



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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MEMORANDUM

TO: OIL OPERATORS AND INTERESTED PARTIES

FROM: WILLIAM J. LEMAY, Director 
Oil Conservation Division

**SUBJECT: PROPOSED RULES AND REGULATIONS FOR ENHANCED OIL
RECOVERY PROJECT CERTIFICATION FOR SEVERANCE TAX
RELIEF**

DATE: MAY 14, 1992

House Bill 23, commonly referred to as the "Enhanced Oil Recovery Act", was passed by the New Mexico Legislature this year and signed into law by Governor King. This legislation requires the Oil Conservation Division to establish rules and regulations to qualify certain projects for severance tax relief. In accordance with the implementation of this legislation, enclosed are proposed rules and procedures for your evaluation and comment. The Oil Conservation Commission will take testimony on rules and regulations to implement the Enhanced Oil Recovery Act at their June 18, 1992 hearing. We invite your participation in this rulemaking process.

Dockets Nos. 17-92 and 18-92 are tentatively set for June 11, 1992 and June 25, 1992. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - MAY 28, 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 David R. Catanach, Examiner or Michael E. Stogner, Alternate Examiner:

CASE 10477: Application of Mewbourne Oil Company for compulsory pooling, Eddy 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 underlying the following described area in Section 26, Township 19 South, Range 27 East, and in the following manner: the N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated McMillan-Atoka Gas Pool, Undesignated Angell Ranch Atoka-Morrow Gas Pool, Undesignated North McMillan-Morrow Gas Pool and Undesignated South Millman-Morrow Gas Pool; the NE/4 forming a 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent; and, the NE/4 NE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Millman-Grayburg Pool. Said units are to be dedicated to a single well to be drilled in the NE/4 NE/4 (Unit A) of said Section 26. 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 area is located approximately 7 miles east of Lakewood, New Mexico.

CASE 10478: Application of Merrion Oil and Gas Corporation for pool creation and temporary special pool rules, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Fractured Mancos Shale formation comprising all of Townships 18 and 19 North, Range 3 West, and the promulgation of temporary special rules therefor including provisions for 640-acre oil spacing, designated well locations, and special allowables. Said area is centered approximately 18 miles south-southwest of Cuba, New Mexico.

CASE 10479: Application of Bird Creek Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 NE/4 (Unit B) of Section 22, Township 23 South, Range 28 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent which presently includes but is not necessarily limited to the East Loving-Delaware Pool. Said unit is to be dedicated to a well to be drilled at a standard oil 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 area is located approximately 1.75 miles east-northeast of Loving, New Mexico.

CASE 10480: Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Lea-Wolfcamp Pool underlying the S/2 of Section 1, Township 20 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to the plugged and abandoned Amoco Production Company Selby Well No. 1 located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 1. Also to be considered will be the cost of re-entering and recompleting 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 re-entering and recompleting said well. Said well is located approximately 9 miles west by south of Monument, New Mexico.

CASE 10481: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, and special project oil allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Gallegos-Gallup Associated Pool underlying the N/2 of Section 29, Township 26 North, Range 10 West, which is considered a standard 320-acre gas spacing and proration unit for said pool but is an unorthodox oil proration unit, all pursuant to the special pool rules as promulgated by Division Order No. R-5353, as amended. The applicant proposes to re-enter its Huerfano Unit Well No. 218, located at a standard surface location 800 feet from the North line and 790 feet from the West line (Unit D) of said Section 29, kick-off from vertical in an easterly direction until an angle of approximately 90 degrees is achieved and continue drilling horizontally for approximately 1250 feet. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of said well's producing interval such that it can be no closer than 790 feet to the outer boundary of the aforementioned 320-acre spacing and proration unit and special allowable provisions are to be considered should said well be classified as an oil producer. Said unit is located approximately 5.5 miles northwest of the El Huerfano Trading Post on State Highway 44.

CASE 10482: **Application of Laguna Gatuna, Inc. for salt water disposal, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks authority to re-enter the Pan American Petroleum Corporation Little Eddy Unit Well No. 1 (plugged and abandoned July, 1966) located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 5, Township 20 South, Range 33 East, and utilize said wellbore to dispose of produced salt water into the Undesignated Gem-Bone Spring Pool through the perforated interval from approximately 9136 feet to 9188 feet, the Wolfcamp formation through the perforated interval from approximately 11,184 feet to 11,248 feet, and the Devonian formation through the openhole interval from 14,608 feet to 14,895 feet. Said well is located approximately 2 miles north of U.S. Highway 62/180 at mile marker No. 72.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
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**PROPOSED RULES AND PROCEDURES
FOR QUALIFICATIONS OF
ENHANCED OIL RECOVERY
PROJECTS AND CERTIFICATION FOR
THE RECOVERED OIL TAX RATE**

A. General

Applications for qualification of enhanced oil recovery projects or expansions of existing enhanced oil recovery projects for the recovered oil tax rate pursuant to the New Mexico "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5) shall be accepted by the Oil Conservation Division after March 6, 1992.

B. Applicability

These rules apply to:

1. enhanced oil recovery (EOR) projects;
2. expansions of existing EOR projects;
3. the expanded use of enhanced oil recovery technology in existing EOR projects;
and
4. the change from a secondary recovery project to a tertiary recovery project.

C. Definitions

1. "Crude oil" means oil and other liquid hydrocarbons removed from natural gas at or near the wellhead.
2. "Division" means the Oil Conservation Division of the Energy, Minerals and Natural Resources Department.

3. "Enhanced Oil Recovery (EOR) Project" means the use or the expanded use of any process for the displacement of crude oil from an oil well or pool classified by the Division other than a primary recovery process, including but not limited to the use of a pressure maintenance process, a waterflooding process, an immiscible, miscible, chemical, thermal or biological process or any other related process.
4. "Expansion or Expanded Use" means a significant change or modification as determined by the Oil Conservation Division in (a) the technology or process used for the displacement of crude oil from an oil well or pool classified by the Division; or (b) the expansion, extension or increase in size of the geologic area or adjacent geologic area that could reasonably be determined to represent a new or unique area of activity.
5. "Operator" means the person responsible for the actual physical operation of an enhanced recovery project.
6. "Positive Production Response" means that the rate of oil production from the wells or pools affected by an enhanced recovery project is greater than the rate that would have occurred without the project.
7. "Primary Recovery" means the displacement of crude oil from an oil well or pool classified by the Division into the well bore by means of the natural pressure of the oil well or pool, including but not limited to artificial lift.
8. "Recovered Oil Tax Rate" means the tax rate, as set forth in Paragraph (3) of Subsection A of Section 7-29-4 NMSA 1978, on crude oil produced from an enhanced recovery project.
9. "Secondary Recovery Project" means an enhanced recovery project that: (a) occurs subsequent to primary recovery and is not a tertiary recovery project; (b) involves the application, in accordance with sound engineering principles of carbon dioxide miscible fluid displacement, pressure maintenance, waterflooding or any other secondary recovery method accepted and approved by the Division that can reasonably be expected to result in an increase, determined in light of all facts and circumstances, in the amount of crude oil that may ultimately be recovered; and (c) encompasses a pool or portion of a pool the boundaries of which can be adequately defined and controlled.
10. "Termination" means the discontinuance of an enhanced recovery project by the operator.

11. "Tertiary Recovery Project" means an enhanced recovery project that: (a) occurs subsequent to the completion of a secondary recovery project; (b) involves the application, in accordance with sound engineering principles, of carbon dioxide miscible fluid displacement, pressure maintenance, water flooding or any other tertiary recovery method accepted and approved by the Division that can reasonably be expected to result in an increase, determined in light of all facts and circumstances, in the amount of crude oil that may ultimately be recovered; and (c) encompasses a pool or portion of a pool the boundaries of which can be adequately defined and controlled.

D. Procedure

1. The Division's general rules of procedure shall apply to applications for qualifications of EOR projects unless altered or amended by these rules.
2. To be eligible for the recovered oil tax rate the operator must apply for and be granted Division approval of a new EOR project or the expansion of an existing EOR project prior to the commencement of actual injection of fluids into the reservoir, provided, however, no project or expansion approved by the Division prior to March 6, 1992 shall qualify for the recovered tax rate.
3. All applications for approval of EOR projects or the expansion of EOR projects shall be filed in triplicate with the Division at its Santa Fe office. One copy of the application and all attachments shall also be filed with the appropriate Division's district office.
4. All applications shall be executed and certified by the operator or its authorized representative having knowledge of the facts therein and shall contain:
 - a. Operators name and address;
 - b. Description of the project area including:
 - (1) a plat outlining the project area;
 - (2) description of the project area by section, township and range;
 - (3) total acres; and
 - (4) name of the subject pool and formation.

- c. Status of operations in the project area:
 - (1) if unitized, the name of the unit and the date and number of the Division Order approving the unit plan of operation;
 - (2) if an application for approval of a unit plan has been made, the date the application was filed with the Division; and
 - (3) if not unitized, identify each lease in the project area by lessor, lessee and legal description.
- d. Method of recovery to be used:
 - (1) identify fluids to be injected;
 - (2) if the Division has approved the project, provide the date and number of the Division Order; and
 - (3) if the project has not been approved by the Division, provide the date the application for approval was filed with the Division on Form C-108.
- e. Description of the projection:
 - (1) number of producing wells;
 - (2) number of injection wells;
 - (3) capital cost of additional facilities;
 - (4) total project cost;
 - (5) the estimated total value of the additional production that will be recovered as a result of this project;
 - (6) anticipated date for commencement of injection;
 - (7) if application is made for an expansion of an existing project, explain what changes in technology will be used or what additional geographic area will be added to the project area.

- f. Production history: Provide graphs, charts and other supporting data to show the production history of oil, gas, casinghead gas, and water from the project area.
- 5. Upon receipt of the required information, the application will be set for hearing.

E. Approval - Certification

- 1. Project Approval: An EOR project will be approved, a certification of approval issued and the project area designated for the recovered oil tax rate when the operator proves that:
 - a. the application of the proposed enhanced recovery techniques to the reservoir should result in an increase in the amount of crude oil that may be ultimately recovered therefrom;
 - b. the project area has been so depleted that it is prudent to apply enhanced recovery techniques to maximize the ultimate recovery of crude oil; and
 - c. the application is economically and technically reasonable and has not been prematurely filed.
- 2. Positive Production Response Certification:
 - a. For the recovered oil tax rate to apply, to oil produced from a qualified EOR project, the operator must demonstrate a positive production response to the Division. Applications for certification of a positive production response shall be filed with the Division at its Santa Fe office and shall include:
 - (1) a copy of the Division's certification of approval of the enhanced recovery project or expansion;
 - (2) a plat of the affected area showing all injection and producing wells with completion dates;

- (3) production graphs and supporting data demonstrating a positive production response and showing the volumes of water or other substances that have been injected on the lease or unit since initiation of the enhanced recovery project.
- b. The Division Director shall have authority to administratively approve an application and certify a positive production response, or at his discretion or at the request of the applicant, may set the application for hearing.
- c. The Division shall certify that a positive production response has occurred and notify the Secretary of the Taxation and Revenue Department. This certification and notice shall set forth the date the certification was made and the date the positive production response occurred provided however:
 - (1) for a secondary recovery project, the positive production response must occur not later than five (5) years from the date the Division issued the certification of approval of the enhanced oil recovery project or expansion; and
 - (2) for a tertiary recovery project, the positive production response must occur not later than seven (7) years from the date the Division issues the certification of approval for the enhanced recovery project or expansion.

F. Reporting Requirements

- 1. The operator of a certified EOR project shall report annually on the status of the project. The report will be for the year ending May 31 and shall be filed with the Division at its Santa Fe office. The report shall contain:
 - a. The date and number of the Division's certification order for the project.
 - b. Production graphs showing oil, gas and water production.
 - c. A graph showing the volumes of fluid injected and the average injection pressures.
 - d. Certification that the project is still a viable EOR project as approved.

- e. Any additional data the Director deems necessary for continued approval; further the Director may set any such application for hearing would it appear necessary.

G. Termination

1. When active operation of an approved enhanced recovery project or expansion is terminated, the operator shall notify the Division and the Secretary of Taxation and Revenue in writing not later than the thirtieth (30th) day after the termination of the enhanced recovery project or expansion.
2. Qualification for the recovered oil tax rate ends on the first day of the first calendar month that begins on or after the ninety-first day following the termination of the enhanced recovery project or expansion.

Dockets Nos. 19-92 and 20-92 are tentatively set for June 25, 1992 and July 9, 1992. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 11, 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: (Readvertised)

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 2320 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 10483: **Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 (Unit F) in all formations developed on 40-acre spacing from the surface to the base of the Strawn formation in Section 33, Township 15 South, Range 36 East, said unit to be dedicated to a well to be drilled at a standard oil 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 area is located approximately one-half mile southeast of the junction of U.S. Highway 82 and New Mexico No. 18.

CASE 10484: **Application of Mewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy 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 underlying the following described area in Section 35, Township 17 South, Range 28 East, and in the following manner: the N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Empire-Pennsylvanian Gas Pool, Undesignated Empire-Atoka Gas Pool, and Undesignated South Empire-Morrow Gas Pool; and the NW/4 forming 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. Said units are to be dedicated to a single well to be drilled at an unorthodox gas well location 915 feet from the North line and 990 feet from the West line (Unit D) of said Section 35. 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 area is located approximately 9.5 miles west by south of Loco Hills, New Mexico.

CASE 10485: **Application of Mewbourne Oil Company for compulsory pooling, Eddy 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 underlying the following described area in Township 18 South, Range 28 East, and in the following manner: the W/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Empire-Pennsylvanian Gas Pool, Undesignated Palmillo Draw-Atoka Gas Pool, and North Illinois Camp-Morrow Gas Pool; the NW/4 forming a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within said vertical extent; either the W/2 NW/4 or S/2 NW/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing which presently includes only the Undesignated Travis-Upper Pennsylvanian Pool; and the SW/4 NW/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Artesia Queen-Grayburg San Andres Pool. Said units are to be dedicated to a single well to be drilled in Unit E and considered standard for all zones. 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 the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 12 miles west-southwest of Loco Hills, New Mexico.

CASE 10479: (Continued from May 28, 1992, Examiner Hearing.)

Application of Bird Creek Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 NE/4 (Unit B) of Section 22, Township 23 South, Range 28 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent which presently includes but is not necessarily limited to the East Loving-Delaware Pool. Said unit is to be dedicated to a well to be drilled at a standard oil 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 area is located approximately 1.75 miles east-northeast of Loving, New Mexico.

CASE 10480: (Continued from May 28, 1992, Examiner Hearing.)

Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Lea-Wolfcamp Pool underlying the S/2 of Section 1, Township 20 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to the plugged and abandoned Amoco Production Company Selby Well No. 1 located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 1. Also to be considered will be the cost of re-entering and recompleting 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 re-entering and recompleting said well. Said well is located approximately 9 miles west by south of Monument, New Mexico.

CASE 10482: (Continued from May 28, 1992, Examiner Hearing.)

Application of Laguna Gatuna, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the Pan American Petroleum Corporation Little Eddy Unit Well No. 1 (plugged and abandoned July, 1966) located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 5, Township 20 South, Range 33 East, and utilize said wellbore to dispose of produced salt water into the Undesignated Gem-Bone Spring Pool through the perforated interval from approximately 9136 feet to 9188 feet, the Wolfcamp formation through the perforated interval from approximately 11,184 feet to 11,248 feet, and the Devonian formation through the openhole interval from 14,608 feet to 14,895 feet. Said well is located approximately 2 miles north of U.S. Highway 62/180 at mile marker No. 72.

CASE 10486: **Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, a special project oil allowable, and special GOR assignment, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in an area that includes all of Section 20, Township 30 North, Range 15 West, Undesignated Horseshoe-Gallup Oil Pool. Within said area the applicant seeks to dedicate up to 320 acres to a horizontal well to be drilled from an unorthodox surface oil well location in the SE/4 SW/4 (Unit N) of said Section 20. Special rules and provisions would be promulgated for the area including the designation of a prescribed area limiting the horizontal displacement of the producing interval of the wellbore, special allowable considerations, and the adoption of a special gas/oil ratio of 4500 to 1. Said pilot project area is located approximately 4.75 miles northwest by north of Fruitland, New Mexico.

CASE 10487: **Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, a special project oil allowable, and special GOR assignment, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in an area that includes the N/2 and SW/4 of Section 17 and Lots 1 and 2, E/2, and E/2 NW/4 of Section 18, both in Township 30 North, Range 15 West, designated and Undesignated Horseshoe-Gallup Oil Pool. Within said area the applicant seeks to dedicate up to 320 acres to a horizontal well to be drilled from an unorthodox surface oil well location in the NW/4 NW/4 (Unit D) of said Section 17. Special rules and provisions would be promulgated for the area including the designation of a prescribed area limiting the horizontal displacement of the producing interval of the wellbore, special allowable considerations, and the adoption of a special gas/oil ratio of 4500 to 1. Said pilot project area is located approximately 6 miles northwest by north of Fruitland, New Mexico.

CASE 10488: **Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, a special project oil allowable, and special GOR assignment, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks the formation of a 160-acre non-standard oil spacing and proration unit in the Gallup formation comprising the SW/4 of Section 24, Township 32 North, Range 13 West, for the purpose of initiating a high angle/horizontal directional drilling pilot project. The applicant proposes to utilize its existing USA Well No. 2 located 930 feet from the South line and 1050 feet from the West line (Unit M) of said Section 24, by sidetracking and drilling a lateral borehole within said project area. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that its producing interval be no closer than 330 feet from the subject area. Also to be considered will be special allowable provisions for a spacing unit larger than the statewide accepted 40-acre oil proration unit. The project area is located approximately 3.25 miles northeast by north of La Plata, New Mexico.

CASE 10489: **Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico.** Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, to test the Precambrian/Granite Wash formations at a depth of approximately 6900 feet, the S/2 of said Section 13 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. The proposed well site is located approximately 8 miles southwest of Elkins, New Mexico.

CASE 10490: Application of Noranda Minerals Inc. requesting the Division to rescind or deny an application to drill a certain well in the oil/potash area, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order denying or rescinding the approval of an "Application for Permit to Drill" which would authorize Yates Petroleum Corporation to drill its Snyder "AKY" Well No. 1 at a standard oil well location in the NW/4 SW/4 (Unit L) of Section 1, Township 20 South, Range 32 East, (approximately 3 miles north of the junction of U.S. Highway 62/180 and State Highway 176). Said location is within the designated oil/potash area as described in and governed under the provisions of Division Order No. R-111-P.

CASE 10491: In the matter of hearing called by the Oil Conservation Division on its own motion for an order creating, contracting and extending certain pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the ARAB-C-San Andres Pool. The discovery well is the Yates Petroleum Corporation Edison Ranch Unit Well No. 1 located in Unit Q of Section 5, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 5: SE/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the South Baum-Wolfcamp Pool. The discovery well is the Coastal States oil & Gas Corporation State 32 Well No. 1 located in Unit L of Section 32, Township 13 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM

Section 32: SW/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Bootleg Ridge-Delaware Pool. The discovery well is the T. H. McElvain Oil & Gas Properties Bootleg Ridge 19 State Well No. 1 located in Unit D of Section 19, Township 22 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM

Section 19: NW/4

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Dios Mano-Bone Spring Pool. The discovery well is the Harvey E. Yates Company EKay 28 State Well No. 2 located in Unit P of Section 28, Township 18 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 28: SE/4

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the South Pearl-Bone Spring Pool. The discovery well is the Mitchell Energy Corporation Merit-Record 35 Well No. 1 located in Unit P of Section 35, Township 19 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM

Section 35: SE/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the South Pearl-Wolfcamp Pool. The discovery well is the Mitchell Energy Corporation Merit-Record 35 Well No. 1 located in Unit P of Section 35, Township 19 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM

Section 35: SE/4

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Salt Lake-Delaware Pool. The discovery well is the Yates Petroleum Corporation Belco AIA Federal Well No. 1 located in Unit J of Section 14, Township 20 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Section 14: SE/4

- (h) CONTRACT the horizontal limits of the Cata-San Andres Pool in Chaves County, New Mexico, by the deletion of the following:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 7: SW/4

- (i) EXTEND the Many Gates-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 7: SW/4

- (j) EXTEND the Allison-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM
Section 36: NE/4

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM
Section 31: NW/4

- (k) EXTEND the West Corbin-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 14: SW/4
Section 15: SE/4

- (l) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 30: NW/4

- (m) EXTEND the Cuerno Largo-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 25: NW/4

- (n) EXTEND the Diamondtail-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 14: NW/4

- (o) EXTEND the East Gem-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 14: SW/4

- (p) EXTEND the Geromino-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 25: SE/4
Section 36: NE/4

- (q) EXTEND the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 17: N/2
Section 18: N/2

- (r) EXTEND the Southwest House Yates-Seven Rivers Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 14: NW/4

- (s) EXTEND the Southeast Knowles-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 38 EAST, NMPM
Section 24: NE/4

- (t) EXTEND the Lea-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM
Section 11: S/2

- (u) EXTEND the East Livingston Ridge-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 15: SW/4
Section 16: S/2
Section 17: SE/4

- (v) EXTEND the Lost Tank-Delaware Pool in Eddy and Lea Counties, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 31: NW/4

- (w) EXTEND the East Lusk-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 35: SE/4

- (x) EXTEND the Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM
Section 19: NE/4
Section 20: NW/4

- (y) EXTEND the North Querecho Plains-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 24: SE/4

- (z) EXTEND the Sanmal-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 28: SW/4

- aa. EXTEND the Weir-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 14: N/2

DOCKET 18-92

DOCKET: COMMISSION HEARING - THURSDAY - JUNE 18, 1992
9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO
The Land Commissioner's designee for this hearing will be Gary Carlson

CASE 10492: Application of the Oil Conservation Division on its own motion for an order adopting rules to implement the Enhanced Oil Recovery Act. The New Mexico Oil Conservation Division seeks an order adopting rules setting forth the procedures to implement the provisions of the Enhanced Oil Recovery Act (Laws of 1992, Chapter 38) providing for the qualification of projects and the certification for the "Recovered Oil Tax Rate".

Dockets Nos. 20-92 and 21-92 are tentatively set for July 9, 1992 and July 23, 1992. Applications for hearing must be filed at least 23 days in advance of hearing date.

DOCKET; EXAMINER HEARING - THURSDAY - JUNE 25, 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 David R. Catanach, Examiner or Michael E. Stogner, Alternate Examiner:

CASE 10493: **Application of Maralo, Inc. for a unit agreement, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks approval of the Little Bear Unit Agreement for an area comprising 638.72 acres, more or less, of State lands comprising all of Section 18, Township 24 South, Range 25 East, which is approximately 4.5 miles northwest of White City, New Mexico.

CASE 10494: **Application of Union Oil Company of California d/b/a UNOCAL for pool contraction, pool creation and special pool rules, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Red Hills-Pennsylvanian Gas Pool, which is currently comprised of Sections 31, 32, and 33, Township 25 South, Range 33 East, and Sections 4, 5, and 6, Township 26 South, Range 33 East, to include only the interval from the top of the lower "Atoka lime" to the base of the Morrow formation. Further, the applicant seeks the creation of a new pool for the production of gas from the "Upper Atoka" formation underlying all of Section 5, Township 26 South, Range 33 East, and the promulgation of special pool rules therefor, including provisions for 640-acre spacing and proration units and designated well location requirements. Said area is located approximately 23 miles west by south of Jal, New Mexico.

CASE 10323: **(Continued from May 14, 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 10479: **(Continued from June 11, 1992, Examiner Hearing.)**

Application of Bird Creek Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 NE/4 (Unit B) of Section 22, Township 23 South, Range 28 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent which presently includes but is not necessarily limited to the East Loving-Delaware Pool. Said unit is to be dedicated to a well to be drilled at a standard oil 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 area is located approximately 1.75 miles east-northeast of Loving, New Mexico.

CASE 10495: **Application of Beach Exploration Inc. for amendment of Division Order No. R-9453 to increase the injection pressure limitation in its Red Lake Unit Penrose Waterflood Project, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks an order increasing the surface injection limitation pressure to 1500 psi in each of the fourteen existing injection wells located in Sections 24, 25, 35 and 36, Township 16 South, Range 28 East, NMPM. Said project is located approximately 16 miles east-northeast of Artesia, New Mexico.

CASE 10496: **Application of Southland Royalty Company for an unorthodox gas well location, downhole commingling, and to amend Division Administrative Order No. NWU-80, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks approval to commingle gas production from the Fulcher Kutz-Pictured Cliffs Pool and the Basin Fruitland Coal (Gas) Pool within the wellbore of its proposed Aztec Well No. 700 to be drilled at an unorthodox well location for both producing horizons 2280 feet from the South line and 1500 feet from the West line (Unit K) of Section 14, Township 28 North, Range 11 West. The S/2 of said Section 14 forming a standard 320-acre gas spacing and proration unit for the Basin Fruitland Coal (Gas) Pool is to be dedicated to said well. Further, Division Administrative Order NWU-80, dated May 20, 1955, which authorized a non-standard 160-acre gas spacing and proration unit in the Fulcher Kutz-Pictured Cliffs Pool comprising the W/2 NW/4 and N/2 SW/4 of said Section 14 is to be amended to show that the proposed Aztec Well No. 700 is to replace the existing Aztec Well No. 3 located in Unit E as the unit's only producing well. Said area is located approximately 4 miles south by east of Bloomfield, New Mexico.

CASE 10480: (Continued from June 11, 1992, Examiner Hearing.)

Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Lea-Wolfcamp Pool underlying the S/2 of Section 1, Township 20 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to the plugged and abandoned Amoco Production Company Selby Well No. 1 located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 1. Also to be considered will be the cost of re-entering and recompleting 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 re-entering and recompleting said well. Said well is located approximately 9 miles west by south of Monument, New Mexico.

CASE 10486: (Continued from June 11, 1992, Examiner Hearing.)

Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, a special project oil allowable, and special GOR assignment, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in an area that includes all of Section 20, Township 30 North, Range 15 West, Undesignated Horseshoe-Gallup Oil Pool. Within said area the applicant seeks to dedicate up to 320 acres to a horizontal well to be drilled from an unorthodox surface oil well location in the SE/4 SW/4 (Unit N) of said Section 20. Special rules and provisions would be promulgated for the area including the designation of a prescribed area limiting the horizontal displacement of the producing interval of the wellbore, special allowable considerations, and the adoption of a special gas/oil ratio of 4500 to 1. Said pilot project area is located approximately 4.75 miles northwest by north of Fruitland, New Mexico.

CASE 10487: (Continued from June 11, 1992, Examiner Hearing.)

Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, a special project oil allowable, and special GOR assignment, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in an area that includes the N/2 and SW/4 of Section 17 and Lots 1 and 2, E/2, and E/2 NW/4 of Section 18, both in Township 30 North, Range 15 West, designated and Undesignated Horseshoe-Gallup Oil Pool. Within said area the applicant seeks to dedicate up to 320 acres to a horizontal well to be drilled from an unorthodox surface oil well location in the NW/4 NW/4 (Unit D) of said Section 17. Special rules and provisions would be promulgated for the area including the designation of a prescribed area limiting the horizontal displacement of the producing interval of the wellbore, special allowable considerations, and the adoption of a special gas/oil ratio of 4500 to 1. Said pilot project area is located approximately 6 miles northwest by north of Fruitland, New Mexico.

CASE 10488: (Continued from June 11, 1992, Examiner Hearing.)

Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, a special project oil allowable, and special GOR assignment, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the formation of a 160-acre non-standard oil spacing and proration unit in the Gallup formation comprising the SW/4 of Section 24, Township 32 North, Range 13 West, for the purpose of initiating a high angle/horizontal directional drilling pilot project. The applicant proposes to utilize its existing USA Well No. 2 located 930 feet from the South line and 1050 feet from the West line (Unit M) of said Section 24, by sidetracking and drilling a lateral borehole within said project area. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that its producing interval be no closer than 330 feet from the subject area. Also to be considered will be special allowable provisions for a spacing unit larger than the statewide accepted 40-acre oil proration unit. The project area is located approximately 3.25 miles northeast by north of La Plata, New Mexico.

CASE 10485: (Readvertised)

Application of Mewbourne Oil Company for compulsory pooling, Eddy 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 underlying the following described area in Section 15, Township 18 South, Range 28 East, and in the following manner: the W/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Empire-Pennsylvanian Gas Pool, Undesignated Palmillo Draw-Atoka Gas Pool, and North Illinois Camp-Morrow Gas Pool; the NW/4 forming a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within said vertical extent; either the W/2 NW/4 or S/2 NW/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing which presently includes only the Undesignated Travis-Upper Pennsylvanian Pool; and the SW/4 NW/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Artesia Queen-Grayburg San Andres Pool. Said units are to be dedicated to a single well to be drilled in Unit E and considered standard for all zones. 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 the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 12 miles west-southwest of Loco Hills, New Mexico.

CASE 10497: **Application of Mewbourne Oil Company for two secondary recovery pilot projects, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks authorization to institute two secondary recovery pilot projects in the Querecho Plains-Upper Bone Spring Pool by the injection of water into the perforated interval from approximately 8501 feet to 8530 feet in the Federal "E" Well No. 10 located 2310 feet from the North and East lines (Unit G) of Section 27 and from approximately 8454 feet to 8515 feet in the Government "K" Well No. 2 located 1950 feet from the South line and 1980 feet from the West line (Unit K) of Section 23, both in Township 18 South, Range 32 East. Said pool is centered approximately 9 miles south by east of Maljamar, New Mexico.

CASE 10498: **Application of Charles Gillespie for compulsory pooling and a non-standard oil spacing and 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 Strawn formation underlying Lot 3 of Section 1, Township 16 South, Range 35 East, forming a non-standard 51.08-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil 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 one mile north of the Lovington-Lea County Airport.

CASE 10145: (Continued from May 14, 1992, Examiner Hearing.)

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 10460: (Reopened and Readvertised)

Application of Yates Petroleum Corporation for directional drilling and a non-standard oil proration unit, Eddy and Lea Counties, New Mexico. Applicant, in the above-styled cause, seeks approval to directionally drill its proposed Bonneville "AKK" Federal Well No. 3, to be located at a surface location at or around a point 810 feet from the South line and 200 feet from the East line (Unit P) of Section 24, Township 21 South, Range 31 East, in Eddy County, in such a manner as to bottom the well in the Undesignated Lost Tank-Delaware Pool at a standard oil well location in Lot 3 (NW/4 SW/4 equivalent), of Section 19, Township 21 South, Range 32 East, Lea County, being a non-standard 43.39-acre oil spacing and proration unit for said pool. Said unit is located approximately 15 miles north of State Highway 128 at the Lea/Eddy County line. IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.

CASE 10491: (Readvertised)

In the matter of hearing called by the Oil Conservation Division on its own motion for an order creating, contracting and extending certain pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the ARAB-C-San Andres Pool. The discovery well is the Yates Petroleum Corporation Edison Ranch Unit Well No. 1 located in Unit Q of Section 5, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 5: SE/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the South Baum-Wolfcamp Pool. The discovery well is the Coastal States oil & Gas Corporation State 32 Well No. 1 located in Unit L of Section 32, Township 13 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM

Section 32: SW/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Bootleg Ridge-Delaware Pool. The discovery well is the T. H. McElvain Oil & Gas Properties Bootleg Ridge 19 State Well No. 1 located in Unit D of Section 19, Township 22 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM

Section 19: NW/4

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Dios Mano-Bone Spring Pool. The discovery well is the Harvey E. Yates Company EKay 28 State Well No. 2 located in Unit P of Section 28, Township 18 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 28: SE/4

- (e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the South Pearl-Bone Spring Pool. The discovery well is the Mitchell Energy Corporation Merit-Record 35 Well No. 1 located in Unit P of Section 35, Township 19 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM

Section 35: SE/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the South Pearl-Wolfcamp Pool. The discovery well is the Mitchell Energy Corporation Merit-Record 35 Well No. 1 located in Unit P of Section 35, Township 19 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM

Section 35: SE/4

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Salt Lake-Delaware Pool. The discovery well is the Yates Petroleum Corporation Belco AIA Federal Well No. 1 located in Unit J of Section 14, Township 20 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Section 14: SE/4

- (h) CONTRACT the horizontal limits of the Cata-San Andres Pool in Chaves County, New Mexico, by the deletion of the following:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM

Section 7: SW/4

- (i) EXTEND the Many Gates-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM

Section 7: SW/4

- (j) EXTEND the Allison-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM

Section 36: NE/4

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM

Section 31: NW/4

- (k) EXTEND the West Corbin-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 14: SW/4

Section 15: SE/4

- (l) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 30: NW/4

- (m) EXTEND the Cuerno Largo-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM

Section 25: NW/4

- (n) EXTEND the Diamondtail-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM

Section 14: NW/4

- (o) EXTEND the East Gem-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 14: SW/4

- (p) EXTEND the Geromino-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 25: SE/4

Section 36: NE/4

- (q) EXTEND the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM

Section 17: N/2

Section 18: N/2

- (r) EXTEND the Southwest House Yates-Seven Rivers Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 14: NW/4

- (s) EXTEND the Southeast Knowles-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 38 EAST, NMPM

Section 24: NE/4

- (t) EXTEND the Lea-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM

Section 11: S/2

- (u) EXTEND the East Livingston Ridge-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 15: SW/4

Section 16: S/2

Section 17: SE/4

- (v) EXTEND the Lost Tank-Delaware Pool in Eddy and Lea Counties, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM

Section 31: NW/4

- (w) EXTEND the East Lusk-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM

Section 35: SE/4

- (x) EXTEND the Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM

Section 19: NE/4

Section 20: NW/4

- (y) EXTEND the North Querecho Plains-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 24: SE/4

- (z) EXTEND the Sanmal-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 28: SW/4

- aa. EXTEND the Weir-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 14: N/2