

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 17, 1998

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 1-99 and 2-99 are tentatively set for January 7, and January 21, 1999. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12092: Continued from December 3, 1998, Examiner Hearing.

Application of Corinne B. Grace d/b/a Grace Oil Company for compulsory pooling or, in the alternative for an order declaring Division Order No. R-4034 applicable, 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 2, Township 23 South, Range 26 East, and in the following manner: the S/2 thereby forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Carlsbad-Canyon Gas Pool, South Carlsbad-Strawn Gas Pool, South Carlsbad-Atoka Gas Pool, and South Carlsbad-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SE/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/o pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Happy Valley-Delaware Pool. These units are to be dedicated to the existing Humble Grace Com. Well No. 1 (API No. 30-015-20350) located 990 feet from the South line and 660 feet from the East line (Unit P) of Section 2. Also to be considered will be the costs of re-entering and the recompletion of this well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in the re-entry of this well. IN THE ALTERNATIVE, the applicant seeks an order from the Division that its Order No. R-4034, issued in Case No. 4398 and dated October 2, 1970 be declared applicable and relevant under the circumstances involving this well and in full force and effect. By Order No. R-4034, the Division pooled, in part, all mineral interests in the Strawn, Atoka, and Morrow formations underlying the S/2 of Section 2, in which the subject well was dedicated. This well is located south of Carlsbad, New Mexico approximately 1/4 mile east of U. S. Highway 62/180 between Derrick Street and Haston Road.

CASE 12097: Application of Merrion Oil Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 of Section 2, Township 26 North, Range 13 West, thereby forming a standard-acre gas spacing and proration unit for this pool. This unit is to dedicated to its proposed Shank Com Well No. 1 (API No. 30-045029516) to be drilled at a previously approved off-pattern unorthodox coal gas well location 1840 feet from the North and West lines (Unit F) of Section 2 (see Division Administrative Order NSL-4166, dated November 19, 1988). Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. This unit is located approximately 14 miles south of Farmington, New Mexico.

CASE 12014: Continued from November 19, 1998, Examiner Hearing.

Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 28, Township 19 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated North Pearl-Morrow Gas Pool. Said unit is to be dedicated to its Toro "28" State Com. Well No. 1, located at an orthodox location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 28. 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 the operator of the well, and a charge for risk involved in drilling the well. This unit is located approximately 11 miles west of Monument, New Mexico.

CASE 12098: Application of Cross Timbers Oil Company for an unorthodox gas well location and simultaneous dedication, San Juan County, New Mexico. Applicant seeks authorization to drill its Ute Mountain Tribal AJ Well No. 6 to test both the Ute Dome-Dakota Pool and the Morrison formation at an unorthodox gas well location for both intervals 450 feet from the South line and 500 feet from the West line (Unit M) of Section 1, Township 31 North, Range 14 West, as projected into the unsurveyed Ute Mountain Indian Reservation. The SW/4 of Section 1 is to be dedicated to this well to form a standard 160-acre, more or less, gas spacing and proration unit for both intervals. The applicant further seeks an exception to Division General Rule 104.D(3) to continuously and concurrently produce Ute Dome-Dakota Pool gas production from the above-described Ute Mountain Tribal "J" Well No. 6 and from its existing: (i) Ute Mountain Tribal "J" Well No. 1 (API No. 30-045-21011) located at an unorthodox gas well location (approved by Division Administrative Order NSL-575, dated September 22, 1972) 2460 feet from the South line and 1830 feet from the West line (Unit K) of Section 1; and (ii) Ute Mountain Tribal "J" Well No. 4 (API No. 30-045-21332) located at a standard gas well location 1850 feet from the South line and 1110 feet from the West line (Unit L) of Section 1 and for the simultaneous dedication of all three wells to the existing 160-acre gas spacing and proration unit comprising the SW/4 of Section 1. This unit is located approximately four miles west of La Plata, New Mexico.

CASE 12099: **Application of Cross Timbers Oil Company for an unorthodox gas well location and simultaneous dedication, San Juan County, New Mexico.** Applicant seeks authorization to drill its Ute Indians AA@ Well No. 27 to test both the Ute Dome-Dakota Pool and the Morrison formation at an unorthodox gas well location for both intervals 2600 feet from the South line and 1000 feet from the East line (Unit I) of Section 2, Township 31 North, Range 14 West, as projected into the unsurveyed Ute Mountain Indian Reservation. The SE/4 of Section 2 is to be dedicated to this well to form a standard 160-acre, more or less, gas spacing and proration unit for both intervals. The applicant further seeks an exception to Division General Rule 104.D(3) to continuously and concurrently produce Ute Dome-Dakota Pool gas production from the above-described Ute Indians "A" Well No. 27 and from its existing Ute Indians "A" Well No. 20 (API No. 30-045-24605) located at a standard gas well location 1580 feet from the South line and 1520 feet from the East line (Unit J) of Section 2 and for the simultaneous dedication of both wells to the existing 160-acre gas spacing and proration unit comprising the SE/4 of Section 2. This unit is located approximately five miles west of La Plata, New Mexico.

CASE 12100: **Application of Cross Timbers Oil Company for a non-standard subsurface gas well location/producing area and for simultaneous dedication, San Juan County, New Mexico.** Applicant, in accordance with Division General Rules 104.F and 111(C)2 and the special pool rules for the Ute Dome-Paradox Pool, as set forth in Division Order No. R-46, seeks approval for a non-standard subsurface gas well location/producing area to be applicable to the Ute Dome-Dakota Pool, within a standard 640-acre, more or less, gas spacing and proration unit comprising all of Section 2, Township 31 North, Range 14 West, as projected into the unsurveyed Ute Mountain Indian Reservation, which is approximately five miles west of La Plata, New Mexico. This 640-acre, more or less, unit is currently dedicated to the applicant's Ute Indians "A" Well No. 7 (API No. 30-045-11049), located 1650 feet from the North line and 1600 feet from the West line (Unit F) of Section 2 and is to be shut-in and abandoned subsequent to the approval of this application. As its replacement, the proposed Ute Indians "A" Well No. 26 is to be drilled from a surface location 570 feet from the South line and 1045 feet from the East line (Unit P) of Section 2 to a bottomhole location within the Paradox interval that is no closer than: (i) 1650 feet to the West and North lines of Section 2; (ii) 850 feet to the South line of said Section 2; nor, (iii) 1450 feet to the East line of Section 2. Further, this well is also to be completed in the Ute Dome-Dakota Pool at a standard subsurface gas well location on an existing 160-acre gas spacing and proration unit that comprises the SE/4 of Section 2 as a second infill gas well to the applicant's: (i) Ute Indians "A" Well No. 20 (API No. 30-045-24605), located at a standard gas well location 1580 feet from the South line and 1520 feet from the East line (Unit J) of Section 2; and (ii) proposed Ute Indians "A" Well No. 27 to be drilled at an unorthodox gas well location 1580 feet from the South line and 1520 feet from the East line (Unit J) of Section 2. The applicant therefore seeks an exception to Division Rule 104.D(3) in order to continuously and concurrently produce Dakota production from all three wells and to simultaneously dedicate all three wells to this 160-acre unit.

CASE 12061: **Continued from December 3, 1998, Examiner Hearing.**

Application of Devon Energy Corporation (Nevada) for lease commingling, Eddy County, New Mexico. Applicant seeks an exception to Division Rule 309 to permit lease commingling of Red Lake Queen-Grayburg-San Andres Pool, Glorieta formation, and Yeso formation production from 12 wells to be drilled on Federal Leases LC 061783-A and LC 061783-B, collectively covering the W/2 SW/4 of Section 3, and the SE/4 of Section 4, Township 18 South, Range 27 East, without separately metering production from each well or lease. The leases are located approximately 9 miles southeast of Artesia, New Mexico. IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

CASE 12101: **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations underlying the N/2, for all formations developed on 320-acre spacing in Section 7, Township 19 South, Range 31 East. The unit is to be dedicated to its Red Cloud #7" Fed. Com. Well No. 1 to be drilled as a wildcat well to test the Morrow formation at a standard location 660 feet from the North line and 1980 feet from the West line of Section 7. 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 the operator of the well and a charge for risk involved in drilling the well. This area is located approximately 11 miles northwest of Halfway, New Mexico.

CASE 12102: **Application of Chevron U.S.A., Inc. for surface commingling, Lea County, New Mexico.** Applicant seeks an exception to Division Rule 303-A and 309-A to permit surface commingling of Monument-Abo and North Monument-Abo Pool production from the following State Leases: E-7419, B-10268, B-230, E-7572, B-243, B-1585, B-10233, B-10164, E-7355, covering parts of Sections 1, 12, 13, 14, 23, Township 19 South, Range 36 East. Said leases are approximately 5 miles southwest of Hobbs, New Mexico.

CASE 12103: **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation, underlying the SE/4 SE/4 (Unit P) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Teas Yates-Seven Rivers Pool and Undesignated West Teas Yates-Seven Rivers Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 applicant as the operator of the well and a charge for risk involved in drilling and completing said well. The proposed 40-acre unit is located approximately one mile north of U. S. Highway 62/180 at mile marker No. 77.