission entered its Order No. R-7326 approving the application of Chama Petroleum Company.

(5) That the Commission received timely applications for rehearing of Case No. 7925 from Chama Petroleum Company and Anadarko Production Company.

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(6) That petitioners alleged, among other things, that additional findings concerning prevention of waste should be made by the Commission.

(7) That on September 16, 1983, a rehearing was held in Case No. 7925 for the purpose of permitting all interested parties to appear and present evidence relating to this matter.

(8) That a new Finding No. (7a) should be added to Order No. R-7326 to read:

"(7a) That failure to test/produce potential oil and gas zones before said well is utilized as a salt water disposal well could result in the waste of oil and gas resources."

(9) That Finding No. (15) in Order No. R-7326 should be changed to read:

"(15) That to avoid the drilling of unnecessary wells, to protect correlative rights, prevent waste, and to afford the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units."

(10) That the dates listed in Order No. (1) of Order R-7326 should be changed to October 15, 1983.

(11) That Order No. (14) of Order No. R-7326 should be changed to read:

"(14) That perforated non-commercial zones below the Cisco-Canyon shall be isolated with a bridge plug capped with five sacks of cement and perforated non-commercial zones above the Cisco-Canyon shall be squeeze cemented."

(12) That the remainder of Commission Order No. R-7326, entered August 9, 1983, should be affirmed.

(13) That it is not necessary for the Commission to determine economic criteria for the production or abandonment of oil or gas wells.

IT IS THEREFORE ORDERED:

(1) That Finding No. (7a) is added to Order No. R-7326 to read:

"(7a) That failure to test/produce potential oil and gas zones before said well is utilized as a salt water disposal well could result in the waste of oil and gas resources."

(2) That Finding No. (15) in Order R-7326 is changed to read:

"(15) That to avoid the drilling of unnecessary wells, to protect correlative rights, prevent waste, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil and/or gas in any appropriate pool covered by said units, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units."

(3) That the dates listed in Order No. (1) of Order No. R-7326 are changed to October 15, 1983.

(4) That Order No. (14) of Order No. R-7326 is changed to read:

"(14) That perforated non-commercial zones below the Cisco-Canyon shall be isolated with a bridge plug capped with five sacks of cement and perforated non-commercial zones above the Cisco-Canyon shall be squeeze cemented."

(5) That the remainder of Commission Order No. R-7326, entered August 9, 1983, is hereby affirmed.

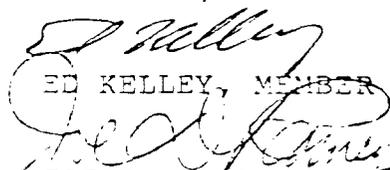
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Case No. 7925
Order No. R-7326-B

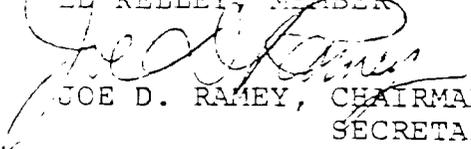
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, MEMBER


ED KELLEY, MEMBER


JOE D. RAMEY, CHAIRMAN AND
SECRETARY

S E A L

STATE OF NEW MEXICO
E, OIL AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8234
Order No. R-7637

APPLICATION OF ANADARKO
PRODUCTION COMPANY FOR
SALT WATER DISPOSAL AND
AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 1, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 23rd day of August, 1984, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Anadarko Production Company, seeks authority to dispose of produced salt water into the Cisco Canyon formation in the perforated interval from approximately 7800 feet to 8040 feet in its Dagger Draw SWD Well No. 1 to be located at an unorthodox location 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the proposed disposal zone in the above well encompasses the "C" and "D" zones of the Cisco Canyon formation.

Anadarko

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(4) That no commercial oil and gas production has been found in the "C" and "D" zones in the immediate area of the said proposed disposal well.

(5) That the "C" and "D" zones appear to be separated from the "A" and "B" zones by impermeable non-porous dolomite and shales.

(6) That the disposal of produced water into the proposed disposal interval will not cause the premature drowning by water of any zone capable of producing commercial quantities of oil and gas in the area of said Section 22.

(7) That approval of the application will not impair correlative rights nor cause waste.

(8) That the injection should be accomplished through 2 7/8-inch plastic-lined tubing installed in a packer set at approximately 7800 feet; that the casing-tubing annulus should be filled with an inert fluid; and that a pressure gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(9) That the applicant should be authorized to dispose of up to a maximum of 10,000 Bbls/day of salt water into the proposed disposal well.

(10) That the injection well or system should be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 1560 psi.

(11) That the Director of the Division should be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected water from the "C" and "D" zones of the Cisco Canyon formation.

(12) That the operator should notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

(13) That the operator should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

IT IS THEREFORE ORDERED:

(1) That the applicant, Anadarko Production Company, is hereby authorized to drill its Dagger Draw Salt Water Disposal Well No. 1 at an unorthodox location 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, to dispose of produced salt water into the "C" and "D" zones of the Cisco Canyon formation, injection to be accomplished through 2 7/8-inch tubing installed in a packer set at approximately 7800 feet, with injection into the perforated interval from approximately 7800 feet to 8040 feet;

PROVIDED HOWEVER, that the tubing shall be plastic-lined; that the casing-tubing annulus shall be filled with an inert fluid; and that a pressure gauge shall be attached to the annulus or the annulus shall be equipped with an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

(2) That the injection well or system shall be equipped with a pressure limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 1560 psi.

(3) That the Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the "C" and "D" zones of the Cisco Canyon formation.

(4) That the operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment so that the same may be inspected.

(5) That the operator shall immediately notify the supervisor of the Division's Artesia district office of the failure of the tubing, casing, or packer, in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

(6) That the applicant shall submit monthly reports of its disposal operations in accordance with Rules 702, 703, 704, 705, 706, 708, and 1120 of the Division Rules and Regulations.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

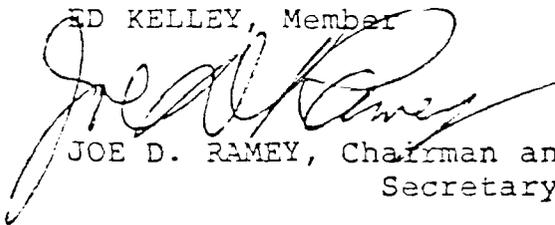
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and
Secretary

S E A L

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 8739
Order No. R-8139

APPLICATION OF CHAMA PETROLEUM
COMPANY TO RESCIND DIVISION ORDER
NO. R-7637, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 7, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of February, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Chama Petroleum Company (Chama), seeks to rescind Division Order No. R-7637 which authorizes the disposal of produced water into the "C" and "D" zones of the Cisco Canyon formation through the Dagger Draw Salt Water Disposal Well located 1495 feet from the North line and 225 feet from the West line of Section 22, Township 19 South, Range 25 East, NMPM, Undesignated North Dagger Draw-Upper Pennsylvanian Pool, in which Anadarko Production Company (Anadarko) is the operator.

(3) Anadarko drilled, completed, and is disposing of produced water into said disposal well in accordance with Division Order No. R-7637.

Anadarko

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(4) Chama presented evidence attempting to show that the subject disposal zone was capable of commercial production of oil within and in proximity to said disposal well, arguing that continued injection would result in waste and violation of Chama's correlative rights.

(5) Anadarko presented substantial engineering and geological evidence, which demonstrated that the "C" and "D" disposal zones in the Cisco Canyon formation are not capable of commercial oil production within and within proximity to the NW/4 of Section 22, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(6) The continued use of the subject disposal well is in accordance with Order No. R-7637 and will not constitute waste or impair correlative rights.

(7) Anadarko has acted as a prudent operator in its drilling, completion and operation of the subject disposal well.

(8) Division Order No. R-7637 should remain in full force and effect and the application of Chama should therefore be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Chama Petroleum Company to rescind Division Order No. R-7637 is hereby denied.

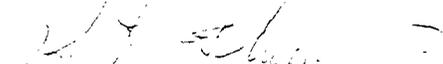
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS, Chairman and
Secretary

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NEARBURG ROSS RANCH 22 #2

NET PAY > 4% = 22 FT.

DEPTH	Sw	BWW	Rw	Rt	% PHI
7654	52.70%	0.021	0.4	900	4.00%
7655	48.19%	0.020	0.4	1000	4.15%
7656	33.45%	0.019	0.4	1100	5.70%
7657	38.14%	0.019	0.4	1100	5.00%
7698	63.25%	0.032	0.4	400	5.00%
7699	42.96%	0.037	0.4	300	8.50%
7700	47.06%	0.040	0.4	250	8.50%
7701	63.89%	0.045	0.4	200	7.00%
7702	65.55%	0.046	0.4	190	7.00%
7703	56.18%	0.037	0.4	300	6.50%
7704	44.68%	0.024	0.4	700	5.35%
7705	26.31%	0.022	0.4	800	8.50%
7706	20.05%	0.018	0.4	1300	8.75%
7707	17.82%	0.011	0.4	3500	6.00%
7708	23.57%	0.012	0.4	3000	4.90%
7709	29.88%	0.012	0.4	2800	4.00%
7717	30.24%	0.016	0.4	1500	5.40%
7718	33.41%	0.018	0.4	1300	5.25%
7725	23.09%	0.012	0.4	3000	5.00%
7730	21.76%	0.014	0.4	2000	6.50%
7731	21.95%	0.017	0.4	1400	7.70%
7732	<u>25.71%</u> 37.72%	0.014	0.4	2000	<u>5.50%</u> 6.10%

Anadarko

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COMPANY: NEARBURG PRODUCING COMPANY

WELL: ROSS RANCH 22 #2

FIELD: NORTH DAGGER DRAW

COUNTY: EDDY

STATE: NEW MEXICO

Work Log

Schlumberger

COMPENSATED NEUTRON
LITHO-DENSITY
GAMMA RAY

(1111) 7694

3 DRAW

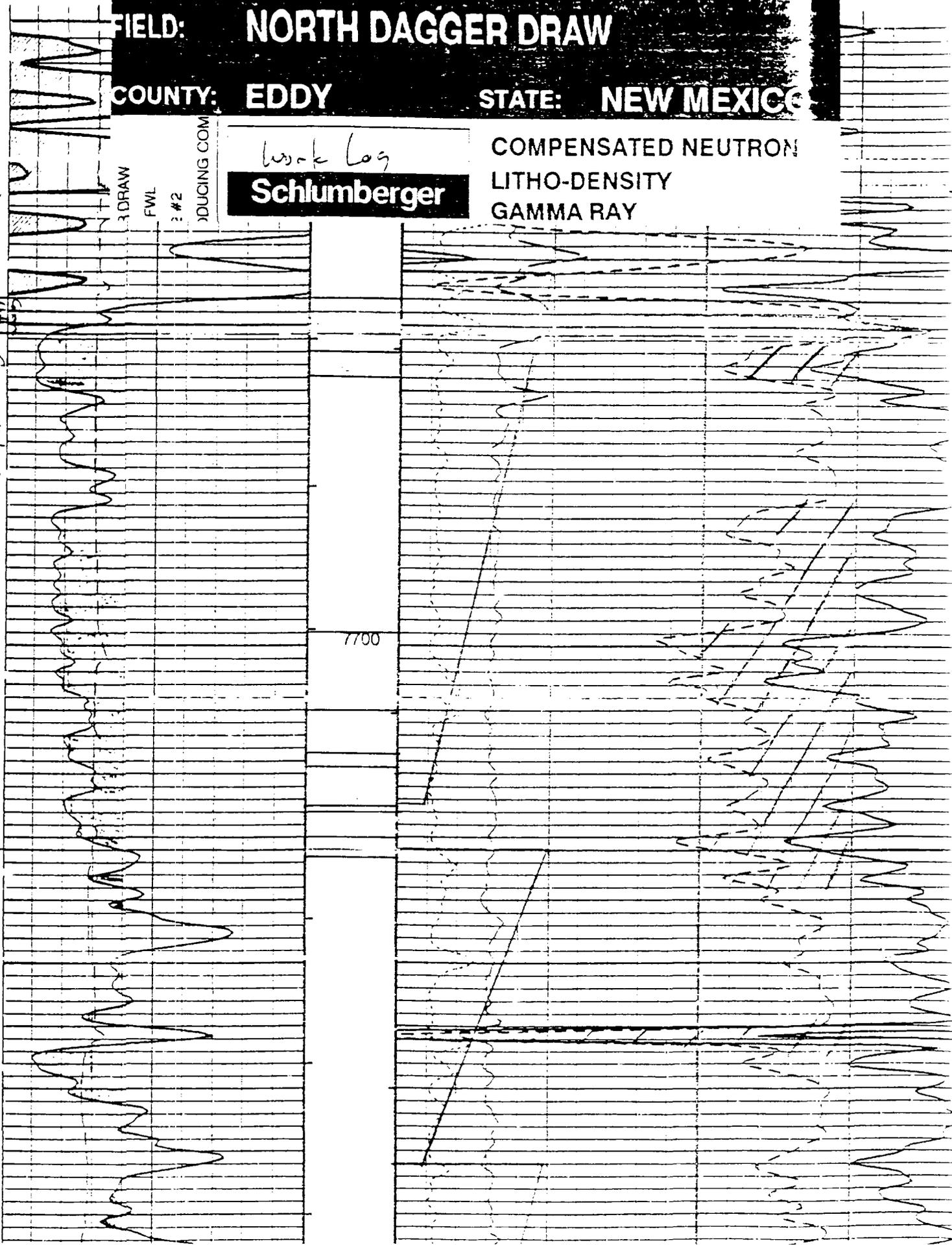
FWL

3 #2

PRODUCING COM

68755 Ag boat

7700



Aug-30-1995

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Petroleum Information's Production Data on CD-ROM

5 of 21

Southeast New Mexico - February 1995

Entity Yearly Production Report - Reflown Tobin

=====

Entity	: B & B (008373)	Product:	CRUDE
Field	: DAGGER DRAW NORTH (15030)	Start	: 199212
Reservoir:	PENNSYLVANIAN UPPER (444)	Stop	: 199212
Operator	: NEARBURG PRODUCING COMPANY (23925)	Status	: INACTIVE
Location	: S22 T19S R25E G EDDY	Dist	: ARTESIA
Basin	: PERMIAN (430)	Well#	: 1
Zone	: PENNSYLVANIAN UPPER (406PSLVU)	Lat	: 32.64806
API	: 30015224660000	Lng	: 104.46992

Yearly Production

=====

Year	Year To Date			Opening Cumulatives		
	Gas	Liquid	Water	Gas	Liquid	Water
92	580	237	27718	0	0	0
93	0	0	0	580	237	27718
94	0	0	0	580	237	27718

Madako 6A
 11358

Aug-30-1995

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Petroleum Information's Production Data on CD-ROM

6 of 21

Southeast New Mexico - February 1995

Entity Yearly Production Report - Reflown Tobin

=====

Entity	: SOUTH BOYD (008420)	Product:	CRUDE
Field	: DAGGER DRAW EAST (15040)	Start	: 199204
Reservoir:	PENNSYLVANIAN UPPER (444)	Stop	: 199211
Operator	: NEARBURG PRODUCING COMPANY (23925)	Status	: INACTIVE
Location	: S27 T19S R25E F EDDY	Dist	: ARTESIA
Basin	: PERMIAN (430)	Well#	: 1
Zone	: PENNSYLVANIAN UPPER (406PSLVU)	Lat	: 32.63333
API	: 30015245680000	Lng	: 104.47427

Yearly Production

=====

Year	Year To Date			Opening Cumulatives		
	Gas	Liquid	Water	Gas	Liquid	Water
92	4153	5549	319180	0	0	0
93	0	0	0	4153	5549	319180
94	0	0	0	4153	5549	319180

Anadarko *6B*

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ANADARKO DAGGER DRAW SWD #1

NET PAY > 4% = 32 FT.

DEPTH	Sw	BVW	Rw	Rt	PHI
7652	26.08%	0.013	0.4	2500	4.85%
7653	19.42%	0.009	0.4	4700	4.75%
7677	36.29%	0.025	0.4	620	7.00%
7678	36.77%	0.030	0.4	440	8.20%
7679	36.37%	0.026	0.4	600	7.10%
7680	37.35%	0.024	0.4	700	6.40%
7681	39.84%	0.024	0.4	700	6.00%
7682	38.83%	0.026	0.4	600	6.65%
7683	36.44%	0.027	0.4	550	7.40%
7684	36.11%	0.026	0.4	600	7.15%
7685	38.77%	0.025	0.4	630	6.50%
7686	37.65%	0.021	0.4	900	5.60%
7687	23.31%	0.009	0.4	4600	4.00%
7696	43.46%	0.024	0.4	700	5.50%
7697	35.96%	0.027	0.4	550	7.50%
7698	40.41%	0.028	0.4	500	7.00%
7699	35.78%	0.022	0.4	800	6.25%
7700	39.84%	0.024	0.4	700	6.00%
7701	37.27%	0.022	0.4	800	6.00%
7707	23.42%	0.011	0.4	3600	4.50%
7708	23.54%	0.011	0.4	3200	4.75%
7709	24.31%	0.012	0.4	3000	4.75%
7710	28.75%	0.016	0.4	1600	5.50%
7726	24.10%	0.011	0.4	3400	4.50%
7727	26.25%	0.012	0.4	2600	4.73%
7728	25.30%	0.013	0.4	2500	5.00%
7729	40.66%	0.022	0.4	800	5.50%
7730	24.20%	0.011	0.4	3300	4.55%
7731	26.94%	0.014	0.4	2000	5.25%
7732	36.89%	0.026	0.4	600	7.00%
7733	43.03%	0.026	0.4	600	6.00%
7734	<u>21.95%</u>	0.010	0.4	4100	<u>4.50%</u>
	32.66%				5.82%

Anadarko

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WDS POSTED
Schlumberger

SIMULTANEOUS
COMPENSATED NEUTRON-
LITHO DENSITY

COMPANY ANADARKO PRODUCTION COMPANY

Tops & Parts

WELL DAGGER DRAW SWD #1

FIELD DAGGER DRAW N.

COUNTY EDDY STATE NEW MEXICO

EDDY, N. M.

DAGGER DRAW N.

DAGGER DRAW SWD #1

ANADARKO PROD. CO.

"A"

7700

"B"

