



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
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Santa Fe, New Mexico 87505
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January 5, 2000

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12361

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Attorneys for Raptor Resources, Inc.

RE: Clarification of December 22, 1999 letter from Rand Carroll

Gentlemen:

Paragraph (i) of the above-referenced letter refers to Division actions regarding SDX and Raptor wells. This letter clarifies which wells and/or applications are affected by that letter and what actions will be taken by the Division.

Cases No. 12301, 12302, 12303 and 12304 will be continued to the March 16, 2000 docket, the docket after the docket at which the Division's application to review the Jalmat Special Pool Rules will be heard.

Hartman's objections/protests to Orders No. SD 99-14 and SD 99-15 will be set for **hearing as an application of Hartman for rescission of those orders. This application will also be set for hearing on March 16, 2000.**

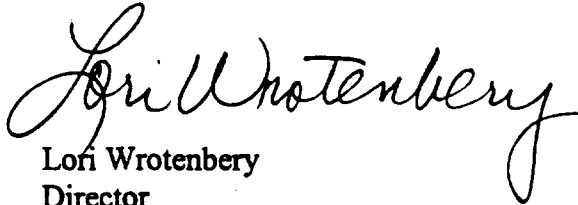
The NSL orders issued to Raptor in which notice should have been given to Hartman as an offset operator but was not are reopened pursuant to Rule 1207.D. and will also be set for hearing on March 16, 2000. Such NSL orders include Orders No. NSL 2872-C(SD), NSL 2723-D(SD), NSL 2723-E and NSL 2816-C(SD). Hartman must notify the Division of any additional NSL applications in this category.

No wells other than the wells that are the subject of the above-referenced cases and orders are affected by the December 22, 1999 letter.

Approvals for all Jalmat infill wells on a density of less than 160 acres per well have been held since December 23, 1999 and will continue to be held pending the March 2, 2000 hearing.

The Division trusts that the parties will actively participate at the Jalmat Pool operators meeting on January 25, 2000 at the OCD District Office in Hobbs and that an agreeable solution can be worked out regarding further development of the Jalmat Pool.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrotenbery". The signature is fluid and extends across the width of the text area.

Lori Wrotenbery
Director

c: Don Kane, Esq., Gorsuch & Kirgis LLP
Rand Carroll, OCD Legal Counsel
Michael E. Stogner, OCD Hearing Examiner
David Catanach, OCD Hearing Examiner
Mark Ashley, OCD Hearing Examiner
Chris Williams, OCD Hobbs District Supervisor

Examiner Hearing – March 16, 2000

Docket No. 08-00

Page 2 of 3

CASE 12329: Continued from March 2, 2000, Examiner Hearing.

Application of EOG Resources, Inc. for a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of a unit agreement for its proposed Red Hills North Unit Area containing 3478.30 acres, more or less, of Federal and State lands comprising all or portions of Sections 6, 7, 8, 17 and 18, Township 25 South, Range 34 East, and all or portions of Sections 1, 12 and 13, Township 25 South, Range 33 East. The unit area is located approximately 19 miles west by north of Jal, New Mexico.

CASE 12357: **Application of Clayton Williams Energy, Inc. for salt water disposal, Eddy County, New Mexico.** Applicant seeks approval to inject salt water produced as a result of hydrocarbon production into the plugged and abandoned New Mexico "EO" State Com Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 20, Township 17 South, Range 29 East, which is located approximately 6.2 miles west of Loco Hills, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12358: **Application of Marbob Energy Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Atoka and Morrow formations underlying the S/2 of Section 15, Township 17 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for both the South Shoe Barr-Atoka Gas Pool and the Undesignated North Vacuum-Atoka-Morrow Gas Pool. This unit is to be dedicated to the applicant's proposed Giles State Com. Well No. 1 (API No. 30-025-34939) to be drilled at a standard gas well location in the NE/4 SE/4 (Unit I) 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 operator of the well, and a charge for risk involved in drilling the well. The area is located approximately 9.5 miles southwest of Lovington, New Mexico.

CASE 12359: **Application of Marbob Energy Corporation for compulsory pooling, Eddy County, New Mexico** Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 16, Township 18 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 extend., including the Undesignated Red Lake-Pennsylvanian Gas Pool, Undesignated East Red Lake-Upper Pennsylvanian Gas Pool, Undesignated Scoggin Draw-Strawn Gas Pool, and Red Lake-Atoka-Morrow Gas Pool. This unit is to be dedicated to its proposed Scoggin Draw State "C" Com Well No. 2 (API No. 30-015-30966) to be drilled at a standard gas well in the NW/4 NE/4 (Unit B) of Section 16. The Red Lake-Atoka-Morrow Gas Pool underlying the E/2 of Section 16 is currently dedicated to Marbob Energy Corporation's Scoggin Draw State "C" Com. Well No. 1 (API No. 30-015-26223) located at a standard gas well location 1980 feet from the South and East lines (Unit J) of Section 16, which was the subject of a Division forced pooling order issued in 1989 (see Division Order No. R-9071.) Also to be considered will be the cost of drilling and completing the Scoggin Draw State "C" Com. Well No. 2 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 this well. This unit is located approximately six miles south of Riverside, New Mexico.

CASE 11826: Reopened

Application of Quay Valley, Inc. to reopen Case No. 11826 and for amendment of Division Order Nos. R-4629 and R-4629-A to authorize a tertiary recovery project by the injection of microemulsion in its North El Mar-Delaware Unit Waterflood Project Area, and to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval to institute a tertiary recovery project in its North El Mar Unit Waterflood Project Area by the injection of microemulsion into the Delaware formation in the El Mar-Delaware Pool. The El Mar-Delaware Unit Waterflood Project Area encompasses portions of Sections 24, 25, 26, 27, 34, 35, and 36 of Township 26 South, Range 32 East, and Sections 19, 30, and 31 of Township 26 South, Range 33 East. Applicant also seeks to increase the approved surface injection pressure for microemulsion injection in this project area to 1160 pounds. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act, NMSA 1978, Sections 7-29A-1 through 7-29A-5. The unit is located approximately 26 miles west-southwest of Jal, New Mexico.

CASE 12360: **Application of Doyle Hartman, Oil Operator for rescission and reconsideration of portions of Division Order No. R-9073, as amended, affecting lands in Townships 22 and 23 South, Range 36 East, Lea County, New Mexico.** Applicant seeks rescission and reconsideration of portions of Division Order No. R-9073, as amended, which affects lands and wells in the Jalmat Gas Pool. This area is centered approximately 10 miles northwest of Jal, New Mexico.

CASE 12361: **Application of Doyle Hartman, Oil Operator to limit the number of producing gas wells within an existing 120-acre non-standard gas spacing and proration unit in the Jalmat Gas Pool, Lea County, New Mexico.** Applicant seeks an order limiting the number of producing gas wells within an existing non-standard 120-acre gas spacing and proration unit within the Jalmat Gas Pool (approved by Division Administrative Order NSP-1087, dated March 13, 1978) comprising the W/2 NW/4 and SE/4 NW/4 of Section 32, Township 24 South, Range 37 East, which is located approximately four miles north of Jal, New Mexico. SDX Resources, Inc., as the designated operator of this unit, currently has the authority to simultaneously dedicate Jalmat gas production from the following three wells to this 120-acre unit: (i) the existing State "A-32" Well No. 4 (API No. 30-025-25845), located at an unorthodox gas well location 1780 feet from the North line and 1400 feet from the West line (Unit F) of Section 32; (ii) the existing State "A-32" Well No. 5 (API No. 30-025-34555), located at a standard gas well location 710 feet from the North line and 660 feet from the West line (Unit D) of Section 32; and (iii) the proposed State "A-32" Well No. 6 (API No. 30-025-34717), to be drilled at a standard gas well location 1880 feet from the North line and 760 feet from the West line (Unit E) of Section 32.

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 16, 2000

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 9-00 and 10-00 are tentatively set for April 6 and April 20, 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 12353: Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 of Section 10, Township 17 South, Range 35 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 the Undesignated South Shoe Bar-Atoka Gas Pool, the Undesignated South Shoe Bar-Morrow Gas Pool, and the Undesignated South Shoe Bar-Mississippian Gas Pool. The unit is to be dedicated to its South Shoe Bar "10" State Com. Well No. 4 to be drilled at an orthodox location in the NE/4 NW/4 of Section 10. 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 risk involved in drilling and completing the well. The unit is located approximately 8 1/2 miles southwest of Lovington, New Mexico.

CASE 12354: Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the S/2 of Section 25, Township 22 South, Range 34 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. The unit is to be dedicated to its Tin Cup "25" State Com. Well No. 1 to be drilled at an orthodox location in the SW/4 SW/4 of Section 25. 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 13 1/2 miles southwest of Oil Center, New Mexico.

CASE 12348: Continued from March 2, 2000, Examiner Hearing.

Application of David H. Arrington, Oil & Gas, Inc. for an Unorthodox Injection Well Location, approval of its Maytly "14" State Leasehold Pressure Maintenance Project, and to Qualify this Project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval of its gas injection pressure maintenance project within the Strawn formation of the North Shoe Bar-Strawn Pool to be located within the NE/4 of Section 14, Township 16 South, Range 35 East, to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act (Sections 7-29/A-1 through 7-29A-5, NMSA 1978). Applicant also seeks approval to drill its injection well at an unorthodox well location 535 feet from the North line and 2300 feet from the East line and of this section. This project is located approximately 4 miles southeast of Lovington, New Mexico.

CASE 12355: Application of Matador E & P Company to establish infill well procedures and to amend well location requirements for the Red Hills-Wolfcamp Gas Pool or, in the alternative, for simultaneous dedication, Lea County, New Mexico. Applicant seeks an order amending the Special Rules and Regulations of the Red Hills-Wolfcamp Gas Pool as follows: (a) amend Rule 2 to provide that a second well be drilled within a standard 640-acre spacing unit but on a governmental quarter section not containing a first well and (b) amend Rule 4 to conform the well location rules to Division Rule 104.C(2). In the alternative, applicant seeks the simultaneous dedication of the Red Hills Unit Well No. 2 located in Unit B and the Red Hills Unit Well No. 3 in Unit K of Section 5, Township 26 South, Range 33 East, to a standard 640-acre gas spacing unit consisting of this section. This pool is located approximately 21 1/2 miles west of Jal, New Mexico.

CASE 12356: Application of Phillips Petroleum Company for approval of six non-standard gas spacing and proration units and an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks the approval of six non-standard gas spacing and proration units within the 32-7 Unit to be dedicated to any production from the Pictured Cliffs formation of the South Pinos-Pictured Cliffs Gas Pool, the units to be configured from all or portions of Irregular Sections 4, 5, 6, and 7, Township 31 North, Range 7 West. These proposed units are made necessary as a result of variations in the legal subdivision of the United State Public Land Survey and are configured to be compatible with the non-standard gas spacing and proration units which have been approved for the Basin Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and the Basin-Fruitland Coal Gas Pool. In addition, the applicant seeks approval for the recompletion of the San Juan 32-7 Unit Well No. 18 from the Mesaverde formation to a Pictured Cliffs formation gas well at an unorthodox location 2225 feet from the South line and 400 feet from the East line of Irregular Section 5 to be dedicated to a standard 160-acre spacing unit consisting of the SE/4 of this section. These units are located approximately 6 miles south-southeast of the intersection of New Mexico State Highway 511 and the borders of the States of New Mexico and Colorado. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12336: Reopened

Application of Yates Petroleum Corporation approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Shinnery State Unit for an area comprising 2400 acres of State lands in Section 32, Township 9 South, Range 34 East, and Sections 5, 8 and 9, Township 10 South, Range 34 East, which is located approximately 5 miles southwest of Crossroads, New Mexico.