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October 8, 1992

HAND-DELIVERED

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

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OIL CONSERVATION DIV  
SANTA FE

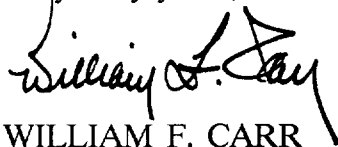
Case 10575

Re: In the Matter of the Application of Klabzuba Operating Company for an  
Unorthodox Well Location, Chaves County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Klabzuba Operating Company in the above-referenced case. Klabzuba Operating Company respectfully requests that this matter be placed on the docket for the October 29, 1992 Examiner hearings.

Very truly yours,

  
WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures: Mr. Randy Watts

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BEFORE THE

OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.  
SANTA FE

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF KLABZUBA OPERATING COMPANY  
FOR AN UNORTHODOX WELL LOCATION,  
CHAVES COUNTY, NEW MEXICO.

CASE NO. 10575

**APPLICATION**

COMES NOW KLABZUBA OPERATING COMPANY, by its undersigned attorneys, and hereby makes application for an order approving an unorthodox well location, and in support thereof would show the Division.

1. Applicant is the operator of the Devonian formation underlying the SE/4 NE/4 of Section 13, Township 10 South, Range 27 East, N.M.P.M., and proposes to drill a well at a point 1847 feet from the North line and 1310 feet from the East line of said Section 13.

2. Applicant seeks an exception to the Division's well location requirements to permit the drilling of the well at the above-described unorthodox location to a depth sufficient to adequately test the Devonian formation, Race Track-Devonian Pool.

3. A standard 40-acre proration unit comprising the SE/4 NE/4 of said Section 13 should be dedicated to the well.

4. Approval of this application will afford applicant the opportunity to produce its just and equitable share of the reserves in the Devonian formation and will otherwise be in the best interest of conservation, the protection of correlative rights and prevention of waste.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on October 29, 1992, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other and further relief as the Division deems.

Respectfully submitted,

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

By:   
WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR KLABZUBA  
OPERATING COMPANY

**CASE 10528:** (Continued from October 1, 1992, Examiner Hearing and this case will be dismissed.)

**Application of Yates Petroleum Corporation 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 Canyon formation, underlying the SE/4 of Section 20, Township 19 South, Range 25 East, forming a 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes only the Undesignated North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to a well to be drilled at a standard 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles northwest of Seven Rivers, New Mexico.

**CASE 10575:** **Application of Klabzuba Operating Company for an unorthodox oil well location, Chaves County, New Mexico.** Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1847 feet from the North line and 1310 feet from the East line (Unit H) of Section 13, Township 10 South, Range 27 East, Race Track-Devonian Pool. The SE/4 NE/4 of said Section 13 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit. Said unit is located approximately 1.5 miles north by west of U.S. Highway 380 at milepost 178.

**CASE 10498:** (Reopened)

**In the matter of Case No. 10498 being reopened upon application of Monty D. McLane to exempt certain working interests from the compulsory pooling provisions of Division Order No. R-9690, Lea County, New Mexico.** Division Order No. R-9690, issued in Case 10498 and dated July 1, 1992, granted the application of Charles Gillespie to compulsorily pool 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 to be dedicated to a well to be drilled at a standard oil well location thereon. At this time Monty D. McLane requests the Division enter an order reopening Case No. 10498 and declare that the working interests of Henry H. Lawton and Amanda K. Parks are not subject to said Order No. R-9690.

**CASE 10540:** (Continued from October 1, 1992, Examiner Hearing.)

**Application of American Hunter Exploration, Ltd. for an unorthodox oil well location, Rio Arriba County, New Mexico.** Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 2480 feet from the South line and 915 feet from the West line (Unit J) of irregular Section 6, Township 27 North, Range 2 West, to test the Mancos formation. The NW/4 SE/4 of said Section 6 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit. Said unit is located approximately 19 miles west of El Vado, New Mexico.

**CASE 10576:** **Application of Merrion Oil & Gas Corporation for a unit agreement, Sandoval County, New Mexico.** Applicant, in the above-styled cause, seeks approval of the Rock Mesa Unit Agreement for an area comprising 10,823.16 acres, more or less, of Federal and State lands in portions of Townships 18 and 19 North, Range 3 West, which is centered approximately 18 miles south-southwest of Cuba, New Mexico.

**CASE 10567:** (Continued from October 15, 1992, Examiner Hearing.)

**Application of SG Interests I, Ltd. for compulsory pooling, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 30, Township 29 North, Range 10 West, forming a 319.80-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 30. 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 unit is located approximately 3 miles east-southeast of Bloomfield, New Mexico.

**CASE 10577:** **Application of SG Interests I, Ltd. for compulsory pooling, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 29 North, Range 9 West, forming a standard 324.00-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 SW/4 (Unit G) of said Section 2. 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 unit is located approximately 1 mile east-northeast of Turley, New Mexico.

Nos. 37-92 and 38-92 are tentatively set for November 5, 1992 and November 19, 1992. Applications for hearing must be filed at least 45 days in advance of hearing date.

**DOCKET: EXAMINER HEARING - THURSDAY - OCTOBER 26, 1992**

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

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

**CASE 10490:** (Continued from September 3, 1992, Examiner Hearing.)

**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.

**DOCKET: EXAMINER HEARING - THURSDAY - OCTOBER 29, 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 10100:** In the matter of Case 10100 being reopened pursuant to the provisions of Division Order No. R-9330, which order promulgated special operating rules and regulations for the San Isidro (Shallow) Unit in Sandoval County. Operators in said unit may appear and show cause why the continuation of the foregoing special operating rules and regulations governing the Rio Puerco-Mancos Oil Pool within said Unit Area are consistent with sound engineering and conservation practices and show cause why such procedures should remain in effect.

**CASE 10560:** (Continued from October 15, 1992, Examiner Hearing.)

**Application of Conoco 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 Canyon formation underlying the NE/4 of Section 17, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations spaced on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Pennsylvanian Pool. Said unit is to be dedicated to the existing Southwest Royalties, Inc. Dagger Draw Well No. 1 located at a standard location 660 feet from the North line and 1980 feet from the East line (Unit B) of said Section 17, said unit and well were the subject of Division Case No. 10471. 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 6.5 miles northwest of Seven Rivers, New Mexico.

**CASE 10574:** **Application of Yates Petroleum Corporation 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 Canyon formation, at approximately 8,200 feet, underlying the following described acreage in Section 14, Township 20 South, Range 24 East, and in the following described manner: the N/2 to form a single standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the South Dagger Draw-Upper Pennsylvanian Associated Pool); the NE/4 and NW/4 to form two standard 160-acre gas spacing and proration units for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NW/4 NE/4 and SW/4 NW/4 to form two standard 40-acre oil spacing and proration units for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. The proposed 320-acre unit is to be dedicated to either a single well to be drilled at a standard location in Unit B or Unit E or to both wells to be simultaneously dedicated to the 320-acre unit. Further the 160-acre gas unit comprising the NE/4 and the 40-acre oil unit comprising the NW/4 NE/4 are to be dedicated to the proposed well to be drilled in Unit B. The 160-acre gas unit comprising the NW/4 and the 40-acre oil unit comprising the SW/4 NW/4 are to be dedicated to the proposed well to be drilled in Unit E. Also to be considered will be the cost of drilling and completing said well or wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of each well and a charge for risk involved in drilling said well or wells. The subject area in this matter is located approximately 7.5 miles west by south of Seven Rivers, New Mexico.

Dockets Nos. 39-92 and 40-92 are tentatively set for November 19, 1992 and December 3, 1992. Applications for hearing must be filed at least 23 days in advance of hearing date.

**DOCKET: EXAMINER HEARING - THURSDAY - NOVEMBER 5, 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 10592:** Application of Collins & Ware, Inc. for compulsory pooling, 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 underlying the S/2 of Section 6, Township 20 South, Range 34 East, forming a standard 320-acre spacing and proration unit for any and all formations spaced on 320 acres within said vertical extent which presently includes but is not necessarily limited to the Quail Ridge-Morrow Gas Pool and the Undesignated Teas-Pennsylvanian 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 costs 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 14 miles west-southwest of Monument, New Mexico.

**CASE 10593:** Application of Amoco Production Company for acreage rededication and an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 820 feet from the North line and 1820 feet from the West line (Unit C) of Section 25, Township 32 North, Range 11 West. Said well is to be completed in the Basin-Fruitland Coal Gas Pool as a replacement well to the Fields "A" Well No. 21 located in the SW/4 of Section 25, which is currently dedicated to a standard 320-acre spacing and proration unit comprising the S/2 of Section 25. The applicant further seeks authority to re-align its existing proration unit so as to dedicate the W/2 of Section 25, forming a standard 320-acre gas spacing and proration unit, to the proposed replacement well. Said unit is located approximately 9.5 miles north-northeast of Aztec, New Mexico.

**CASE 10575:** (Continued from October 29, 1992, Examiner Hearing.)

Application of Klabzuba Operating Company for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 1847 feet from the North line and 1310 feet from the East line (Unit H) of Section 13, Township 10 South, Range 27 East, Race Track-Devonian Pool. The SE/4 NE/4 of said Section 13 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit. Said unit is located approximately 1.5 miles north by west of U.S. Highway 380 at milepost 178.

**CASE 10108:** (Reopened. This case will be continued to December 3, 1992.)

In the matter of Case 10108 being reopened pursuant to the provisions of Division Order No. R-5353-L, as amended, which order amended the special rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County. Operators in said pool may appear and show cause why the amended temporary special rules and regulations for said South Dagger Draw-Upper Pennsylvanian Associated Pool should not be rescinded.

**CASE 10569:** (Continued from October 15, 1992, Examiner Hearing.)

Application of Hallwood Petroleum Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool, underlying the E/2 of Section 35, Township 32 South, Range 13 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at a standard location in the NE/4 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1.5 miles northeast of La Plata, New Mexico.

**CASE 10594:** Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and special project oil allowable, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Northeast Ojito Gallup-Dakota Oil Pool underlying the N/2 of Section 23, Township 26 North, Range 3 West, thereby creating a non-standard 320-acre spacing and proration unit for said pool. The applicant proposes to drill its Jicarilla "99" Well No. 17 from an unorthodox surface location 330 feet from the North line and 745 feet from the West line (Unit D) of said Section 23, kick off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to either the north or south boundary, nor closer than 790 feet to the east or west boundary of the spacing unit, and for a special project allowable. Said project area is located approximately 12 miles northwest of Lindrith, New Mexico.

**CASE 10555:** (Continued from October 15, 1992, Examiner Hearing.)

**Application of Meridian Oil Inc. for amendment of Division Order No. R-8170, as amended, to establish a minimum gas allowable in the Justis (Glorieta) Gas Pool, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks to amend the "General Rules For the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Justis (Glorieta) Gas Pool" as promulgated by Division Order No. R-8170, as amended, to provide for a minimum natural gas allowable for the Justis (Glorieta) Gas Pool for a three-year period of time equal to 600 MCF of gas per day for an Acreage Factor of 1.00 or 1,200 MCF of gas per day for a standard Justis 320-acre gas spacing and proration unit. The current pool boundaries include portions of Townships 24 and 25 South, Range 37 East, which is located approximately 4 miles east of Jal, New Mexico.

**CASE 10595:** **Application of Southland Royalty Company for a high angle/horizontal directional drilling pilot project, special operating rules therefor, and an unorthodox oil well location, Rio Arriba County, New Mexico.** Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Gavilan-Mancos Oil Pool underlying all of Section 16, Township 26 North, Range 2 West, being a standard 640-acre spacing and proration unit for said pool. The applicant proposes to re-enter its Tapacitos Well No. 3 located at an unorthodox surface location 1540 feet from the North line and 995 feet from the East line (Unit H) of said Section 16, kick off from vertical in an estimated westerly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 790 feet from the outer boundary of the spacing unit. Said project area is located approximately 12.5 miles north of Lindrieth, New Mexico.

**CASE 10596:** **Application of Conoco, Inc. for downhole commingling, Lea County, New Mexico.** Applicant, in the above-styled cause, seeks approval to commingle production from the Blinbry Oil and Gas Pool and the Warren-Tubb Gas Pool within the wellbore of its Warren Unit Well No. 98 located 660 feet from the North and East lines (Unit A) of Section 28, Township 20 South, Range 38 East. The NE/4 NE/4 of said Section 28, forming a standard 40-acre spacing and proration unit for both zones, is to be dedicated to said well. Said unit is located approximately 5.5 miles Southwest of Nadine, New Mexico.

**CASE 10597:** (This case will be dismissed.)

**Application of Conoco, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico.** Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location for its proposed FC Flaherty Com Well No. 1-R to be located 800 feet from the North line and 1820 feet from the West line (Unit C) of Section 6, Township 31 North, Range 10 West. Said well is to be completed in the Basin-Fruitland Coal Gas Pool as a replacement well to the FC Flaherty Com Well No. 1 located in the SW/4 of said Section 6. The existing and previously approved 307.54-acre non-standard spacing and proration unit comprising the W/2 of Section 6 shall be dedicated to said well. Said unit is located approximately 8 miles north-northeast of Aztec, New Mexico.

**CASE 10591:** (Continued from October 29, 1992, Examiner Hearing.)

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

- (a) **CREATE** a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Avalon-Bone Spring Pool. The discovery well is the Abo Petroleum Corporation Lario Federal Well No. 1 located in Unit F of Section 20, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

**TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM**  
Section 20: NW/4

- (b) **CREATE** a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Black River-Wolfcamp Pool. The discovery well is the BTA Oil Producers Crystal 9105 JV-P Well No. 1 located in Unit O of Section 4, Township 24 South, Range 26 East, NMPM. Said pool would comprise:

**TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM**  
Section 4: SE/4

- (c) **CREATE** a new pool in Eddy County, New Mexico, classified as an oil pool for Upper Pennsylvanian production and designated as the East Dagger Draw-Upper Pennsylvanian Pool. The discovery well is the Nearburg Production Company South Boyd Well No. 1 located in Unit F of Section 27, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

**TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM**  
Section 27: NW/4