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



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MEMORANDUM

TO: INDUSTRY OPERATORS, PURCHASERS AND ALL INTERESTED PARTIES

FROM: WILLIAM J. LEMAY, Director *WJL*
Oil Conservation Division

SUBJECT: ANNUAL STATE OF THE INDUSTRY MEETING - MAY 8, 1992

DATE: APRIL 30, 1992

This year's New Mexico Oil and Gas Industry Meeting will be held in Morgan Hall, State Land Office Building, Santa Fe, New Mexico, on May 8, 1992, beginning at 9:00 a.m. Navajo Refining Company will be hosting a welcoming reception for everyone attending the State of Industry meeting. It will be held on Thursday night, May 7, 1992, from 6:30 p.m. to 8:00 p.m. at the La Fonda Hotel. Cocktails and hors d'oeuvres will be served. This year's program has excellent speakers covering a variety of critical industry issues. The agenda is as follows:

9:00 - 9:15	WELCOME AND OPENING REMARKS <i>William J. LeMay, Director, Oil Conservation Division</i> <i>Energy, Minerals and Natural Resources Department</i>
9:15 - 9:45	THE DOMESTIC CRUDE OIL OUTLOOK <i>Gary Althoff, Vice President</i> <i>Koch Oil Company</i>
9:45 - 10:15	INTERNATIONAL CRUDE OIL OUTLOOK <i>Richard K. Sell, Vice President</i> <i>Coastal States Trading, Inc.</i>

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- 10:15 - 10:30 COFFEE BREAK**
- 10:30 - 10:50 REGULATORY UPDATE**
Larry Van Ryan, Chief Engineer
Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 10:50 - 11:10 OUTLOOK FOR NEW MEXICO'S NATURAL GAS**
Ron Merrett, Director
Natural Gas Programs
Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 11:10 - 11:30 OIL FIELD ENVIRONMENTAL ISSUES FOR NEW MEXICO**
Roger Anderson
Environmental Bureau
Oil Conservation Division
Energy, Minerals and Natural Resources Department
- 11:30 - 11:50 NEW MEXICO'S STATE LANDS**
Jim Baca, State Land Commissioner
New Mexico State Land Office
- 11:50 - 12:00 CONCLUDING REMARKS**
William J. LeMay, Director
Oil Conservation Division
Energy, Minerals and Natural Resources Department

Dockets Nos. 16-92 and 17-92 are tentatively set for May 28, 1992 and June 11, 1992. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - MAY 14, 1992

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO**

The following cases will be heard before Michael E. Stogner, Examiner or David R. Catanach, Alternate Examiner:

CASE 10475: Application of Terra Energy Ltd., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the South Lone Wolf Unit Agreement for an area comprising 2120 acres, more or less, of Federal, State and Fee lands in portions of Township 13 South, Range 29 East, which is approximately 16 miles east by north of Hagerman, New Mexico.

CASE 10476: Application of Yates Petroleum Corporation for Amendment of Division Order No. R-2178, as amended, to include a carbon dioxide injection pilot project, two unorthodox injection well locations, and to rescind Division Order No. R-7821, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order No. R-2178, which order authorized the West Loco Hills Grayburg No. 4 Sand Unit Waterflood Project located in portions of Townships 17 and 18 South, Ranges 29 and 30 East, which is centered approximately 5.5 miles southwest of Loco Hills, New Mexico, to include the injection of carbon dioxide into the Loco Hills Queen-Grayburg-San Andres Pool in a portion of said waterflood project area. The applicant proposes to utilize two injection wells to be drilled at the following unorthodox locations in Section 7, Township 18 South, Range 30 East:

- a) Well No. 9: 1980'FNL- 40'FWL (Unit E); and,
- b) Well No. 10: 2455'FSL- 50'FWL (Unit L).

Further, the applicant seeks the rescission of its previous authorization to initiate a pilot carbon dioxide injection project in this area by Order No. R-7821, dated February 21, 1985.

CASE 10145: (Reopened)

In the matter of Case 10145 being reopened pursuant to the provisions of Division Order No. R-6368-B, which order promulgated a temporary gas-oil ratio limitation of 4,000 to 1 for the Avalon-Delaware Pool in Eddy County, New Mexico. Operators may appear and present evidence and show cause why the foregoing temporary gas-oil ratio limitation should remain in effect.

CASE 10308: (Reopened)

In the matter of Case 10308 being reopened pursuant to the provisions of Division Order No. R-9514, which order established temporary special pool rules and regulations for the South Lone Wolf-Devonian Pool in Chaves County, including a provision for 160-acre spacing units. Operators may appear and present evidence and show cause why the South Lone Wolf-Devonian Pool temporary rules promulgated herein should not be rescinded.

CASE 10457: (Continued from April 16, 1992, Examiner Hearing.)

Application of Union Oil Company of California D/B/A UNOCAL, for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special rules for the Red Hills-Pennsylvanian Gas Pool, including a provision for 640-acre spacing units and designated well location requirements. Said pool comprises Sections 31, 32 and 33, Township 25 South, Range 33 East and Sections 4, 5, and 6, Township 26 South, Range 33 East and is located approximately 23 miles west of Jal, New Mexico.

CASE 10323: (Continued from April 30, 1992, Examiner Hearing.)

Application of Collins & Ware, Inc. for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation or to a depth of 15,100 feet, whichever is deeper, underlying Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 31, Township 21 South, Range 32 East, forming a non-standard 334.72-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Red Tank-Atoka Gas Pool and Undesignated Bilbrey-Morrow Gas Pool. Said 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 said 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 said well. Said unit is located approximately 32.75 miles west of Eunice, New Mexico.

CASE 10459: (Readvertised)

Application of Bright & Company for a high angle/horizontal directional drilling pilot project, special operating rules therefor, and an exception to the pool's gas/oil ratio limitation factor, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Rio Puerco-Mancos Oil Pool by commencing its Cuba Mesa Unit Well No. 1 at a standard surface oil well location 730 feet from the South line and 1000 feet from the West line (Unit M) of Section 35, Township 21 North, Range 2 West, drill vertically to a depth of approximately 4000 feet, kick-off in a northerly direction, build angle up to approximately 88 degrees, drill horizontally for approximately 3000 feet, and bottom said wellbore at a location approximately 1250 feet from the North line and 660 feet from the West line of said Section 35. Said well is to be dedicated to the W/2 of said Section 35 forming a standard 320-acre oil spacing and proration unit for said pool. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including a special gas/oil ratio of 1,000 to 1. Applicant proposes to keep the horizontal displacement of said well's producing interval within the allowed 660 foot setback from the outer boundary of the assigned spacing unit. Said unit is located approximately 3.5 miles west by south of Cuba, New Mexico.

DOCKET 15-92

DOCKET: COMMISSION HEARING - THURSDAY - MAY 21, 1992
9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

The Land Commissioner's designees for this hearing will be Jami Bailey for Case 10436 and Gary Carlson for Cases 10446 through 10449

CASE 10436: (Continued from April 9, 1992, Commission Hearing.)

Application by the Oil Conservation Division for the expansion of the San Juan Basin "Vulnerable Area" which was established by OCC Order No. R-7940 in 1985. The expansion area includes all lands defined by a contour line which is fifty (50) vertical feet above and on both sides of the centerline of drainages into the San Juan, Animas and La Plata Rivers in San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico. The application also requests amendments to OCC Order R-7940 and Order R-7940-A to prohibit all discharges to unlined pits, to require the registration of all pits outside the defined "Vulnerable Area" that receive more than five barrels per day, to establish a special protection area at Lindrith, New Mexico and to provide a wellhead protection zone of 1000 feet surrounding all springs and fresh water wells.

CASE 10446: (De Novo)

Application of Yates Petroleum Corporation for authorization to drill, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill within the "Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well is to be located 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 2, Township 22 South, Range 31 East, to test the Delaware formation at an approximate depth of 8500 feet for oil. Lot 2 of said Section 2 is to be dedicated to said well forming a 39.81-acre oil spacing and proration unit for the Undesignated Lost Tank-Delaware Pool. Said unit is located approximately 11 miles east of IMC Inc.'s Potash Mining and Refining Facilities. Upon application of Yates Petroleum Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10447: (De Novo)

Application of Yates Petroleum Corporation for authorization to drill, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill within the "Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well is to be located 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 2, Township 22 South, Range 31 East, to test the Delaware formation at an approximate depth of 8500 feet for oil. The SW/4 NE/4 of said Section 2 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated Lost Tank-Delaware Pool. Said unit is located approximately 11 miles east of IMC Inc.'s Potash Mining and Refining Facilities. Upon application of Yates Petroleum Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10448: (De Novo)

Application of Yates Petroleum Corporation for authorization to drill, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill within the "Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well is to be located 660 feet from the South line and 2310 feet from the West line (Unit N) of Section 2, Township 22 South, Range 31 East, to test the Delaware formation at an approximate depth of 8500 feet for oil. The SE/4 SW/4 of said Section 2 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for either the Undesignated Lost Tank-Delaware Pool or the Undesignated Livingston Ridge-Delaware Pool. Said unit is located approximately 11 miles east of IMC Inc.'s Potash Mining and Refining Facilities. Upon application of New Mexico Potash Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10449: (De Novo)

Application of Yates Petroleum Corporation for authorization to drill, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill within the "Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well is to be located 1980 feet from the South line and 2310 feet from the West line (Unit K) of Section 2, Township 22 South, Range 31 East, to test the Delaware formation at an approximate depth of 8500 feet for oil. The NE/4 SW/4 of said Section 2 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated Lost Tank-Delaware Pool or the Undesignated Livingston Ridge-Delaware Pool. Said unit is located approximately 11 miles east of IMC Inc.'s Potash Mining and Refining Facilities. Upon application of New Mexico Potash Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.