

***Examiner Hearing – August 19, 1999***

***Docket No. 26-99***

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**CASE 12204:**      **Continued from August 5, 1999, Examiner Hearing.**

**Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SW/4 SE/4 of Section 3, Township 20 South, Range 33 East, forming a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Teas Yates-Seven Rivers Pool. The unit is to be dedicated to the Python Federal Well No. 2, to be drilled at an orthodox oil well location 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 3. 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 operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 5 miles northeast of the intersection of State Highway 176 and U.S. Highway 62/180.

**CASE 12205:**      **Continued from August 5, 1999, Examiner Hearing.**

**Application of Nearburg Exploration Company, L.L.C. 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 following described acreage in Section 3, Township 20 South, Range 33 East, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated East Gem-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the NW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Teas Yates-Seven Rivers Pool. These units are to be dedicated to applicant's Viper 3 Fed. Well No. 2, located 1650 feet from the South line and 1980 feet from the East line (Unit J) of Section 3. 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 operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 4.5 miles northeast of Loco Hills, New Mexico.

**CASE 12103:**      **Continued from August 5, 1999, Examiner Hearing.**

**Application of Nearburg Exploration Company, L.L.C. and E.G.L. Resources, Inc. to reopen Case No. 12103 and for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order reopening Case No. 12103 and pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SE/4 SE/4 of Section 3, Township 20 South, Range 33 East, to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Teas-Yates-Seven Rivers Pool. The unit is to be dedicated to a well to be drilled at an orthodox oil well location in the SE/4 SE/4 (Unit P) of Section 3. 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 operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 5.5 miles northeast of the intersection of State Highway 176 and U.S. Highway 62/180.

**CASE 12232:**      **Application of Elm Ridge Resources, Inc. for Acreage Rededication, the Formation of Two Non-Standard Gas Spacing and Proration Units, and an unorthodox Coal Gas Well Location, San Juan County, New Mexico.** Applicant seeks to rededicate acreage within the Basin-Fruitland Coal (Gas) Pool that is currently dedicated to its: (i) G. H. Callow Well No. 6 (**API No. 30-045-20733**), located at an unorthodox coal gas well location (approved by Division Administrative Order NSL-477-A, dated June 7, 1996) 2340 feet from the North line and 2420 feet from the East line (Unit G) of Section 28, Township 29 North, Range 13 West, from a standard stand-up 320-acre gas spacing and proration unit that comprises the E/2 of Section 28 to a standard lay-down 320-acre gas spacing and proration unit that comprises the N/2 of Section 28; and (ii) G. H. Callow Well No. 2 (**API No. 30-045-07740**), located at a standard coal gas well location 890 feet from the North line and 1750 feet from the East line (Unit B) of Section 33, Township 29 North, Range 13 West, from a standard lay-down 320-acre gas spacing and proration unit that comprises the N/2 of Section 33 to a non-standard 320-acre gas spacing and proration unit that comprises the SE/4 of Section 28 and the NE/4 of Section 33. Applicant further seeks to establish a second non-standard 320-acre gas spacing and proration unit within the Basin-Fruitland Coal (Gas) Pool that comprises the SW/4 of Section 28 and the NW/4 of Section 33, in which the coal gas production from the existing Callow Well No. 7 (**API No. 30-045-29520**), located at an off-pattern unorthodox coal gas well location 850 feet from the North line and 1780 feet from the West line (Unit C) is to be dedicated. This area is located 2 to 3 miles south of Farmington, New Mexico.

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**CASE 12233:**     **Application of Mewbourne Oil Company 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 18, Township 17 South, Range 29 East, and in the following manner: (a) Lots 2 and 3, the E/2 SW/4, and the SE/4 (S/2 equivalent) to form a standard 293.96-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 but is not necessarily limited to the Undesignated Empire-Atoka Gas Pool, Undesignated North Empire-Atoka Gas Pool, and South Empire-Morrow Gas Pool; and (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 this vertical extent. Both units are to be dedicated to a single well, the proposed Empire "18" State Com. Well No. 1 (API No. 30-015-30692), to be drilled 1650 feet from the South line and 990 feet from the East line (Unit 1) of Section 18. This location is considered standard for the 160-acre unit and has been approved as an unorthodox gas well location for the South Empire-Morrow Gas Pool by Division Administrative Order NSL-4319, dated June 28, 1999. 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. The proposed well location is approximately 7.5 miles west of Loco Hills, New Mexico.

**CASE 12222:**     **Continued from August 5, 1999, Examiner Hearing.**

**Application of Mewbourne Oil Company 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 E/2 of Section 18, Township 23 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the South Carlsbad-Canyon Gas Pool, Undesignated South Carlsbad-Strawn Gas Pool, South Carlsbad-Atoka Gas Pool, and South Carlsbad-Morrow Gas Pool. This unit is to be dedicated to applicant's Ranch Hand "18" Fed. Com. Well No. 1, located 1980 feet from the South line and 660 feet from the East line (Unit 1) of Section 18. 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 4 1/2 miles southwest of Otis, New Mexico.

**CASE 12086:**     **Consolidated – Continued from July 8, 1999, Examiner Hearing.**

**Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction and the escrow of production proceeds, Lea County, New Mexico.** Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

**CASE 12086:**     **Consolidated - Continued from July 8, 1999, Examiner Hearing.**

**Application of Energen Resources Corporation for allowable reduction and the escrow of production proceeds, Lea County, New Mexico.** Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington-Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities; (2) providing for termination of the reduced depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission; and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, and Snyder "C" Well No. 4, and the Snyder "EC" Com Well No. 1, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.