

Examiner Hearing – June 1, 2000

Docket No. 15-00

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CASE 12112: (Reopened)

Application of GP II Energy, Inc. for Approval of a Waterflood Project and Qualification of the Project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Eddy County, New Mexico. Applicant seeks approval of its Square Lake Unit Waterflood Project by injection of water into the Grayburg and San Andres formations through 23 injection wells located in the following described area:

Township 16 South, Range 30 East, NMPM

Section 25: E/2

Section 36: N/2

Township 16 South, Range 31 East, NMPM

Section 19: S/2

Section 20: S/2

Section 27: SW/4, S/2 NW/4, NW/4 NW/4,
S/2 SE/4, NW/4 SE/4, SW/4 NE/4

Sections 28 through 34: All

Applicant requests that the Division establish procedures for administrative approval of additional injection wells within the unit area without the necessity of further hearings and the adoption of any provisions necessary for such other matters as may be appropriate for waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). This area is located approximately 5 miles northeast of Loco Hills, New Mexico.

CASE 12417: **Application of Saga Petroleum, L.L.C. for statutory unitization, Lea County, New Mexico.** Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interests in the Devonian formation, Crossroads Siluro-Devonian Pool, underlying 800 acres, more or less, of fee lands in the following acreage:

Township 9 South, Range 36 East, N.M.P.M.

Section 27: N/2, SE/4

Section 34: E/2

The unit is to be designated the Crossroads Siluro-Devonian Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation 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 investment, to each of the various 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 for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any non-consenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. The unit area is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12418: **Application of Saga Petroleum, L.L.C. for approval of a waterflood project for its Crossroads Siluro-Devonian Unit Area and qualification of said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.** Applicant seeks approval of its Crossroads Siluro-Devonian Unit Waterflood Project for injection of water into the Devonian formation, Crossroads Siluro-Devonian Pool, through four injection wells located in the following described area:

Township 9 South, Range 36 East, N.M.P.M.

Section 27: N/2, SE/4

Section 34: E/2

The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within the project area without the necessity of further hearings and the adoption of such other provisions as are necessary for said waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The unit is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12419: **Application of Marathon Oil Company for amendment of surface commingling Division Order R-11112-A, Eddy County, New Mexico.** Applicant seeks to amend Division Order R-11112-A to permit surface commingling of North Turkey Track-Morrow Gas and Travis-Upper Pennsylvanian Gas Pool production from the Jose Guerrero '34' State lease, S/2 of Section 34, Township 18 South, Range 28 East. The production will be metered on lease prior to being commingled at the Buchanan Central Tank Battery located in the NE/4 SE/4 of Section 33, Township 18 South, Range 28 East. Said lease is approximately 18 miles northeast of Carlsbad, New Mexico.

CASE 12420: **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests underlying the W/2 of Section 5, Township 17 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit or units for all formations and/or pools developed on 320-acre spacing within that vertical extent, including, but not limited to the Undesignated Crow Flats Morrow Gas Pool. The units are to be dedicated to applicant's proposed Dog Canyon 5 Fed. Com. Well No. 1 to be drilled at a standard location 660 feet from the South and West lines of Section 5. 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 Nearburg Producing Company, L.L.C. as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 2 miles northeast of Artesia, New Mexico.

CASE 12421: **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests underlying the E/2 of Section 19, Township 17 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit or units for all formations and/or pools developed on 320-acre spacing within that vertical extent, including, but not limited to the Undesignated Jennings Spring Wolfcamp Gas Pool, Undesignated Logan Draw Cisco Canyon Gas Pool, Undesignated Hart Draw Atoka Gas Pool, and the Undesignated Logan Draw Morrow Gas Pool. The units are to be dedicated to applicant's proposed Logan Draw 19 Fed. Com. Well No. 1 to be drilled at a standard location 810 feet from the South line and 740 feet from the East line of Section 19. 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 Nearburg Producing Company, L.L.C. as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 10 miles southeast of Artesia, New Mexico.

CASE 12382: **Continued from May 4, 2000, Examiner Hearing**

Application of Nearburg Exploration Company, L.L.C. 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 21, Township 19 South, Range 28 East, and in the following manner: (a) the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Undesignated South Millman-Atoka Gas Pool, Undesignated Winchester-Atoka Gas Pool, Undesignated South Millman-Morrow Gas Pool, Undesignated Winchester-Morrow Gas Pool, and Undesignated North Winchester-Morrow Gas Pool; (b) 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 (c) the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent which presently includes but is not necessarily limited to the East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool and the Undesignated North Winchester-Wolfcamp Pool. These units are to be dedicated to a single well to be drilled at a location considered to be standard for all three units 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 21. 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 Nearburg Producing Company as the operator of the well and the three above-described units, and a charge for risk involved in drilling the well. Further, the East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool underlying the SW/4 SE/4 of Section 21 is currently dedicated to C.F.M. Oil Company's Monsanto State Well No. 1 (API No. 30-015-24252), located at a standard oil well location 986 feet from the South line and 1650 feet from the East line (Unit O) of Section 21. At the time of the hearing it will be necessary for the applicant to address certain issues created by the forced pooling of producing acreage currently operated by another operator. The proposed well location is approximately eleven miles east of Lakewood, New Mexico.

CASE 12422: **Application of Pogo Producing Company for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying Lots 1, 2, S/2 NE/4 and SE/4 (the E/2 equivalent) of Section 6, Township 18 South, Range 31 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated North Shugart-Morrow Gas Pool. The unit is to be dedicated to applicant's Shugart "6" Com. Well No. 1, to be drilled from a surface location 990 feet from the South line and 660 feet from the East line of Section 6 to a bottom hole location 660 feet from the South and East lines of Section 6. 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 charge for the risk involved in drilling and completing the well. The unit is located approximately 5½ miles southeast of Loco Hills, New Mexico.

CASE 12406: **Continued from May 4, 2000, Examiner Hearing.**

Application of Pogo Producing company for approval of permits to drill four wells within the potash area, as defined by Division Order No. R-111-P, Eddy County, New Mexico. Applicant seeks approval of permits to drill four wells in the S/2 S/2 of Section 35, Township 21 South, Range 31 East, to a depth sufficient to test the Undesignated Lost Tank-Delaware Pool. The proposed wells are within the potash area, as defined by Division Order No. R-111-P. The acreage is located approximately 28 miles east-northeast of Carlsbad, New Mexico.