

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

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

CASE NO. 12,337

APPLICATION OF YATES PETROLEUM)
 CORPORATION FOR AN UNORTHODOX WELL)
 LOCATION, CHAVES COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

CO FEB 17 AM 9:01

OIL CONSERVATION DIV

February 3rd, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 3rd, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

February 3rd, 2000
Examiner Hearing
CASE NO. 12,337

PAGE

REPORTER'S CERTIFICATE

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

LYN S. HEBERT
Legal Counsel to the Division
Energy, Minerals and Natural Resources Department
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:01 a.m.:

3 EXAMINER CATANACH: Okay, at this time we'll call
4 Case 12,337

5 MS. HEBERT: Application of Yates Petroleum
6 Corporation for an unorthodox well location, Chaves County,
7 New Mexico.

8 EXAMINER CATANACH: Call for appearances in this
9 case.

10 MR. CARR: May it please the Examiner, my name is
11 William F. Carr with the Santa Fe law firm Campbell, Carr,
12 Berge and Sheridan. We represent Yates Petroleum
13 Corporation in this matter.

14 As the Examiner is aware, Yates initially planned
15 to seek approval of this unorthodox location with an
16 administrative application, but after discussing the matter
17 with the Division, we concluded that it would be
18 appropriate to file it, have the case set for hearing, we
19 requested that it be docketed so that in the absence of
20 objection the case could be taken under advisement, and
21 that's how the case has been styled.

22 As you're aware, the proposed location is in the
23 middle of the Roswell Gun Club's pistol and rifle range,
24 and it is also -- and we're anxious to drill this quickly,
25 because the pistol and rifle range is closed through

1 February of this year, and we think it would be safer to do
2 that before the 1st of March, we're prepared to do that.

3 The well is only encroaching on an interior
4 quarter-quarter section line. There are no affected
5 persons as that term is defined by the rules of the
6 Division to whom notice of the Application should be -- to
7 whom notice needs to be provided.

8 We also have submitted by affidavit the
9 supporting information displaying the necessity for the
10 location and why it cannot economically be directionally
11 drilled.

12 And so based on the affidavit and the information
13 filed therewith, we would request that the case be taken
14 under advisement, and we would ask that the order be
15 expedited.

16 And that concludes my presentation.

17 EXAMINER CATANACH: Is there anything further in
18 this case?

19 There being nothing further, this case, 12,337,
20 will be taken under advisement.

21 (Thereupon, these proceedings were concluded at
22 9:02 a.m.)

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 12337.
heard by me on February 3 192000.

25 David R. Catanach, Examiner

Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317

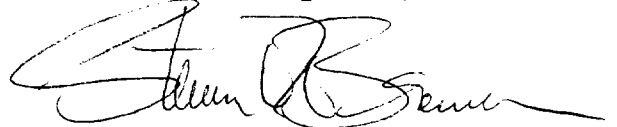
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL February 5th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

CASE 12313: (Reopened)

Application of David H. Arrington Oil & Gas, Inc. for Compulsory Pooling, Directional Drilling of a Horizontal Well and a Non-Standard Spacing Unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Northeast Lovington-Pennsylvanian Pool, underlying the following described acreage in Section 10, Township 16 South, Range 37 East in the following manner: (a) the NW/4 SW/4 for any formations and/or pools developed on 40-acre spacing and (b) the SW/4 to form a 160-acre Project Area, as defined by Division Rule 111.A(7), by combining two standard 80-acre oil spacing and proration units in order to accommodate a horizontally drilled wellbore. The applicant proposes to vertically drill its H & L Variance "10" Well No. 1 at a surface location 2130 feet from the South line and 330 feet from the West line (Unit L) of Section 10 to an approximate depth of 11,600 feet, kick-off, and then drill horizontally in an easterly direction a lateral distance of 1400 feet through the Strawn formation. The applicable drilling window or producing area [See Division Rule 111.A(7)] for the proposed wellbore is to be standard for any 40-acre unit and 80-acre units per the outer setback requirements for 80-acre units in the subject pool. Also to be considered will be the cost of drilling and completing this wellbore 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 the well. The location of the proposed well is approximately six miles east of Lovington, New Mexico.

CASE 12320: Continued from January 6, 2000, Examiner Hearing.

Application of Chevron U.S.A. Production Co. for Approval to convert the EMSU Wells No. 210, 212, 222, 252 and 258 to Injection in the Eunice Monument South Unit, Lea County, New Mexico. Applicant seeks approval to convert its EMSU Wells No. 210, 212, 222, 252 and 258 to injection in the Eunice Monument South Unit (EMSU). These wells are designed to improve recovery efficiency of the waterflood patterns and enhance production of the EMSU secondary recovery project. The wells are located in the following locations: No. 210 - Section 4, Unit K, Township 21 South, Range 36 East; No. 252 - Section 5, Unit I, Township 21 South, Range 36 East; No. 222 - Section 6, Unit O, Township 21 South, Range 36 East; No. 252 - Section 6, Unit W, Township 21 South, Range 36 East; No. 258 - Section 4, Unit U, Township 21 South, Range 36 East. Water will be injected into the unitized interval of the Eunice Monument Grayburg-San Andres Pool which has an upper limit of 100 feet below mean sea level or the top of the Grayburg formation, whichever is higher, to a lower limit of the base of the San Andres formation. Injection will occur at an expected maximum pressure rate of 1500 barrels of water per day and an expected maximum pressure of 750 pounds per square inch. This area is approximately one mile west-southwest of Oil Center, New Mexico.

CASE 12336: Application of Yates Petroleum Corporation for approval of a Unit Agreement, Lea New Mexico. Applicant seeks approval of the Shinnery State Unit for an area comprising 2360 acres of State lands in Section 32, Township 9 South, Range 34 East, and Sections 4, 5, 8 and 9, Township 10 South, Range 34 East, which is located approximately 5 miles southwest of Crossroads, New Mexico.

CASE 12337: Application of Yates Petroleum Corporation for an Unorthodox Well Location, Chaves County, New Mexico. Applicant seeks authorization to drills its Harvest "ABR" State Well No. 2 to the Abo formation, Pecos Slope-Abo Gas Pool, at an unorthodox well location 660 feet from the North line and 2139 feet from the West line of Section 36, Township 9 South, Range 24 East. The NW/4 of Section 36 is to be dedicated to the well. The unit is located approximately 6 miles north-northwest of Roswell, New Mexico. *In The Absence of Objection, This Application Will Be Taken Under Advisement.*

CASE 12338: Application of Yates Drilling 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, Undesignated Empire-Pennsylvanian Pool, underlying the following described acreage in Section 15, Township 17 South, Range 28 East in the following manner: (a) the W/2 for any formations and/or pools developed on 320-acre spacing, (b) the NW/4 for any formations and/or pools developed on 160-acre spacing, (c) the N/2 NW/4 for any formations and/or pools developed on 80-acre spacing, and (d) the NW/4 NW/4 for any formations and/or pools developed on 40-acre spacing. These units are to be dedicated to its Spurck "15" State Corn Well No. 1 to be drilled at a standard location 660 feet from the North and West lines (Unit D) of Section 15. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. The area is located approximately 11 miles west of Loco Hills, New Mexico.

CASE 12319: Continued from January 20, 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 in the following manner: the N/2 for all formations/pools developed on 320-acre spacing including the Logan Draw Morrow Gas Pool, the NE/4 for all formations/pools developed on 160-acre spacing, the S/2 NE/4 for all formations/pools developed on 80-acre spacing, and the SE/4 NE/4 for all formations/pools developed on 40-acre spacing, all in Section 30, Township 17 South, Range 27 East. Applicant proposes to dedicate these pooled units to a well to be drilled at a standard gas well location in the SE/4 NE/4 of Section 30. Also to be considered will be the cost of drilling and completing the well and the 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 area is located approximately 4 miles southeast of Artesia, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - FEBRUARY 3, 2000

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos. 5-00 and 6-00 are tentatively set for February 17 and March 2, 2000. 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 12287: Continued from January 6, 2000, Examiner Hearing. This case will be dismissed.

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 7, Township 22 South, Range 26 East, in the following manner: the W/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 Hackberry Hills-Canyon Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, Undesignated Hackberry Hills-Atoka Gas Pool, and Happy Valley-Morrow Gas Pool; the SW/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 NE/4 SW/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 Filaree Dome-Delaware Pool and Undesignated Happy Valley-Bone Spring Pool. The units are to be dedicated to its White Tip "7" Fed. Well No. 2 to be located 1500 feet from the South line and 1980 feet from the East line (Unit K) 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 Nearburg Producing Company as the operator of the well, and a charge for risk involved in drilling and completing the well. These units are located approximately 6.5 miles west-southwest of Carlsbad, New Mexico.

CASE 12257: Continued from January 20, 2000, Examiner Hearing.

Application of E.G.L. Resources, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Yates formation underlying the NW/4 of Section 23, Township 20 South, Range 28 East 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, including the Russell-Lower Yates Gas Pool. This unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 and completing the well. The unit is located approximately 11 miles north-northeast of Carlsbad, New Mexico.

CASE 12308: Continued from January 20, 2000, Examiner Hearing.

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 Cisco Canyon formation underlying the following described acreage in Section 18, Township 20 South, Range 25 East, in the following manner: (a) Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) to form a standard 319.20-acre spacing and proration unit for any formations and/or pools developed on 320-acre spacing within this vertical extent, including the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool; and (b) 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 this vertical extent. Both units are to be dedicated to its plugged and abandoned W. W. Buchanan Osage Com. Well No. 1 (API No. 30-015-21451), located 1830 feet from the South line and 1980 feet from the East line (Unit J) of Section 18. Also to be considered will be the cost of re-entry, completing, and equipping the well 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 the re-entry of this wellbore. The units are located approximately 6 miles west-southwest of Seven Rivers, New Mexico.

CASE 12334: **Application of Manzano Oil Corporation for Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying Lots 12 and 13 of irregular Section 1, Township 16 South, Range 36 East to form a standard 80-acre oil spacing and proration unit for any formations and/or pools developed on 80 acre spacing within that vertical extent, including the Northeast Lovington-Pennsylvanian Pool. The unit is to be dedicated to its Cayuma Well No. 1-A, located at an unorthodox oil well location 3580 feet from the South line and 990 feet from the West line (Unit M) of Section 1. Also to be considered will be the cost of drilling and completing the well and the actual operating costs 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 unit is located approximately 2 miles northeast of Lovington, New Mexico.

CASE 12335: **Application of Penwell Energy, Inc. for an Unorthodox Well Location, Sandoval County, New Mexico.** Applicant seeks authorization to drill its Eagle Springs "8" Federal Well No. 1 as a wildcat well to the Entrada formation, at an unorthodox well location 263 feet from the North line and 2548 feet from the East line of Section 8, Township 19 North, Range 4 West. The NW/4 NE/4 of Section 8 is to be dedicated to the well. The unit is located approximately 7 miles north-northwest of Torreon, New Mexico.