

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

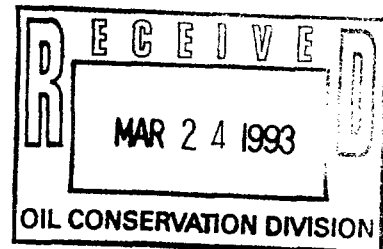
TELEFAX (505) 982-2047

March 24, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: Application of Anadarko
Petroleum Corporation for
Directional Drilling and
Unorthodox Gas Well Surface
and Bottom Hole Locations,
Eddy County, New Mexico
Power Federal Com #2 Well



Dear Mr. LeMay:

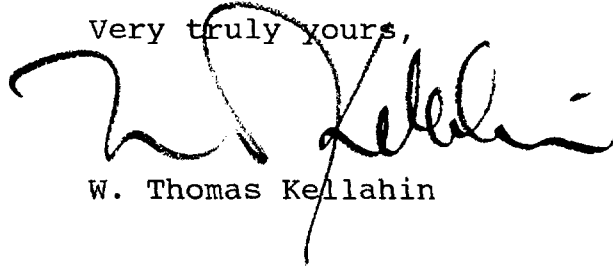
On behalf of Anadarko Petroleum Corporation, please find enclosed our Application for direction drilling and unorthodox gas well surface and bottom hole locations as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 22, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 16, 1993.

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this case.

Very truly yours,

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WTK/jcl
Enclosures

cc: **with Enclosures**
Dan G. Kernaghan - Anadarko Petroleum

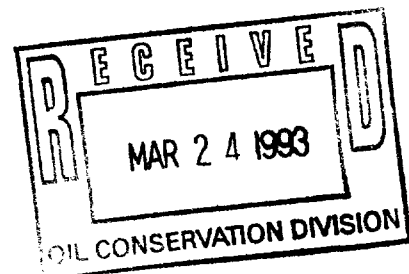
By Certified Mail - Return Receipt
All Parties Listed in Paragraph (11) of Application

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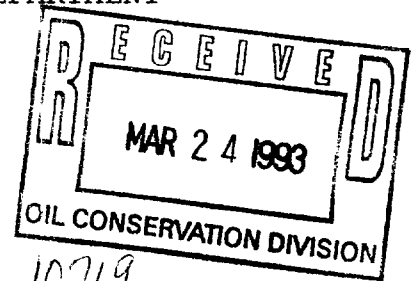
Suggested Notice for OCD Publication:

CASE 10719: Application of Anadarko Petroleum Corp. for directional drilling and an unorthodox gas well surface and bottom hole locations, Eddy County, New Mexico.

Applicant seeks exceptions to Division General Rule 111 and Rule 104(F) for approval to directionally drill its Power Federal Com #2 Well commencing at an unorthodox surface location 1400 feet FSL and 660 feet FEL (Unit I) in Section 26, T17S, R30E, NMPM, Eddy County, New Mexico, and drilling to a total vertical depth of approximately 11,200 feet to the base of the Morrow formation at a point within a 75 foot radius bottom hole target 660 feet from the South and East lines of Section 26 and for approval to produce the Morrow formation at said unorthodox bottom hole location with the E/2 of Section 26 being dedicated as the spacing unit for this well in the Cedar Lake-Morrow Gas Pool. Said well is located approximately nine (9) miles southwest from Maljamar, New Mexico.



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



IN THE MATTER OF THE HEARING
CALLED BY THE DIVISION FOR THE
PURPOSES OF CONSIDERING:

CASE NO. 10719

APPLICATION OF ANADARKO PETROLEUM
CORPORATION FOR DIRECTIONAL DRILLING
AND UNORTHODOX GAS WELL SURFACE
AND BOTTOM HOLE LOCATIONS,
EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now ANADARKO PETROLEUM CORPORATION by its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to directionally drill its Power Federal Com #2 Well commencing at an unorthodox surface location 1400 feet FSL and 660 feet FEL (Unit I) in Section 26, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, and drilling to a total vertical depth of approximately 11,200 feet to the base of the Morrow formation at a point within a 75 foot radius bottom hole target 660 feet from the South and East lines of said Section 26, and for approval to produce the Morrow formation at said unorthodox bottom hole location with the E/2 of said

Section 26 being dedicated as the spacing unit for this well in the Cedar Lake-Morrow Gas Pool and in support states:

(1) Anadarko Petroleum Corporation ("Anadarko") is the proposed operator for and a working interest owner in the Power Federal Com #2 Well to be drilled in the E/2 of Section 26, T17S, R30E, NMPM, Eddy County, New Mexico.

(2) Anadarko proposes to drill this well commencing at an unorthodox surface location 1400 feet FSL and 660 feet FEL (Unit I) in Section 26 and drilling directionally to penetrate the top of the Morrow formation, at a true vertical depth of approximately 11,200 feet and within a 75 foot radius of a bottom hole location 660 feet from the South and East lines of said Section 26 being an unorthodox bottom hole location for production from the Morrow formation of the Cedar Lake-Morrow Gas Pool.

(3) The Morrow formation at this location is within the Cedar Lake-Morrow Gas Pool which is subject to Special Rules and Regulations as set forth in Division Order R-2187-A issued January 23, 1979.

(4) The Special Rules and Regulations for the Pool

provide, among other things, for 320-acre proration and spacing units for gas production with wells located in accordance with Division General Rule 104 being no closer than 660 feet to the nearest side boundary of the unit, nor nearer than 1980 feet to the nearest end boundary of the unit.

(5) Anadarko requests exceptions to Division General Rule 401(F) concerning both surface and subsurface locations.

(6) Anadarko also requests exceptions to Division General Rule 111 concerning intention deviation and the size of the radius for the bottom hole target.

(7) The necessity of directional drilling from the proposed surface location is topographic and will serve to avoid the surface features of a dry lake with archeological restrictions imposed by the U. S. Bureau of Land Management, which is the surface/mineral agency for this particular section.

(8) Based upon geological considerations and in order to maximize the opportunity to encounter the Morrow formation at its most favorable location in this spacing unit, Anadarko proposes to locate the well in the Morrow

formation at an unorthodox bottom hole location.

(9) The proposed location is necessary in order to provide an opportunity to protect the subject spacing unit from drainage by offsetting production of a well operated by Enron Oil & Gas Company.

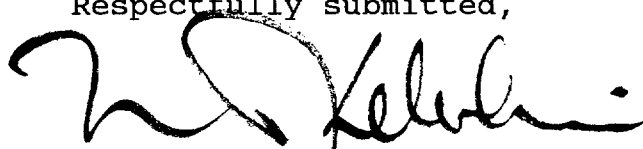
(10) Approval of this application will afford the Applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and to protect its spacing unit from drainage thereby protecting correlative rights and potentially recovering hydrocarbons that might otherwise not be recovered thereby preventing waste.

(11) In accordance with Division notice requirements, notice of this Application and Applicant's request for a hearing to be set on April 22, 1993 has been sent to those parties listed as follows:

Enron Oil & Gas Company
Box 2267
Midland, Texas 79702

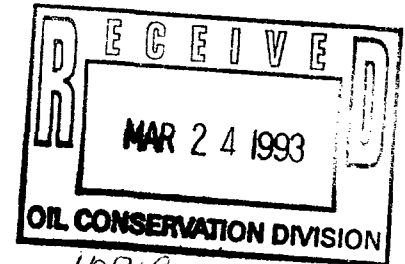
WHEREFORE, Anadarko requests that this Application be set for hearing and that after notice and hearing as provided for by Division rules, the Application be granted as requested.

Respectfully submitted,

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W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
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ATTORNEYS FOR APPLICANT

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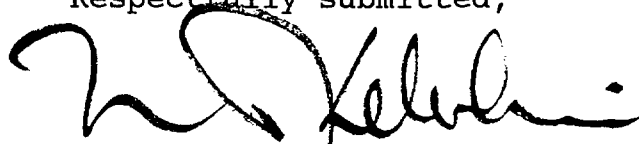
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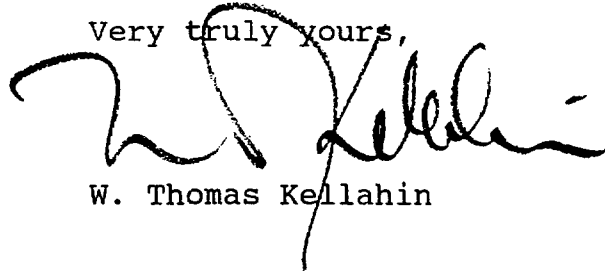
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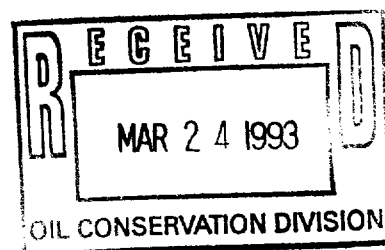
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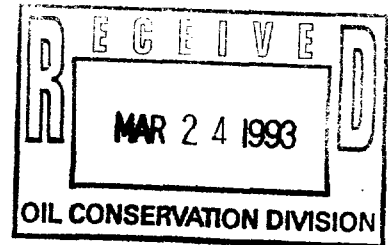


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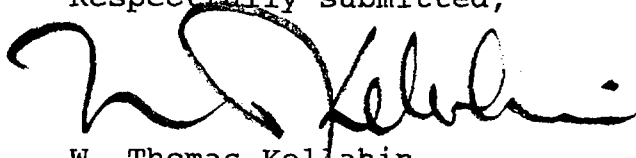
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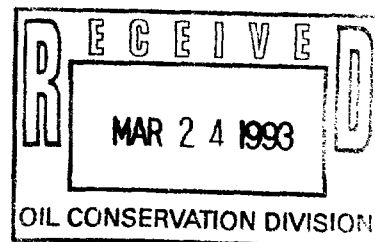
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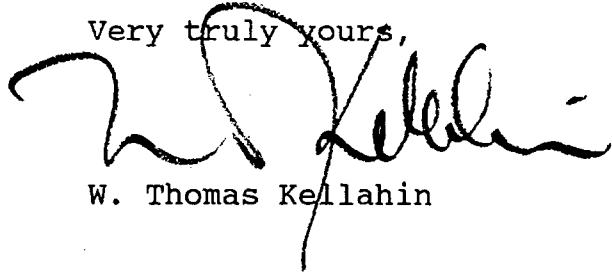
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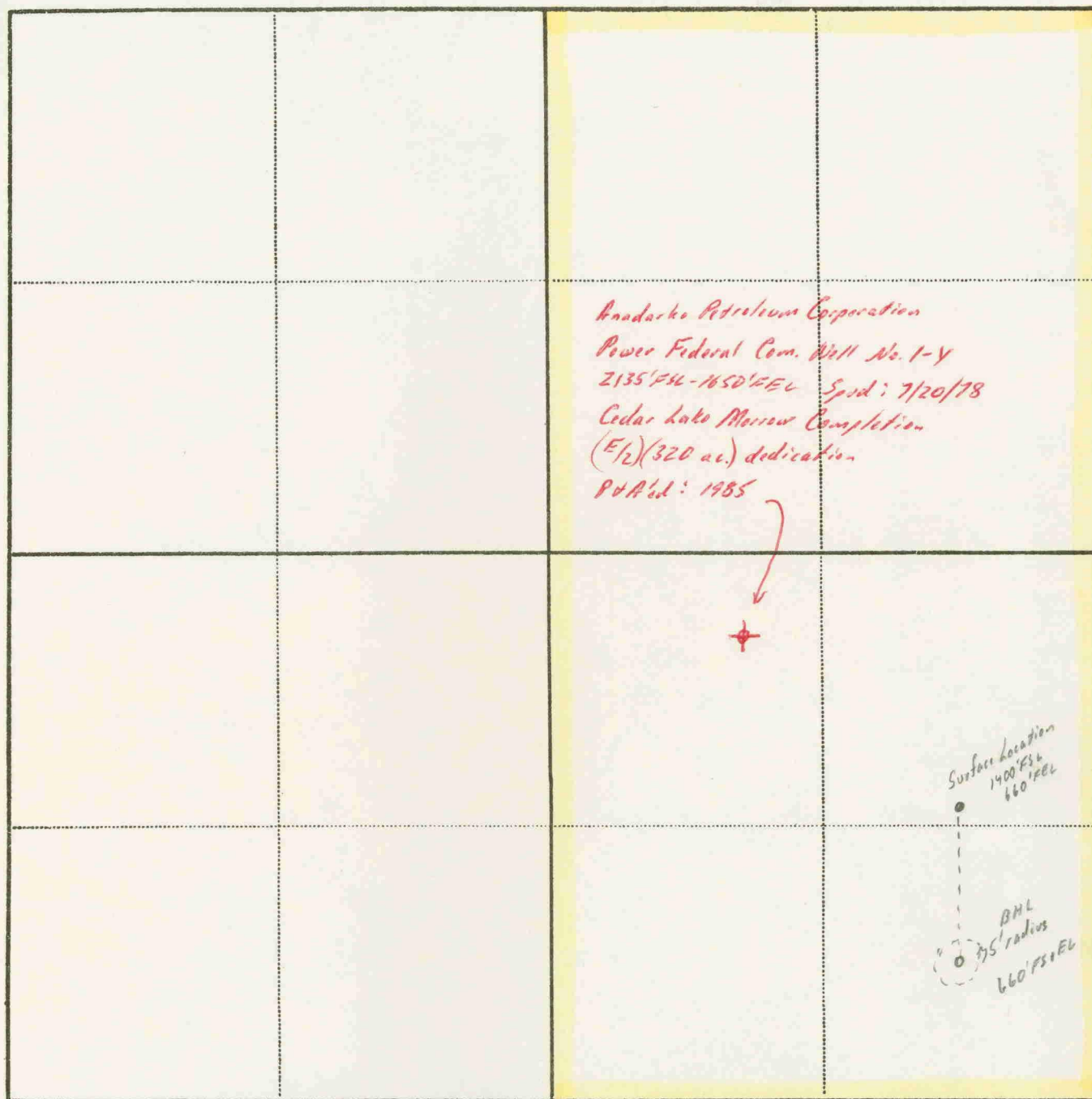
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10719

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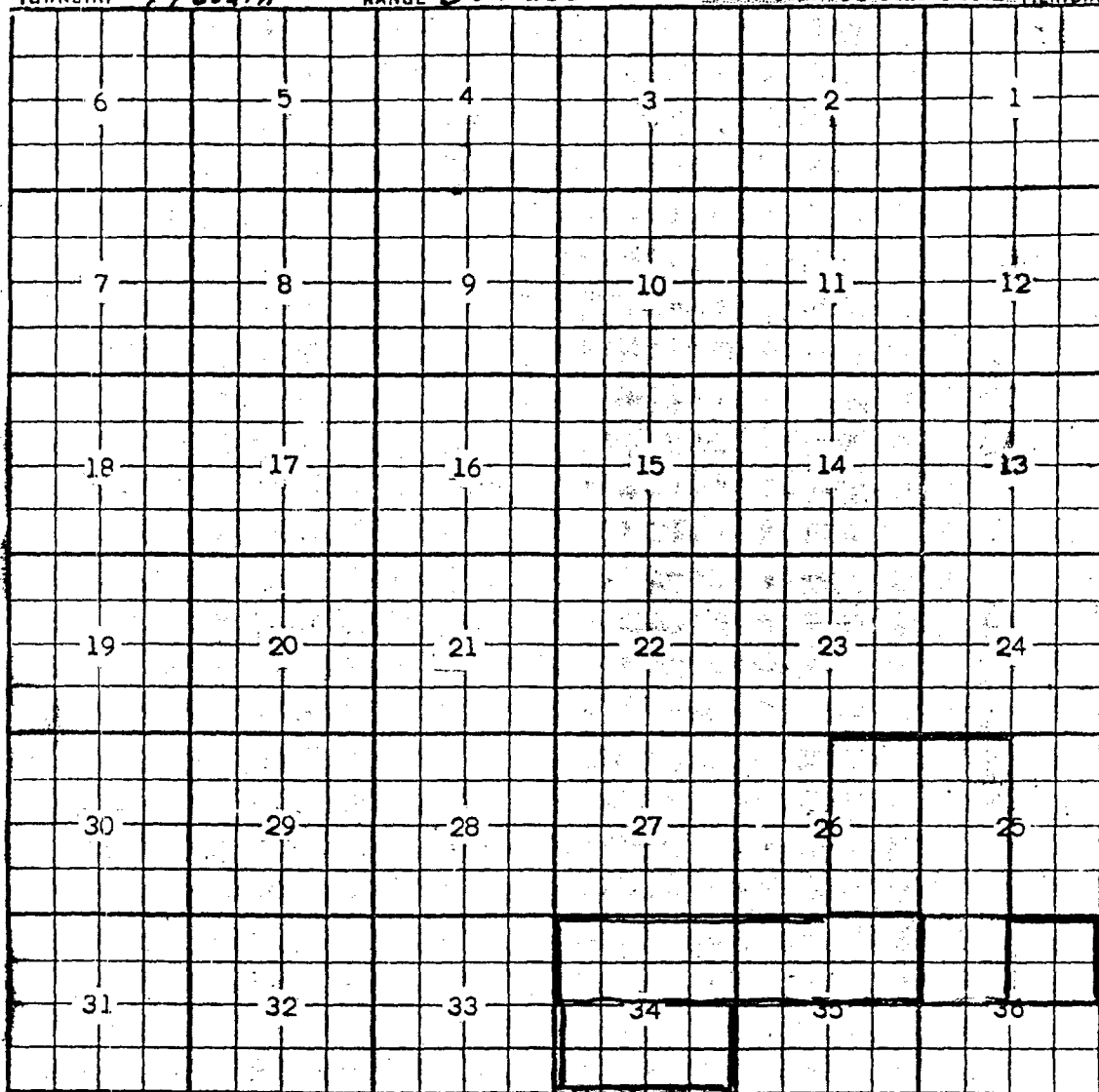
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[illegible]

County EddyPool Cedar Lake - Morrow GasTOWNSHIP 17 SouthRANGE 30 East

NEW MEXICO PRINCIPAL MERIDIAN

Description: NE 1/4 Sec. 36 (R-2187, 3-1-62)Ext: W 1/2 Sec. 25, E 1/2 Sec. 26, NW 1/4 Sec. 36 (R-5987, 4-1-79)Ext: N 1/2 sec 34, N 1/2 sec 35 (R-7009, 6-19-82)Ext: S 1/2 Sec. 34 (R-7958, 6-12-85)

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ

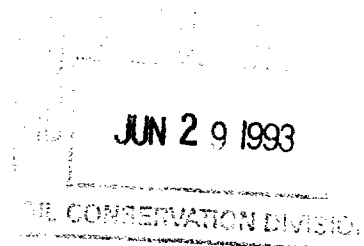
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 29, 1993

HAND-DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Re: Case No 10719:
Application of Anadarko Petroleum Corporation for Directional Drilling and
an Unorthodox Bottomhole Gas Well Location, Eddy County, New Mexico

Dear Mr. Catanach:

Pursuant to your request of June 17, 1993, I am enclosing Enron Oil & Gas Company's proposed Order of the Division in the above-referenced case.

If you need anything further from Enron to proceed with your consideration of this matter, please advise.

Very truly yours,

WILLIAM F. CARR
WFC:mlh
Enclosure
cc w/enc.: Pat Tower

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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**ENRON OIL & GAS COMPANY'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 17, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of July, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Anadarko Petroleum Corporation, seeks authority to directionally drill its Power Federal No. 2 Well from a proposed surface location 1400 feet from the South line and 660 feet from the East line (Unit I) of Section 26, Township 17 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, in such a manner as to bottom the well in the lower Morrow formation, Cedar Lake-Morrow Gas Pool, within 75 feet of a point 660 feet from the South and East lines (Unit P) of said Section 26, said bottomhole location being unorthodox for the Cedar Lake-Morrow Gas Pool.

(3) The applicant proposes to dedicate the E/2 of said Section 26, to the subject well forming a standard 320-acre, more or less, gas spacing unit for said pool.

(4) Enron Oil & Gas Company, ("Enron") the operator of the N/2 of Section 35, Township 17 South, Range 30 East, the south offset to Anadarko's proposed well, appeared and presented testimony in opposition to Anadarko's application.

(5) In 1992, Enron drilled and completed its Cedar Lake Federal Com No. 35 Well at a location 1240 feet from the North line and 1980 feet from the West line of said Section 35. The well first produced from the Arnold Sand of the lower Morrow formation in June, 1992.

(6) Anadarko testified that the Arnold Sand in the lower Morrow formation is the primary objective in its proposed well.

(7) Anadarko previously drilled its Power 1-Y Well at a location 2135 feet from the South line and 1650 feet from the East line in said Section 26 but the well was not successful and was plugged and abandoned in the lower Morrow formation.

(8) Anadarko's geological evidence defined the lower Morrow Arnold Sand using well control information. Although Anadarko's Power No. 1-Y Well had not been productive in the lower Morrow, and since there is no electric log on the lower Morrow, Anadarko used mud log interpretation and extended its net pay isopach of the Arnold Sand to within a few feet of the Power No. 1-Y Well (Anadarko's Exhibit No. 10).

(9) Although Anadarko's geological interpretation gave itself 123 acres in this reservoir (Anadarko's Exhibit No. 12), Anadarko's geological witness admitted that their zero net pay contour line could be moved several hundred feet to the south (testimony of C.N. Clark) thereby substantially reducing the reserves under Anadarko's spacing unit in the E/2 of Section 26.

(10) According to Anadarko's geological evidence, a standard location in the SE/4 of Section 26 would be within the productive limits of the Cedar Lake-Morrow Gas Pool (See, Anadarko's Exhibit No. 10).

(11) Enron's geological presentation demonstrated that the Cedar Lake-Morrow Gas Pool is a small reservoir containing only 532.9 acres of which 345.3 productive acres are under Enron's acreage in the north portion of Section 35 compared to only 74.3 productive acres under Anadarko's spacing unit in the E/2 of Section 26. (Enron's Exhibit Nos. 4 and 8).

(12) Enron also presented engineering evidence which demonstrated that there are 17,677 acre feet in the reservoir with 12,793 acre feet under Enron's spacing unit in the N/2 of Section 35 and 2,215 acre feet under Anadarko's spacing unit in the E/2 of Section 26.

Enron confirmed the accuracy of its planimetered volumes with a P/Z production plot (Enron's Exhibit No. 7).

(13) When comparing the acre feet under the entire reservoir, Anadarko's spacing unit in the E/2 of Section 26 had only 12.53% of the acre feet in the total reservoir. Compared to Enron's acreage, Anadarko has only 14.76%. (Enron's Exhibit No. 8).

(14) Although Anadarko seeks approval of a bottomhole location as close as 585 feet to the boundary of the Enron spacing unit (Enron's well had to be drilled due to surface condition 1240 feet from the common boundary with Anadarko), and although Anadarko had only 14.76% of the acre feet relative to Enron's tract, Anadarko asks the Division to approve its proposed bottomhole location and impose no production penalty on the well.

(15) Anadarko base's its request for no penalty on the argument that reserves have been drained from its tract by the Enron Cedar Lake Federal Com. No. 35 Well and that to protect its correlative rights Anadarko should now be permitted to crowd the Enron tract and produce at unrestricted rates.

(16) "Correlative Rights" are defined by the Oil and Gas Act as the opportunity afforded to each owner in a pool to produce its fair share of the recoverable reserves in that pool. Until Anadarko drills and completes a well in the Cedar Lake-Morrow Gas Pool, it has not availed itself of the opportunity to produce its share of the reserves in this pool and its correlative rights are not impaired by drainage from offsetting wells.

(17) To offset the advantage gained by Anadarko on Enron by directionally drilling its Power Federal No. 2 to a bottomhole location within 75 feet of a point 660 feet from the South and East lines of said Section 26, a penalty should be imposed on the well which reflects the acre feet of reserves under its tract compared to the acre feet under the total reservoir for a production factor of 12.53%. Enron has stated that it is willing to agree to a 15% production factor (85% penalty).

(18) This production factor shall be applied to the Power Federal No. 2 Well's ability to produce as determined by deliverability tests conducted on the well at least quarterly. Said test shall be conducted only after notice has been provided to the Supervisor of the Artesia office of the Oil Conservation Division and to Enron Oil & Gas Company and a reasonable opportunity is provided to each to witness each test.

(19) Approval of the proposed directional drilling and unorthodox bottomhole location with an 85% production penalty will afford the applicant a means by which to recover its just and equitable share of the gas in the Cedar Lake-Morrow Gas Pool underlying the E/2 of Section 26, will prevent the economic loss caused by the drilling of

unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(20) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(21) The applicant should further be required to submit copies of said directional surveys to the Santa Fe and Artesia offices of the Division and to Enron Oil & Gas Company.

(22) The applicant should notify the Supervisor of the Artesia district office of the Division and Enron Oil & Gas Company of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Anadarko Petroleum Corporation, is hereby authorized to directionally drill its Power Federal No. 2 Well from a surface location 1400 feet from the South line and 660 feet from the East line (Unit I) of Section 26, township 17 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, in such a manner as to bottom the well in the lower Morrow formation, Cedar Lake-Morrow Gas Pool, within 75 feet of a point 660 feet from the South and East lines (Unit P) of said Section 26, said bottomhole location being unorthodox for the Cedar Lake-Morrow Gas Pool.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) A production limitation factor of 85% shall be imposed on the Power Federal No. 2 Well to offset the advantage gained on the offsetting spacing unit to the South. This production limitation factor shall be applied to this well's ability to produce as determined by deliverability conducted on the well at least quarterly. Said tests shall be conducted after notice has been provided to the Supervisor of the Artesia office of the Oil Conservation

Case No. 10719

Order No. R-_____

Page 5

Division and to Enron Oil & Gas Company and a reasonable opportunity is provided to each to witness each test.

(3) The applicant shall notify the Supervisor of the Artesia district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the well in order that these operations may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division and to Enron Oil & Gas Company upon completion.

(4) Form C-105 shall be filed in accordance with Division Rule No. 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) The E/2 equivalent of said Section 26 shall be dedicated to the above-described well forming a standard 320-acre, more or less, gas spacing and proration unit for said pool.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

S E A L

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285
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JASON KELLAHIN (RETIRED 1991)

Transmittal Memo

DATE: July 6, 1993

TO: David Catanach
Oil Conservation Division
310 Santa Fe Trail
Santa Fe, New Mexico 87503

RE: NMOCD Case No. 10719

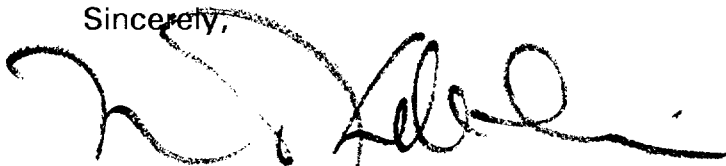
The following documents are enclosed:

Anadarko's proposed Order of the Division. Also
enclosed is a floppy disk copy of the Order.

PLEASE:

 x For your information and review.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

WTK/mg
Enclosure

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

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

CASE NO. 10719

APPLICATION OF ANADARKO PETROLEUM
CORPORATION FOR DIRECTIONAL DRILLING
AND AN UNORTHODOX BOTTOMHOLE GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ANADARKO'S PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 17, 1993,
at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this ____ day of July, 1993, the Division Director, having
considered the testimony, the record and the recommendations of the
Examiner, and being fully advised in the premises,

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FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Anadarko Petroleum Corporation ("Anadarko"), seeks authorization to directionally drill its proposed Power Federal Com Well No. 2 from an unorthodox surface location 1400 feet FSL and 660 feet FEL (Unit I) of Section 26, Township 17 South, Range 30 East, in such a manner as to bottom the well in the Cedar Lake-Morrow Gas Pool at an unorthodox bottomhole gas well location within 75 feet of a point 660 feet from the South and East lines (Unit P) of said Section 26 with the E/2 of Section 26 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said gas pool.

(3) The Morrow formation at this location is within the Cedar Lake-Morrow Gas Pool which is subject to Special Rules and Regulations as set forth in Division Order R-2187-A issued January 23, 1979 which provide, among other things, for 320-acre proration and spacing units for gas production with wells located in accordance with Division General Rule 104 being no closer than 660 feet to the nearest side boundary of the unit, nor nearer than 1980 feet to the nearest end boundary of the unit.

(4) Anadarko requested exceptions to Division General Rule 401(F) concerning both surface and subsurface locations.

(5) Anadarko also requested an exception to Division General Rule 111 concerning intention deviation and the size of the radius for the bottom hole target.

Case No. 10719

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(6) The only operator to appear in opposition to Anadarko was Enron Oil & Gas Company ("Enron") which operates of the Cedar Lake Federal #1 Well located at a standard well location in the N/2 of Section 35.

(7) Enron did not oppose the directionally drilling or the unorthodox surface location but requested the Division adopt a production limitation penalty to be applied against the Anadarko well because of this bottomhole location.

(8) The directional drilling should be approved because of the necessity of directional drilling from the proposed surface location will serve to avoid the surface features of a dry lake with archeological restrictions imposed by the U. S. Bureau of Land Management as the surface/mineral agency for this particular section.

(9) Anadarko sought approval of the unorthodox location WITHOUT a penalty based upon the following geologic and petroleum engineering evidence:

a) the proposed location is necessary in order to provide an opportunity to protect the subject spacing unit from drainage by offsetting production by Enron's Cedar Lake Federal #1 Well in Section 35.

b) based upon geological considerations and in order to maximize the opportunity to encounter the Morrow formation at its most favorable location in this spacing unit, Anadarko proposes to locate the well in the Morrow formation at an unorthodox bottom hole location.

c) by using conventional engineering calculations and reliable reservoir parameters, there is an estimated 123 productive reservoir acres underlying the Anadarko spacing unit to which it is entitled to recover 2.2 BCF of remaining recoverable gas as of October, 1993.

Case No. 10719

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d) That of the 8.5 BCF of recoverable gas underlying the Anadarko and Enron spacing units, Enron's share is 6.3 BCF and by October, 1993 when the Anadarko well is expected to be ready for production, the Enron well which is capable of current production rates in excess of 15 MMCFPD, will have recovered 5.0 BCF in less than 10 months.

e) that by October, 1993, the Anadarko spacing unit which originally had 2.2 BCF of recoverable gas will have only 1.6 BCF of gas left underlying its spacing unit.

f) a penalty in this instances is not required or recommended since the unorthodox location will not affect drainage of production from the Enron's acreage but instead will serve to capture production being drained by the Enron's Cedar Lake Federal #1 Well.

(10) Enron sought a 85% penalty against the production of the Anadarko well based upon the following geologic and petroleum engineering evidence:

a) that the Enron's Cedar Lake Federal #1 Well is the only well producing gas from a reservoir of limited extent.

b) that while the Anadarko well location would have about 37 feet of net pay to the Enron well with 41 feet of net pay, Anadarko's proposed spacing unit had only 74 productive acres as compared to Enron's 345.3 productive acres;

c) that the north/south distance encroachment factor 660/1980 feet cannot be considered since the Anadarko well in the NW/4SE/4 of Section 26 does not have 160 acres considered reasonably productive.

d) that by using only the ratio of acre-feet for reservoir underlying the SE/4 of Section 26 and the N/2 of Section 35 (15%) and based upon the current rate of Enron's Cedar Lake Federal #1 Well which is 17 MMCFPD, Anadarko should be entitled to a maximum fix production rate of 2550 MCFPD.

(11) The Division finds that:

a) geological data presented by both parties indicates. that the Enron's Cedar Lake Federal #1 Well is the only well producing gas from a reservoir of limited extent. Both sides presented testimony that was in substantial agreement as to the geometry, the geology of the reservoir and the amount of net feet of pay at the Enron and the Anadarko well locations, but differing in their interpretations of the net productive acres for the Enron spacing unit and the Anadarko spacing unit;

b) the Anadarko geologic interpretation should be adopted by the Division as the most probably interpretation because it was far more detailed and comprehensive than Enron's geologic interpretation.

c) petroleum engineering testimony presented by both parties indicates that Enron's Cedar Lake Federal #1 Well has the capacity to drain the entire reservoir of hydrocarbons and has already partially depleted the Anadarko spacing unit;

d) a well drilled at the proposed unorthodox gas well location should provide Anadarko a more favorable position in the productive interval of the pool than would a well drilled at the nearest standard gas well location within its spacing unit, thereby increasing the likelihood of obtaining its share of remaining recoverable gas underlying its spacing unit.

e) that drainage is occurring from underneath the Anadarko's spacing unit making the drilling of the proposed well at the unorthodox gas well location necessary in order to offset said drainage caused by the Enron's Cedar Lake Federal #1 Well within the limited confines of this reservoir.

f) regardless of the difference in geologic interpretations, the both petroleum engineers are in substantial agreement that the original gas in place in the reservoir for which Enron and Anadarko are competing is 16.5 BCF of gas with Enron's well estimated to be able to recover about 12 BCF.

g) Division should reject Enron's proposed penalty which would allow Anadarko's well to produce 15% of the producing capacity of the Enron well or a minimum of 2550 MCFPD because it erroneously assumes that this severe production penalty would still allow Anadarko to produce the 2.2 BCF of recoverable gas underlying its spacing unit.

h) Enron's proposed 85% penalty is based upon Enron's calculation of the ratio of Anadarko's acre-feet in the SE/4 of Section 26 (2215 ac/ft) to Enron's acre-feet in the N/2 of Section 35 (12,793 ac/ft), as shown on Enron's Exhibit 8. However, Enron's calculation is arithmetically incorrect. In addition, its method of contouring unjustifiably used a 60 foot contour line within the N/2 of Section 35 for which there is no evidence to support. The combination of those two errors caused Enron to inflated the acre feet underlying the Enron tract.

i) a penalty in this instances is not required or recommended since the unorthodox location will not affect drainage of production from the Enron's acreage but instead will serve to capture production being drained by the Enron's Cedar Lake Federal #1 Well.

Case No. 10719

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(12) Approval of this application without penalty of limitation on production will afford the Applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and to protect its spacing unit from drainage by the Enron well thereby protecting correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Anadarko Petroleum Corporation is hereby approved for its proposed Power Federal Com Well No. 2 to be located at an unorthodox surface location 1400 feet FSL and 660 feet FEL (Unit I) of Section 26, Township 17 South, Range 30 East, and directionally drilled in such a manner as to bottom the well in the Cedar Lake-Morrow Gas Pool at an unorthodox bottomhole gas well location within 75 feet of a point 660 feet from the South and East lines (Unit P) of said Section 26.

PROVIDED, HOWEVER THAT, prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey from the kick-off point to total depth in order that the bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The E/2 of Section 26 shall be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said gas pool.

Case No. 10719

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(3) No limitation or penalty on any gas production from the Cedar Lake-Morrow Gas Pool by this well shall be imposed.

(4) The applicant shall notify the supervisor of the Artesia District Office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(5) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon the true vertical depth in addition to measured depths.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE, at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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JASON KELLAHIN (RETIRED (1991))

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TELEFAX (505) 982-2047FACSIMILE COVER SHEET

DATE: July 7, 1993

NUMBER OF PAGES: -2-
(including cover sheet)

TIME: 9:38 AM

TO: David Catanach

FROM: W. Thomas Kellahin, Esq.

OF: NMOCD

SPECIAL INSTRUCTIONS:

FAX NO: 827-5741

RE: NMOCD Case 10719

URGENT
FOR YOU INFORMATION
FOR YOUR REVIEW
FOR YOUR APPROVAL
FOR YOUR REPLY
FOR YOUR REQUEST

MESSAGE: Mr. Catanach: Please see attached letter dated July 7, 1993.

A HARD COPY XXXX WILL WILL NOT FOLLOW BY U.S. MAIL.

The information contained in this Facsimile Message and Transmission is ATTORNEY PRIVILEGED AND CONFIDENTIAL information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this Facsimile Transmission in error, please immediately notify us by telephone and return the original message to us at the above address via the U.S. Postal Service. Thank you.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

July 7, 1993

VIA FACSIMILE
(505) 827-5741

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Re: NMOCD Case 10719
Application of Anadarko Petroleum Corporation
for Directional Drilling and an Unorthodox
Bottomhole Location, Eddy County, New Mexico

Dear Mr. Catanach:

On behalf of Anadarko Petroleum Corporation I wish to direct your attention to the fact that the absence of a penalty in our proposed order which was submitted to you yesterday was based upon the precedent established by Division Order R-9721 entered in Case 10489. In that case, Yates Petroleum Corporation successfully argued for no penalty on an unorthodox well. The case was opposed by BHP Petroleum Inc. The two cases cannot be distinguished.

Very truly yours,



W. Thomas Kellahin

cc: William F. Carr, Esq.
cc: Anadarko Petroleum Corporation

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 22, 1993
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

Dockets Nos. 13-93 and 14-93 are tentatively set for May 6, 1993 and May 20, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

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

CASE 10713: Application of Petroleum Development Corporation for a high angle/horizontal directional drilling pilot project and for special operating rules therefor, Chaves County, New Mexico. Applicant seeks authority to initiate a short-radius high angle/horizontal directional drilling pilot project in the NE/4 SE/4 of Section 25, Township 7 South, Range 31 East, being a standard 40-acre oil spacing and proration unit in the Tomahawk-San Andres Pool. The applicant proposes to utilize its existing Strange Federal Well No. 4 located 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 25 by kick-off from vertical, build angle to approximately 90 degrees with a short radius curve and continue with a horizontal drainhole in said pool. Applicant further seeks special rules and provisions within the project area including the designation of a prescribed area limiting the horizontal displacement of the well's producing interval within 100 feet to the outer boundary of said 40-acre unit. Said project area is located approximately 12 miles south by east of Kenna, New Mexico.

CASE 10714: Application of Gary-Williams Company for a unit agreement and for special operating rules for drilling and producing horizontal/high angle wellbores in the Rio Puerco-Mancos Oil Pool, within said unit area, Sandoval County, New Mexico. Applicant seeks approval of the Ceja Pelon Unit Agreement for an area comprising 25,445.43 acres, more or less, of State, Federal, and fee lands in portions of Townships 20 and 21 North, Ranges 2, 3, and 4 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells drilled in the Rio Puerco-Mancos Oil Pool within the proposed Unit boundary including provisions for administrative authorization for horizontal/high angle wellbores, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, and the assignment of a special oil allowable to units with horizontal wellbores. The center of said Unit area is located approximately nine miles west by north of Cuba, New Mexico.

CASE 10715: Application of Gary-Williams Company for two non-standard oil proration units, an unorthodox oil well location, a horizontal/high angle directional drilling pilot project, special operating rules therefor, and a special temporary oil allowable, Sandoval County, New Mexico. Applicant seeks the formation of a non-standard 320-acre oil spacing and proration unit in the Rio Puerco-Mancos Oil Pool comprising the SE/4 of Section 21, the W/2 SW/4 of Section 22, the NW/4 NW/4 of Section 27, and the NE/4 NE/4 of Section 28, all in Township 21 North, Range 3 West, for the purpose of initiating a horizontal/high angle directional drilling pilot project. The applicant proposes to commence drilling vertically at an unorthodox surface oil well location 460 feet from the North line and 125 feet from the West line (Unit D) of said Section 27, kick-off at a depth of approximately 4100 feet in a northwesterly direction, build angle to approximately 90 degrees, and continue to drill horizontally in the Mancos formation for approximately 2000 feet. Further, the applicant seeks the adoption of special operating provisions for said pilot project area including the designation of a prescribed area limiting the horizontal extent of said wellbore to a target window no closer than 600 feet to the outer boundary of said proration unit and the assignment of a special oil allowable of 19,200 barrels for the 60-day period commencing the day said well is "spudded". The applicant also requests the formation of a non-standard 280-acre oil spacing and proration unit in the Rio Puerco-Mancos Oil Pool comprising the W/2 NE/4, SE/4 NE/4, and NW/4 of said Section 28, to be dedicated to its existing Tayler "28" Well No. 4 located at a standard oil well location 660 feet from the North and West lines (Unit D) of said Section 28. This area is located approximately 11 miles west of Cuba, New Mexico.

CASE 10687: (Continued from April 8, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the following described areas in Section 17, Township 18 South, Range 28 East, and in the following manner: the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; and the SE/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 unit is to be dedicated to its Illinois Camp "17" State Well No. 2, to be drilled at a standard location within said E/2 proration unit. 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 2 miles north of Illinois Camp.

CASE 10688: (Continued from April 8, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the following described areas in Section 31, Township 17 South, Range 28 East, and in the following manner: the S/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the SE/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; and the SW/4 SE/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. Said unit is to be dedicated to its Chalk Bluff "31" State Well No. 1, to be drilled at a standard location within said S/2 proration unit. 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 1 mile southwest of the Baylor Triangulation Station.

CASE 10694: (Continued from April 8, 1993, Examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described areas in Section 18, Township 20 South, Range 34 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 spacing within said vertical extent; the NE/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; and the NW/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. Said unit is to be dedicated to the applicant's Sinagua 18 Federal Well No. 1, to be drilled at an orthodox location within said N/2 proration unit. 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 3 1/2 miles southwest of Warren Gas Co. Compressor Station.

CASE 10706: (Continued from April 8, 1993, Examiner Hearing.)

Application of Richardson Operating Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland formation underlying the N/2 of Section 15, Township 29 North, Range 12 West. Said unit is to be dedicated to its Ropco Fee 15-2 FC Well located at a standard location 1845 feet from the North line and 1405 feet from the East line of said Section 15. 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 4 miles west of Farmington, New Mexico.

CASE 10716: **Application of Marbob Energy Corporation for an unorthodox oil well location, Chaves County, New Mexico.** Applicant seeks approval to utilize the existing Mark D. Clark Morgan Elizabeth State Well No. 1 which was drilled at an unauthorized non-standard oil well location 920 feet from the South line and 1310 feet from the East line (Unit P) of Section 13, Township 11 South, Range 27 East, as a producing oil well in the Chisum-Devonian Pool, with the SE/4 SE/4 of said Section 13 dedicated to said well forming a standard 40-acre oil spacing and proration unit for said pool. This well is located approximately 4.25 miles south of U.S. Highway 380 at milemarker No. 175.

CASE 10648: (Readvertised)

Application of Seely Oil Company for waterflood project, four unorthodox injection well locations, and the Recovered Oil Tax credit pursuant to New Mexico Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks authority to institute a waterflood project on its proposed Central EK Queen Unit Area (Division Case No. 10647) located in portions of Sections 7, 8, 9, 17, and 18, all in Township 18 South, Range 34 East, by the injection of water into the Queen interval of the EK-Yates-Seven Rivers-Queen Pool through five existing wells and six new wells to be drilled, four of which are to be located at the following unorthodox (lease-line) injection well locations:

1370'FSL - 50'FWL (Unit L) of Section 7;
50'FS & WL (Unit M) of Section 7;
1270'FNL - 50'FEL (Unit A) of Section 18; and,
1270'FNL - 2590'FWL (Unit C) of Section 17.

The applicant further seeks to qualify said project for the recovered oil tax rate under the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said project area is centered approximately 22 miles west of Hobbs, New Mexico.

CASE 10717: **Application of Davcro Inc. for salt water disposal, Lea County, New Mexico.** Applicant seeks authority to re-enter the previously plugged and abandoned Cactus Drilling Corporation Sawyer Deep Well No. 1 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 19, Township 9 South, Range 38 East, and utilize said well to dispose of produced salt water into the Sawyer-San Andres Associated Pool through the open-hole interval from approximately 5120 feet to 5600 feet. Said well is located approximately 4.5 miles east of Crossroads, New Mexico.

CASE 10676: (Continued from April 8, 1993, Examiner Hearing.)

Application of Mitchell Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the following described areas in Section 35, Township 24 South, Range 29 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 spacing within said vertical extent; 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; the E/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 within said vertical extent; and the SE/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. Said units are to be dedicated to a single 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 costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 16 miles southeast of Carlsbad, New Mexico.

CASE 10718: **Application of S & J Operating Company for an unorthodox oil well location, Chaves County, New Mexico.** Applicant seeks approval for an unorthodox oil well location 566 feet from the South line and 15 feet from the West line (Unit M) of Section 29, Township 11 South, Range 28 East, to test the Fusselman formation, the SW/4 SW/4 of said Section 29 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit. Said unit is located approximately 10 miles east of Bottomless Lake State Park.

CASE 10719: **Application of Anadarko Petroleum Corporation for directional drilling and an unorthodox bottomhole gas well location, Eddy County, New Mexico.** Applicant seeks authority to directionally drill its proposed Power Federal Com Well No. 2 from a surface location 1400 feet from the South line and 660 feet from the East line (Unit I) of Section 26, Township 17 South, Range 30 East, in such a manner as to bottom the well in the Cedar Lake-Morrow Gas Pool at an unorthodox subsurface gas well location within 75 feet of a point 660 feet from the South and East lines (Unit P) of said Section 26. The E/2 of said Section 26 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is located approximately 3 miles east-southeast of Loco Hills, New Mexico.

CASE 10720: **Application of Meridian Oil Inc. for amendment of Division Order No. R-9702, San Juan County, New Mexico.** Applicant seeks to amend Division Order No. R-9702 in order to change the commencement point of its previously approved Black Diamond Com "20" Well No. 1 to an unorthodox surface location 120 feet from the North and West lines (Unit D) of Section 20, Township 30 North, Range 15 West, being a previously approved high angle/horizontal directional drilling pilot project located in the W/2 of said Section 20, Undesignated Horseshoe-Gallup Oil Pool. Said pilot project area is located approximately 4.75 miles northwest by north of Fruitland, New Mexico.

CASE 10721: **Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico.** Applicant seeks approval to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool and Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Rowley Com Well No. 500 to be drilled at an unorthodox gas well location for the Fulcher Kutz-Pictured Cliffs Gas Pool 2335 feet from the South line and 1850 feet from the West line (Unit K) of Section 7, Township 27 North, Range 10 West. Said well is to be dedicated to a standard 332.92-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool being the W/2 of Section 7 and to a standard 166.61-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool being the SW/4 of Section 7. The well is located approximately 10 miles south of Bloomfield, New Mexico.

CASE 10722: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle Fulcher-Kutz Pictured Cliffs Gas Pool and Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed McAdams Well No. 500 to be drilled at a standard gas well location 790 feet from the North line and 1010 feet from the East line (Unit A) of Section 28, Township 27 North, Range 10 West. Said well is to be dedicated to a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being the E/2 of Section 28 and to a standard 160-acre gas spacing unit for the Fulcher Kutz- Pictured Cliffs Gas Pool being the NE/4 of Section 28. The well is located approximately 13 miles south of Bloomfield, New Mexico.

CASE 10723: Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle West Kutz-Pictured Cliffs Gas Pool and Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Whitley "A" Well No. 100 to be drilled at an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool 2010 feet from the South line and 1090 feet from the West line (Unit L) of Section 17, Township 27 North, Range 11 West. Said well is to be dedicated to a standard 320-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool being the W/2 of Section 17 and to a standard 160-acre gas spacing unit for the West Kutz-Pictured Cliffs Gas Pool being the SW/4 of Section 17. The well is located approximately 10 miles south of Bloomfield, New Mexico.

CASE 10724: Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle West Kutz-Pictured Cliffs Gas Pool and Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Rhodes C Well No. 101 to be drilled at an unorthodox gas well location for both the West Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool, being 100 feet from the South line and 2270 feet from the West line (Unit N) of Section 30, Township 28 North, Range 11 West. Said well is to be dedicated to a standard 316.02-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool being the W/2 of Section 30 and to a standard 158.06-acre gas spacing unit for the West Kutz-Pictured Cliffs Gas Pool being the SW/4 of Section 30. The well is located approximately 7 miles south of Bloomfield, New Mexico.

CASE 10725: Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle West Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Rhodes C Well No. 102 to be drilled at an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool being 790 feet from the North line and 1950 feet from the East line (Unit B) of Section 31, Township 28 North, Range 11 West. Said well is to be dedicated to a standard 317.85-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool being the N/2 equivalent of Section 31 and to a standard 160-acre gas spacing unit for the West Kutz-Pictured Cliffs Gas Pool being the NE/4 of Section 31. The well is located approximately 7 miles south of Bloomfield, New Mexico.

CASE 10726: 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 a gas pool for Atoka production and designated as the Bunting Ranch-Atoka Gas Pool. The discovery well is the Mitchell Energy Corporation State "36" Well No. 1 located in Unit B of Section 36, Township 19 South, Range 21 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM
Section 36: N/2

- (b) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Diablo-Wolfcamp Gas Pool. The discovery well is the Yates Petroleum Corporation Pathfinder AFT State Well No. 6 located in Unit F of Section 21, Township 10 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM
Section 21: N/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Laguna Salado-Morrow Gas Pool. The discovery well is the Amoco Production Company Teledyne Well No. 18 located in Unit J of Section 18, Township 23 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM
Section 18: S/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production and designated as the Penasco-Cisco Gas Pool. The discovery well is the Yates Petroleum Corporation Federal AB Com Well No. 11 located in Unit F of Section 30, Township 18 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM

Section 30: N/2

- (e) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Strawn production and designated as the Red Lake-Strawn Pool. The discovery well is the Marbob Energy Corporation Scoggins Draw Federal Com Well No. 1 located in Unit F of Section 22, Township 18 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 22: W/2

- (f) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Mississippian production and designated as the West White Ranch-Mississippian Gas Pool. The discovery well is the C. W. Trainer West White Ranch Well No. 1 located in Unit A of Section 1, Township 12 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 28 EAST, NMPM

Section 1: E/2

- (g) EXTEND the West Atoka-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM

Section 11: N/2

Section 12: N/2

- (h) EXTEND the Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM

Section 9: SE/4

Section 16: NE/4

- (i) EXTEND the East Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 19: NE/4

Section 20: N/2

- (j) EXTEND the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 20: SE/4

- (k) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 16: S/2

- (l) EXTEND the East Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 2: NE/4

- (m) EXTEND the Ingle Wells-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 27: SE/4

Section 34: NE/4

- (n) EXTEND the Los Medanos-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 9: SW/4

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

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 33: SE/4
Section 34: S/2

- (p) EXTEND the Old Millman Ranch-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 3: W/2
Section 4: SE/4

- (q) EXTEND the Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM
Section 26: E/2 and SW/4
Section 27: SE/4

- (r) EXTEND the South Sand Dunes-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 6: NE/4

- (s) EXTEND the West Sand Dunes-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 29: NE/4 and SW/4
Section 32: NW/4

- (t) EXTEND the North Shugart-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 8: SW/4

- (u) EXTEND the Turkey Track-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 23: S/2

- (v) EXTEND the Willow Lake-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM
Section 29: SW/4

DOCKET: COMMISSION HEARING - THURSDAY - APRIL 29, 1993
9:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
The Land Commissioner's designee for this hearing will be Jami Bailey

CASE 10656: (De Novo)

Application of Mitchell Energy Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Pennsylvanian formation underlying the W/2 of Section 28, Township 20 South, Range 33 East, forming a standard 320-acre gas 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 Salt Lake-Morrow Gas Pool. Said unit is to be dedicated to its Tomahawk "28" Federal Com Well No. 1 to be drilled and completed at an unorthodox gas well location 1650 feet from the North line and 1980 feet from the West line (Unit F) of said Section 28. 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 and completing said well. Said unit is located approximately 22 miles southeast of Maljamar, New Mexico. Upon application of Strata Production Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10345: (De Novo - Continued from February 25, 1993, Commission Hearing.)

Application of Louise Y. Locke to consider objections to well costs, San Juan County, New Mexico. Applicant requests the Commission review actual well costs charged against her interest by BHP Petroleum (Americas), Inc., for the drilling of the Gallegos Canyon Unit Well #390 to determine the reasonableness of such costs pursuant to the provisions of Commission Order R-9581-A. Said well is located at the southeast edge of Farmington, New Mexico.

CASE 10346: (De Novo - Continued from February 25, 1993, Commission Hearing.)

Application of Louise Y. Locke to consider objections to well costs, San Juan County, New Mexico. Applicant requests the Commission review actual well costs charged against her interest by BHP Petroleum (Americas), Inc., for the drilling of the Gallegos Canyon Unit Well #391 to determine the reasonableness of such costs pursuant to the provisions of Commission Order R-9581-A. Said well is located at the southeast edge of Farmington, New Mexico.

CASE 10653: (De Novo - Continued from March 11, 1993, Commission Hearing.)

Application of Armstrong Energy Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations for the Northeast Lea-Delaware Pool including a provision for a special oil allowable of 300 barrels of oil per day. Said pool is located in portions of Townships 19 and 20 South, Range 34 East, located near the Warren Gas Company Compressor Station. Upon application of Armstrong Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

NOTICE: ***The Commission will Review the Following Orders:***

CASE 10507: (De Novo)

Application of C & C Landfarm Inc. for a commercial surface waste disposal facility, Lea County, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - OCTOBER 7, 1993
8:15 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

Dockets Nos. 31-93 and 32-93 are tentatively set for October 21, 1993 and November 4, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

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

CASE 10812: (Continued from September 23, 1993, Examiner Hearing.)

Application of Giant Exploration & Production Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal Gas Pool, underlying the N/2 of Section 33, Township 26 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes only the Basin Fruitland Coal Gas Pool. Said unit is to be dedicated to a well to be drilled at a standard location thereon in said Section 33. 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 near the Huerfano Boarding School.

CASE 10833: (Continued from September 23, 1993, Examiner Hearing.)

Application of Giant Exploration & Production Company for an unorthodox infill coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox coal gas well location 1850 feet from the South line and 790 feet from the East line of Section 29, Township 25 North, Range 12 West, Basin-Fruitland Coal (Gas) Pool. Further, the applicant seeks an exception to the requirements of Rule No. 4 of the Special Rules and Regulations for said Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, as amended, to allow the drilling of a second well on a standard 320-acre spacing and proration unit comprising the E/2 of said Section 29. Said unit is located approximately 8 miles south of Chaco Plant.

CASE 10711: (Reopened)

In the matter of Case No. 10711 being reopened upon the application of Yates Petroleum Corporation for a new well location in the waterflood project approved for its Creek "AL" Federal Lease by Division Order No. R-9896, issued in Case 10711 on May 18, 1993. Applicant also seeks the establishment of an administrative procedure for the approval of additional well locations within this project. The Creek "AL" Federal Lease is located in the E/2 SE/4 of Section 23, the NW/4 SW/4 and S/2 S/2 of Section 24, and the NW/4 and E/2 NE/4 of Section 25, Township 18 South, Range 30 East, which is located approximately 6 miles east of Walters Lake.

CASE 10836: Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval to drill its Kachina "5" Well No. 5 at an unorthodox oil well location 660 feet from the South line and 990 feet from the West line (Unit M) of Section 5, Township 18 South, Range 33 East, to test the Wolfcamp formation, South Corbin-Wolfcamp Pool. The S/2 SW/4 of said Section 5 will be dedicated to the well forming a standard 80-acre oil spacing and proration unit for said pool. Said well is located approximately 7 miles southeast of Maljamar, New Mexico.

CASE 10837: Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its North Pure Gold "9" Fed. Well No. 2 at an unorthodox gas well location 660 feet from the South and West lines (Unit M) of Section 9, Township 23 South, Range 31 East, to test the Atoka and Morrow formations, Undesignated Los Medanos-Morrow Gas Pool, West Sand Dunes-Atoka Gas Pool, and Undesignated West Sand Dunes-Morrow Gas Pool. The S/2 of said Section 9 will be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool(s). Said well is located approximately 11 miles southeast of Lindsey Lake.

CASE 10775: (Continued from September 9, 1993, examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox infill gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval of an unorthodox well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 1, Township 24 South, Range 28 East, Malaga-Atoka Gas Pool. Further, the applicant seeks an exception to Division General Rule 104.c(2) to allow the existing 320-acre gas spacing and proration unit comprising the S/2 of said Section 1 to be simultaneously dedicated in the Malaga-Atoka Gas Pool to the proposed well and to the existing Malaga Federal 1 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. Said unit is located approximately 2 miles northeast of Malaga, New Mexico.

CASE 10829: (Continued from September 23, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying the following described areas in Section 32, Township 18 South, Range 34 East, and in the following manner: the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the SE/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; and the W/2 SE/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, including the EK-Bone Spring Pool. Said unit is to be dedicated to the applicant's Larica 32 State Well No. 1, to be drilled at an orthodox location within said E/2 proration unit. 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 7.5 miles west of Arkansas Junction.

CASE 10838: **Application of Harvey E. Yates Company for an unorthodox oil well location, Lea County, New Mexico.** Applicant seeks authorization to drill its Young Deep Unit Well No. 21 at an unorthodox oil well location 1330 feet from the South and West lines (Unit K) of Section 3, Township 18 South, Range 32 East, to test the Undesignated Young-Wolfcamp Pool. The NE/4 SW/4 of Section 3 is to be dedicated to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool. Said well is located approximately 6 miles south of Maljamar, New Mexico.

CASE 10839: **Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 28, Township 18 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for any Morrow Pools within said vertical extent which presently includes the Undesignated West La Rica-Morrow Gas Pool. Said unit is to be dedicated to its Ekay 28 State Well No. 1, to be drilled at an orthodox location within Unit J of said E/2 proration unit, 2050 feet from the South line and 1800 feet from the East line of said Section 28. 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 and completing said well. Said unit is located approximately 12 miles southeast of Maljamar, New Mexico.

CASE 10840: **Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 28, Township 18 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for any Morrow Pools within said vertical extent which presently includes the Undesignated West La Rica-Morrow Gas Pool. Said unit is to be dedicated to its Ekay 28 State Well No. 4, to be drilled at an orthodox location within Unit K of said W/2 proration unit, 1980 feet from the South and West lines of said Section 28. 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 and completing said well. Said unit is located approximately 12 miles southeast of Maljamar, New Mexico.

CASE 10841: **Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SW/4 SW/4 of Section 1, Township 14 South, Range 33 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 the Undesignated Saunders Permo-Upper Pennsylvanian Pool. Said unit is to be dedicated to its Childress "AKV" Well No. 1 to be drilled at a standard location 990 feet from the South line and 330 feet from the West line (Unit M) of said Section 1. 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 20 miles southeast of Caprock, New Mexico.

CASE 10842: **Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks authorization to drill its Hickory "ALV" Federal Well No. 3 at a location 2166 feet from the South line and 2253 feet from the West line (Unit K) of Section 17, Township 22 South, Range 24 East, to test the Upper Pennsylvanian formation, Indian Basin-Upper Pennsylvanian Associated Pool. The W/2 of Section 17 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said unit is located approximately 8 miles southeast of Carlsbad, New Mexico.

CASE 10772: (Continued from September 9, 1993, Examiner Hearing.)

Application of Barber Oil Inc. for salt water disposal, Eddy County, New Mexico. Applicant seeks authority to utilize its Stovall-Wood Well No. 5 located 880 feet from the North line and 1580 feet from the West line (Unit C) of Section 20, Township 20 South, Range 30 East, to dispose of produced salt water into the Rustler Lime formation through the perforated interval from approximately 195 feet to 255 feet. Said well is located 2 miles northeast of the National Potash Company Mine.

CASE 10843: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, an unorthodox oil well location, a non-standard oil proration unit, a special project allowable, and special operating rules therefor, San Juan County, New Mexico. Applicant seeks to initiate a high angle/horizontal directional drilling pilot project in the Gallup formation, Horseshoe Gallup Oil Pool, underlying the E/2 of Section 18, Township 30 North, Range 15 West. Applicant proposes to drill its Black Diamond Com 18 Well No. 1 by commencing at a standard well location in Unit B of Section 18, then kicking-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 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 any boundary of a non-standard spacing and proration unit consisting of the E/2 of said Section 18, an unorthodox oil well location, and for a special project allowable. Said project is located approximately 4-1/2 miles north-northeast of Waterflow, New Mexico.

CASE 10844: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, an unorthodox oil well location, a non-standard oil proration unit, a special project allowable, and special operating rules therefor, San Juan County, New Mexico. Applicant seeks to initiate a high angle/horizontal directional drilling pilot project in the Gallup formation, Horseshoe Gallup Oil Pool, underlying the W/2 of Section 8, Township 30 North, Range 15 West. Applicant proposes to drill its Black Diamond Com 8 Well No. 1 by commencing at a standard well location in Unit D of Section 8, then kicking-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 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 any boundary of a non-standard spacing and proration unit consisting of the W/2 of said Section 8, an unorthodox oil well location, and for a special project allowable. Said project is located approximately 5-1/2 miles north-northeast of Waterflow, New Mexico.

CASE 10781: (Reopened - Continued from September 23, 1993, Examiner Hearing.)

Application of Marathon Oil Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox well location in the Basin-Fruitland Coal Gas Pool for its proposed Schwerdtfeger Well No. 17-2 to be drilled at an unorthodox well location 1605 feet from the South line and 1135 feet from the East line (Unit D) of Section 17, Township 27 North, Range 11 West. Said well is to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 17. Said unit is located approximately 9 miles south of Bloomfield, New Mexico.

CASE 10845: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant seeks approval of its Vacuum Glorieta East Unit Agreement for an area comprising 4,239.80 acres, more or less, of State lands in portions of Sections 26-34, Township 17 South, Range 35 East and in a portion of Section 5, Township 18 South, Range 35 East. Said unit is located approximately 10 miles southeast of Lovington, New Mexico.

CASE 10846: Application of Phillips Petroleum Company for approval of a waterflood project, and to qualify said project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks authority to institute a waterflood project within its Vacuum Glorieta East Unit by the injection of water into the Glorieta and Paddock formations, Vacuum-Glorieta Pool, in an area comprising portions of Sections 26-34, Township 17 South, Range 35 East and a portion of Section 5, Township 18 South, Range 35 East, through 48 initial injection wells. The applicant further requests that the Division establish procedures for amending injection or producing well locations within the unit area without the necessity of further hearings and the adoption of any provisions necessary for such other matters as may be appropriate for said waterflood operations. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Said project is located approximately 10 miles southeast of Lovington, New Mexico.

CASE 10847: Application of Mitchell Energy Corporation for an exception to Rule (2) of the Special Rules and Regulations for the North Oudo-Morrow Gas Pool to allow a second well on a proration unit, or in the alternative, to establish infill drilling procedures for said pool, Lea County, New Mexico. Applicant seeks an exception to Rule (2) of the Special Rules and Regulations for the North Oudo-Morrow Gas Pool, as promulgated by Division Order No. R-3305, to allow an existing 640-acre gas spacing and proration unit comprising Section 30, Township 20 South, Range 36 East, to be simultaneously dedicated to a proposed well to be drilled at a standard well location in the NE/4 SW/4 of Section 30 and to an existing well located in the NE/4 NE/4 of Section 30. In the alternative, applicant seeks to amend Rule (2) of the Special Rules and Regulations for said pool to provide that a second well may be drilled within a standard 640-acre spacing unit but on a governmental quarter section not containing the first well. The North Oudo-Morrow Gas Pool is located approximately 6 miles southwest of Monument, New Mexico.

CASE 10848: Application of Conoco Inc. and Marathon Oil Company for exceptions to Rule 5(b) of the special rules and regulations of the South Dagger Draw-Upper Pennsylvanian Pool as promulgated by Division Order No. R-5353, as amended, or in the alternative, for the creation of a new pool with the adoption of special rules for said pool, Eddy County, New Mexico. Applicants seek exceptions to Rule 5(b) of the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Pool as promulgated by Order No. R-5353 as amended, thereby authorizing simultaneous dedication of acreage to both gas wells and oil wells within Sections 34, 35, and 36, Township 20 South, Range 24 East and Sections 34, 35, and 36, Township 20-1/2 South, Range 23 East. In the alternative, applicants seek the contraction of the South Dagger Draw-Upper Pennsylvanian Pool and the concomitant creation of a new pool comprising the above-described acreage with the adoption of special rules and regulations including those set forth in Order No. R-5353 but modified to allow simultaneous dedication of spacing units to multiple gas and oil wells and establishment of appropriate allowables therefor. Said area is located approximately 22 miles southeast of Hope, New Mexico.

DOCKET: COMMISSION HEARING - THURSDAY - OCTOBER 14, 1993**9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING****SANTA FE, NEW MEXICO****The Land Commissioner's designee for this hearing will be Jami Bailey****CASE 10498: (De Novo - Continued from September 22, 1993, Commission Hearing.)**

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. Said unit is 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. Upon application of Charles B. Gillespie Jr., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10849: Application of Amoco Production Company for amendment of the deliverability testing rules for the Prorated Gas Pools of Northwest New Mexico, (Blanco-Mesaverde, Basin-Dakota, Tapacito-Pictured Cliffs, and South Blanco-Pictured Cliffs Pools), Rio Arriba, Sandoval and San Juan Counties, New Mexico. Applicant seeks an order amending the General Rules for the Prorated Gas Pools of New Mexico (Order No. R-8170-H) and the Rules of Procedures for Northwest New Mexico (Order No. R-333-I) to exempt from deliverability testing those wells in marginal gas proration units which cannot produce the acreage portion of the monthly gas allowable assigned by the Division to the gas proration unit.

CASE 10719: (De Novo - Continued from September 22, 1993, Commission Hearing).

Application of Anadarko Petroleum Corporation for directional drilling and an unorthodox bottomhole gas well location, Eddy County, New Mexico. Applicant seeks authority to directionally drill its proposed Power Federal Com Well No. 2 from a surface location 1400 feet from the South line and 660 feet from the East line (Unit I) of Section 26, Township 17 South, Range 30 East, in such a manner as to bottom the well in the Cedar Lake-Morrow Gas Pool at an unorthodox subsurface gas well location within 75 feet of a point 660 feet from the South and East lines (Unit P) of said Section 26. The E/2 of said Section 26 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is located approximately 3 miles east-southeast of Loco Hills, New Mexico. Upon application of Anadarko Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10796: (De Novo)

Application of Manzano Oil Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval of an unorthodox location in the Wolfcamp formation, Ouido-Wolfcamp Pool, for its Neuhaus Federal Well No. 2 which has been drilled 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 14, Township 20 South, Range 35 East. Applicant further requests approval of the unorthodox location as to all prospective pools or formations including but not limited to the Wolfcamp, spaced on 320 acres. Said well is located approximately 17 miles southwest of Hobbs, New Mexico. Upon application of Manzano Oil Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10653: (Continued from July 22, 1993, Commission Hearing.)

Application of Armstrong Energy Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations for the Northeast Lea-Delaware Pool including a provision for a special oil allowable of 300 barrels of oil per day. Said pool is located in portions of Townships 19 and 20 South, Range 34 East, located near the Warren Gas Company Compressor Station.

CASE 10773: (Continued from July 22, 1993, Commission Hearing.)

Application of Armstrong Energy Corporation for pool extension and abolishment, Lea County, New Mexico. Applicant, in the above-styled cause, and in association with De Novo Case No. 10653, seeks to abolish the Quail Ridge-Delaware Pool comprising the SW/4 of Section 3, SE/4 of Section 4, NE/4 of Section 9, N/2 and SW/4 of Section 10, all in Township 20 South, Range 34 East and the concomitant extension of the horizontal limits of the Northeast Lea-Delaware Pool to include all of above-described acreage plus the SE/4 of said Section 3. This area is centered approximately 1.5 miles south of U.S. Highway 62/180 at Milemarker No. 79.

DOCKET: COMMISSION HEARING - WEDNESDAY - SEPTEMBER 22, 1993

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

The Land Commissioner's designee for this hearing will be Jani Bailey

CASE 10498: (De Novo - Continued from August 19, 1993, Commission Hearing.)

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. Said unit is 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. Upon application of Charles B. Gillespie Jr., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10345: (De Novo - Continued from August 19, 1993, Commission Hearing.)

Application of Louise Y. Locke to consider objections to well costs, San Juan County, New Mexico. Applicant requests the Commission review actual well costs charged against her interest by BHP Petroleum (Americas), Inc., for the drilling of the Gallegos Canyon Unit Well #390 to determine the reasonableness of such costs pursuant to the provisions of Commission Order No. R-9581-A. Said well is located at the southeast edge of Farmington, New Mexico.

CASE 10346: (De Novo - Continued from August 19, 1993, Commission Hearing.)

Application of Louise Y. Locke to consider objections to well costs, San Juan County, New Mexico. Applicant requests the Commission review actual well costs charged against her interest by BHP Petroleum (Americas), Inc., for the drilling of the Gallegos Canyon Unit Well #391 to determine the reasonableness of such costs pursuant to the provisions of Commission Order No. R-9581-A. Said well is located at the southeast edge of Farmington, New Mexico.

CASE 10719: (De Novo)

Application of Anadarko Petroleum Corporation for directional drilling and an unorthodox bottomhole gas well location, Eddy County, New Mexico. Applicant seeks authority to directionally drill its proposed Power Federal Com Well No. 2 from a surface location 1400 feet from the South line and 660 feet from the East line (Unit D) of Section 26, Township 17 South, Range 30 East, in such a manner as to bottom the well in the Cedar Lake-Morrow Gas Pool at an unorthodox subsurface gas well location within 75 feet of a point 660 feet from the South and East lines (Unit F) of said Section 26. The E/2 of said Section 26 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is located approximately 3 miles east-southeast of Loco Hills, New Mexico. Upon application of Anadarko Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10746: (De Novo)

Application of Devon Energy Corporation for special pool rules, Eddy County, New Mexico. Applicant seeks the promulgation of special rules for the East Catclaw Draw-Delaware Pool located in Section 9, Township 21 South, Range 26 East, including a provision for a gas-oil ratio limitation of 6000 cubic feet of gas per barrel of oil. Said area is located approximately 3 miles east of Avalon Reservoir. Upon application of Devon Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10693: (De Novo - Continued from August 19, 1993, Examiner Hearing.)

Application of Pronghorn SWD System for salt water disposal, Lea County, New Mexico. Applicant seeks authority to dispose of produced salt water into the Capitan Reef formation through the perforated interval from approximately 3220 feet to 5050 feet in its Brooks Federal "7" Well No. 6 located in Unit N, Section 7, Township 20 South, Range 33 East, which is approximately 1 mile northwest of Laguna Gatuna. Upon application of Pronghorn SWD System, this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: EXAMINER HEARING - THURSDAY - SEPTEMBER 23, 1993
8:15 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

Dockets Nos. 29-93 and 30-93 are tentatively set for October 7, 1993 and October 21, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

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

CASE 10280: (Reopened)

In the matter of Case No. 10280 being reopened pursuant to the provisions of Division Order No. R-9594, which order promulgated temporary special rules and regulations for the Milnesand-Abo Pool in Lea and Roosevelt Counties, New Mexico, including a provision for 80-acre spacing. Operators in the subject pool should be prepared to appear and show cause why the Temporary Special Pool Rules for the Milnesand-Abo Pool should not be rescinded and said pool not be developed on 40-acre spacing units.

CASE 10826: Application of Barbara T. Fasken for directional drilling, an unorthodox bottomhole gas well location, and simultaneous dedication, Eddy County, New Mexico. Applicant seeks authority to directionally drill its Inexco Federal "17" Well No. 2 from a proposed surface location 2300 feet from the South line and 1800 feet from the East line (Unit J) of Section 17, Township 21 South, Range 26 East, in such a manner as to bottom the well in the Catclaw Draw-Morrow Gas Pool within 50 feet of a point 800 feet from the North line and 1400 feet from the East line (Unit B) of said Section 17, which is an unorthodox gas well location for said pool. Said well is to be simultaneously dedicated to an existing standard 640-acre gas spacing and proration unit comprising all of said Section 17, which is presently dedicated to its Inexco Federal "17" Well No. 1 located at a standard gas well location 1650 feet from the South line and 1850 feet from the West line (Unit K) of said Section 17. Said unit is located approximately 5 miles northwest of Carlsbad, New Mexico.

CASE 10827: Application of Enron Oil & Gas Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 35, Township 17 South, Range 30 East. Said unit is to be dedicated to its Cedar Lake 35 Federal Com Well No. 2 to be drilled at an unorthodox location 990 feet from the South and East lines 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 5 miles southwest of Maljamar, New Mexico.

CASE 10807: (Continued from August 26, 1993, Examiner Hearing.)

Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project oil allowable, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool underlying the SE/4 SE/4 of Section 35 and the SW/4 SW/4 of Section 36, Township 15 South, Range 37 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its Shell Oil Company State "SDA" Well No. 1 which is at an orthodox location 660 feet from the South and West lines (Unit M) of said Section 36, kick-off from vertical in a northwesterly 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 9 miles east by northeast of Lovington, New Mexico.

CASE 10808: (Continued from August 26, 1993, Examiner Hearing.)

Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project and special operating rules therefor, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying the SE/4 SW/4 of Section 36, Township 15 South, Range 37 East. Applicant proposes to re-enter its Shell Oil Company State "SDA" Well No. 2 which is at an orthodox location 660 feet from the South line and 1650 feet from the West line (Unit N) of said Section 36, kick-off from vertical in a southwesterly 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 10 miles east by northeast of Lovington, New Mexico.

CASE 10809: (Readvertised)

Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project oil allowable, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying Lots 1 and 8 of Section 5, Township 16 South, Range 38 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its V.F. Petroleum Huber State Well No. 1 which is at an unorthodox surface location 330 feet from the North line and 1150 feet from the East line (Unit A) of said Section 5, 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 2 miles east of Hobbs Army Airfield Aux. #1.

CASE 10766: (Readvertised)

Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and non-standard spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill a well at an unorthodox location 1980 feet from the North line and 1830 feet from the West line (Unit F) of Section 11, Township 21 South, Range 36 East, Eumont Gas Pool. Applicant also seeks authority to dedicate a non-standard 160-acre spacing unit comprised of the SE/4 NW/4, S/2 NE/4 and the NW/4 SE/4 of said Section 11 to said well. Said unit is located approximately 1 mile east of Oil Center, New Mexico.

CASE 10795: (Readvertised)

Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and non-standard spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill its Foster Well No. 3 in the Eumont Gas Pool at an unorthodox gas well location 660 feet from the South line and 330 feet from the East line (Unit P) of Section 34, Township 19 South, Range 36 East, to be dedicated to a non-standard 160-acre spacing unit comprising the S/2 S/2 of said Section 34. Said unit is located approximately one mile northwest of the Warren Gas Co. Compressor Station.

CASE 10824: (Continued from September 9, 1993, Examiner Hearing.)

Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Salt Draw 33 Fed. Well No. 1 at an unorthodox gas well location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 33, Township 24 South, Range 28 East, to test the Atoka formation. The E/2 of said Section 33 will be dedicated to the well. Said well is located approximately 3 miles south of Malaga, New Mexico.

CASE 10828: Application of Santa Fe Energy Operating Partners, L.P. for an unorthodox gas well location and to amend Order No. R-9904, Lea County, New Mexico. Applicant seeks approval to drill its Sinagua "18" Federal Well No. 1 as a gas well at an unorthodox location 2210 feet from the North and East lines (Unit G) of Section 18, Township 20 South, Range 34 East, to test the Morrow formation. The N/2 of said Section 18 will be dedicated to the well. Applicant further requests that Order No. R-9904, a compulsory pooling order, be amended to permit the drilling of a well at said unorthodox location. Said well is located approximately 4 miles southwest of the Warren Gas Co. Compressor Station.

CASE 10687: (Continued from September 9, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the following described areas in Section 17, Township 18 South, Range 28 East, and in the following manner: the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; and the SE/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 unit is to be dedicated to its Illinois Camp "17" State Well No. 2, to be drilled at a standard location within said E/2 proration unit. 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 2 miles north of Illinois Camp.

CASE 10688: (Continued from September 9, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the following described areas in Section 31, Township 17 South, Range 28 East, and in the following manner: the S/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the SE/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; and the SW/4 SE/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. Said unit is to be dedicated to its Chalk Bluff "31" State Well No. 1, to be drilled at a standard location within said S/2 proration unit. 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 1 mile southwest of the Baylor Triangulation Station.

CASE 10829: Application of Mewbourne Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying the following described areas in Section 32, Township 18 South, Range 34 East, and in the following manner: the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the SE/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; and the W/2 SE/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, including the EK-Bone Spring Pool. Said unit is to be dedicated to the applicant's Larica 32 State Well No. 1, to be drilled at an orthodox location within said E/2 proration unit. 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 7.5 miles west of Arkansas Junction.

CASE 10760: (Continued from August 26, 1993, Examiner Hearing.)

Application of Breck Operating Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 20, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool developed within said vertical extent. Said unit is to be dedicated to its Kutz-Government Well No. 9, recompleted at an approved unorthodox location within said W/2 proration unit. 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 and completing said well. Said well is located approximately 5 miles southeast of Bloomfield, New Mexico.

CASE 10674: (Reopened)

Application of Exxon Corporation for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant seeks approval of an unorthodox gas well location for its existing John D. Knox Well No. 11 located 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 10, Township 21 South, Range 36 East, Eumont Gas Pool. Said well is to be simultaneously dedicated with the John D. Knox Well Nos. 1 and 13 located in Units J and H, respectively, of said Section 10 to the existing 320-acre Eumont Gas spacing and proration unit comprising the E/2 of said Section 10. Said unit is located approximately one mile southeast of Oil Center, New Mexico.

CASE 10817: (Continued from September 9, 1993, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Section 35, Township 17 South, Range 30 East, forming a standard 320-acre gas 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 Cedar Lake-Morrow Gas Pool. Said unit is to be dedicated to its Loco Hills "35" Federal Well No. 1 to be drilled and completed at a standard location within Unit J (NW/4 SE/4) of said Section 35. 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 the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 3 miles southeast of Loco Hills, New Mexico.

CASE 10830: Application of Conoco Inc. for establishment of a temporary special testing allowable, Lea County, New Mexico. Applicant seeks an order establishing a special testing allowable for its Lockhart A-27 Lease Project, N/2 of Section 27, Township 21 South, Range 37 East, Paddock Pool, for a maximum period of twelve months at a maximum rate equal to the capacity of each well up to a limiting 6,000 to 1 GOR within the project to produce oil from said pool. This project is located approximately one mile northeast of Eunice, New Mexico.

CASE 10831: Application of Robert L. Bayless for downhole commingling, Rio Arriba County, New Mexico. Applicant seeks approval to downhole commingle oil production from the Cabresto-Gallup and East Blanco-Pictured Cliffs fields within the wellbore of the Simms Com Well No. 1, located in Unit J of Section 13, Township 30 North, Range 4 West. Said well is located approximately 7.5 miles east of Ojo Encino Trailer School.

CASE 10832: Application of Robert L. Bayless for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant seeks approval of an unorthodox gas well location 2100 feet from the South line and 490 feet from the East line (Unit I) of Section 11, Township 24 North, Range 7 West, to test the Undesignated Ballard-Pictured Cliffs Pool. The SE/4 of said Section 11 is to be dedicated to said well forming a standard 160-acre gas spacing and proration unit for said pool. The proposed unit is located approximately 6 miles north of the Sunterra Gas Processing Lybrook Gas Plant.

CASE 10781: (Reopened)

Application of Marathon Oil Company for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox well location in the Basin-Fruitland Coal Gas Pool for its proposed Schwerdtfeger Well No. 17-2 to be drilled at an unorthodox well location 1605 feet from the South line and 1135 feet from the East line (Unit D) of Section 17, Township 27 North, Range 11 West. Said well is to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 17. Said unit is located approximately 9 miles south of Bloomfield, New Mexico.

CASE 10811: (Continued from September 9, 1993, Examiner Hearing.)

Application of Giant Exploration & Production Company for an unorthodox oil well location, Santa Fe County, New Mexico. Applicant seeks approval of an unorthodox oil well location 1300 feet from the South line and 1000 feet from the West line (Unit M) of Section 10, Township 20 North, Range 9 East, to test the Pennsylvanian formation. The SW/4 SW/4 of said Section 10 is to be dedicated to said well. Said well is located approximately 2 miles southwest of El Patrero, New Mexico.

CASE 10812: (Continued from September 9, 1993, Examiner Hearing.)

Application of Giant Exploration & Production Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal Gas Pool, underlying the N/2 of Section 33, Township 26 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes only the Basin Fruitland Coal Gas Pool. Said unit is to be dedicated to a well to be drilled at a standard location thereon in said Section 33. 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 near the Huerfano Boarding School.

CASE 10833: (This case will be continued to October 7, 1993, Examiner Hearing.)

Application of Giant Exploration & Production Company for an unorthodox infill coal gas well location, San Juan County, New Mexico. Applicant seeks approval of an unorthodox coal gas well location 1850 feet from the South line and 790 feet from the East line of Section 29, Township 25 North, Range 12 West, Basin-Fruitland Coal (Gas) Pool. Further, the applicant seeks an exception to the requirements of Rule No. 4 of the Special Rules and Regulations for said Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, as amended, to allow the drilling of a second well on a standard 320-acre spacing and proration unit comprising the E/2 of said Section 29. Said unit is located approximately 8 miles south of Chaco Plant.

CASE 10800: (Continued from September 9, 1993, Examiner Hearing.)

Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal (Gas) formation, underlying the E/2 of Section 26, Township 26 North, Range 13 West, forming a standard 320-acre coal gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the Basin-Fruitland Coal Gas Pool. Said unit is to be dedicated to its Serendipity Well No. 1 to be recompleted at a standard coal gas well location 1650 feet from the South line and 2310 feet from the East line of said Section 26. Also to be considered will be the cost of recompleting 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 recompleting said well. Said well is located approximately 3 miles southeast of the Chaco Gas Plant.

CASE 10513: (Continued from September 9, Examiner Hearing.)

Application of Hanley Petroleum Inc. for determination of reasonable well costs, Lea County, New Mexico. Applicant, in the above-styled cause, as a working interest owner in the Santa Fe Energy Operating Partners, L.P. Kachina "8" Federal Well No. 2 located 1830 feet from the North line and 660 feet from the West line (Unit E) of Section 8, Township 18 South, Range 33 East, South Corbin-Wolfcamp Pool, which was drilled pursuant to the compulsory pooling provisions of Division Order Nos. R-9480, R-9480-A, and R-9480-B, all entered in Case Nos. 10211 and 10219, and to which is dedicated the W/2 NW/4 (Units D and E) of said Section 8, seeks an order ascertaining the reasonableness of actual well costs for the subject well. Said unit is located approximately 7.5 miles southeast by south of Maljamar, New Mexico.

CASE 10834: 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 Eddy County, 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 East Carlsbad-Bone Spring Pool. The discovery well is the Collins & Ware, Inc. Lone Tree Federal Com Well No. 1 located in Unit N of Section 24, Township 21 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 24: S/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Northwest Poker Lake-Delaware Pool. Further, assign a discovery allowable of approximately 39,620 barrels of oil to the discovery well, the Meridian Oil, Inc. Poker Lake 18 Federal Well No. 1 located in Unit F of Section 18, Township 24 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 18: NW/4

- (c) EXTEND the North Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM
Section 35: SE/4

- (d) EXTEND the South Golden Lane-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
Section 17: NW/4

- (e) EXTEND the Los Medanos-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 9: NW/4

- (f) EXTEND the Red Lake Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 23: E/2 SE/4

- (g) EXTEND the Scanlon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM

Section 2: W/2 and NE/4

CASE 10835: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico.

- (a) EXTEND the Alamito-Gallup Oil Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM

Section 27: SE/4 SW/4 and S/2 SE/4

Section 34: NE/4 NW/4 and N/2 NE/4

- (b) EXTEND the Ballard-Pictured Cliffs Pool in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 2 WEST, NMPM

Section 31: All

Section 32: SW/4

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM

Section 36: SE/4

- (c) EXTEND the Blanco-Pictured Cliffs Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM

Section 33: NE/4

Section 34: NW/4

- (d) EXTEND the South Blanco-Tocito Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM

Section 5: N/2

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM

Section 32: SE/4

- (e) EXTEND the Flora Vista-Fruitland Sand Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 12 WEST, NMPM

Section 15: SW/4

Section 22: W/2

- (f) EXTEND the Fulcher Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM

Section 23: S/2 and NW/4

- (g) EXTEND the Gallegos-Gallup Associated Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM

Section 32: N/2

Section 33: N/2

Section 34: N/2

- (h) EXTEND the Gavilan Greenhorn-Graneros-Dakota Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM

Section 11: All

Section 14: N/2

- (i) EXTEND the Horseshoe-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 17 WEST, NMPM

Section 23: NW/4 NE/4

- (j) EXTEND the Kutz-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 11 WEST, NMPM

Section 10: S/2

- (k) EXTEND the West Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM

Section 22: SW/4

- (l) EXTEND the Largo-Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 7 WEST, NMPM

Section 1: All

Section 2: E/2

- (m) EXTEND the Lybrook-Gallup Oil Pool in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM

Section 16: S/2 SW/4, NW/4 SW/4, and

SW/4 SE/4

Section 21: NW/4

- (n) EXTEND the Otero-Chacra Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM

Section 28: S/2

Section 29: SE/4