

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

15 March 1989

EXAMINER HEARING

IN THE MATTER OF:

In the matter of cases called on this
date and continued or dismissed with-
out testimony presented.

CASES
9610
9619
9624
9626
9627
9628
9629
9630
9631

*Transcript in
Case 9610*

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



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Mr. Chad Dickerson
Dickerson, Fisk & Vandiver
Attorneys at Law
Seventh & Mahone, Suite E
Artesia, New Mexico 88210

Re: CASE NO. 9627
ORDER NO. R-8906

Applicant:

Yates Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other _____

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVA-
TION DIVISION FOR THE PURPOSE
OF CONSIDERING:

CASE NO. 9627
Order No. R-8906

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, CHAVES
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 29, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of April, 1989, 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, Yates Petroleum Corporation, seeks approval for an unorthodox gas well location for its Lightcap "YR" Well No. 1 located 330 feet from the North and East lines (Unit A) of Section 25, Township 7 South, Range 29 East, NMPM, Chaves County, New Mexico.
- (3) The applicant further proposes to dedicate a standard 160-acre gas spacing and proration unit to the above-described well consisting of the NE/4 of said Section 25.
- (4) The evidence presented indicates that the subject well, which was drilled in 1984 at a standard oil well location in anticipation of an oil completion, was drilled to a total depth of approximately 3400 feet, was tested in the San Andres formation, and has been shut-in until the present time.

(5) Completion and testing data presented by the applicant at the hearing indicates that the subject well should be classified as a gas well.

(6) Division records indicate that the closest San Andres Oil Pools are located approximately three miles southeast and northeast of the subject well.

(7) The applicant is the operator of the affected acreage to the north of the subject well, and no other offset operator appeared at the hearing in opposition to the proposed unorthodox gas well location.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, 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.

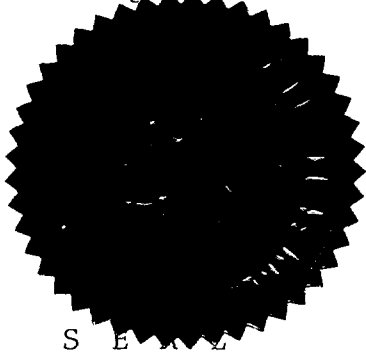
IT IS THEREFORE ORDERED THAT:

(1) The application of Yates Petroleum Corporation for an unorthodox gas well location for its Lightcap "YR" Well No. 1 located 330 feet from the North and East lines (Unit A) of Section 25, Township 7 South, Range 29 East, NMPM, Wildcat San Andres Gas Pool, Chaves County, New Mexico, is hereby approved.

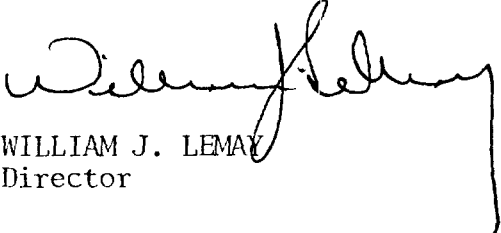
(2) The NE/4 of said Section 25 shall be dedicated to the above-described well.

(3) 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 R R L

Dockets Nos. 11-89 and 12-89 are tentatively set for April 12 and April 26, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 29, 1989

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

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

CASE 9200: (Reopened)

In the matter of Case 9200 being reopened pursuant to the provisions of Division Order No. R-8518, which promulgated temporary special rules and regulations for the South Shoe Bar-Upper Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre spacing units. Operators in the subject pool may appear and show cause why the South Shoe Bar-Upper Pennsylvanian Pool rules should not be rescinded.

CASE 9632: Application of Union Texas Petroleum Corporation for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 1590 feet from the South line and 1000 feet from the East line (Unit 1) of Section 35, Township 31 North, Range 9 West, Basin-Fruitland Coal (Gas) Pool, Lots 1, 2, 7, 8, 9, 10, 15 and 16 (E/2 equivalent) of said Section 35 to be dedicated to the well forming a standard 315.92-acre gas spacing and proration unit for said pool. Said location is approximately 8 miles west northwest of the Navajo Reservoir Dam.

CASE 9633: Application of Sun Exploration and Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation or to a depth of 13,700 feet, whichever is deeper, underlying the following described acreage in Section 27, Township 22 South, Range 34 East, and in the following described manner:

- the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing;
- The SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing;
- the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes, but not necessarily limited to the Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated Ojo Chiso-Strawn Gas Pool, and the Ojo Chiso-Morrow Gas Pool).

All of the above-described 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 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 location is approximately 18 miles west by south of Eunice, New Mexico.

CASE 9634: Application of Sun Exploration and Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation or to a depth of 13,760 feet, whichever is deeper, underlying the following described acreage in Section 26, Township 22 South, Range 34 East, and in the following described manner:

- the NE/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing;
- the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing;
- the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes, but not necessarily limited to the Undesignated Antelope Ridge-Atoka Gas Pool, Undesignated Ojo Chiso-Strawn Gas Pool, and the Ojo Chiso-Morrow Gas Pool).

All of the above-described 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 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 location is approximately 17 miles west by south of Eunice, New Mexico.

CASE 9635: Application of Steve Sell for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 1294 feet from the North line and 2063 feet from the West line (Unit C) of Irregular Section 5, Township 22 South, Range 24 East, Indian Basin-Upper Pennsylvanian Gas Pool, all of said Section 5, consisting of 692.88 acres, to be dedicated to the well forming a standard gas spacing and proration unit for said pool. Said location is approximately 4 miles southeast of the Marathon Oil Company's Indian Basin Gas Plant.

CASE 9553: (Reopened and Readvertised.)

Application of Benson-Montin-Greer Drilling Corp. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle production from the Basin-Dakota Pool and West Puerto Chiquito-Mancos Oil Pool within the wellbore of its Canada Ojitos Unit Well No. 22 located either 1685 feet from the North line and 1860 feet from the West line or 1700 feet from the North line and 1790 feet from the West line (Unit F) of Section 20, Township 26 North, Range 1 West. Said well is located approximately 20 miles north of Regina, New Mexico.

CASE 9636: Application of Grand Resources Inc. for statutory unitization, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Mesa-Gallup Oil Pool underlying 4800.00 acres, more or less, of Navajo Indian lands in all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West and Section 30, Township 32 North, Range 17 West, all as projected into the unsurveyed Navajo Indian Reservation. Said unit is to be designated the Mesa-Gallup Unit Area. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9637: Application of Grand Resources Inc. for a waterflood project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the designated and Undesignated Mesa-Gallup Oil Pool in its proposed Mesa-Gallup Unit Area (Division Case No. 9636) underlying all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West and Section 30, Township 32 North, Range 17 West, all as projected into the unsurveyed Navajo Indian Reservation. Said area is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9619: (Readvertised)

Application of Santa Fe Exploration Company for an unorthodox gas well location, dual completion and compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool, underlying all of Section 8, Township 21 South, Range 23 East, forming a standard 640-acre gas spacing and proration unit for both pools. Production from both zones is to be from a dually completed well to be drilled at an unorthodox gas well location 660 feet from the South and East lines (Unit P) of said Section 8. 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 location is approximately 3.75 miles west-northwest of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9597: (Continued from March 1, 1989, Examiner Hearing.) (Readvertised)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal (gas) Pool underlying the W/2 of Section 16, Township 30 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Delhi Com Well No. 300 to be drilled at an unorthodox coal gas well location 570 feet from the South line and 185 feet from the West line (Unit M) of said Section 16. 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 well location is approximately 4 miles northwest by west of the Navajo Reservoir Dam.

CASE 9638: Application of Meridian Oil Inc. to amend Division Order No. R-8882, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8882 by changing the unorthodox coal gas well location approved in said Order for its Stanolind Gas Com Well No. 300 to a new location 705 feet from the North line and 1605 feet from the East line (Unit B) of Section 16, Township 30 North, Range 8 West. Said location is approximately 2.25 miles east-northeast of Archuleta, New Mexico.

CASE 9631: (Continued from March 15, 1989, Examiner Hearing.)

Application of BHP Petroleum Company, Inc. for compulsory pooling and an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Montoya formation underlying the E/2 of Section 36, Township 10 South, Range 26 East, forming a standard 320-acre gas spacing and proration unit for all formations within said vertical extent, said unit is to be dedicated to a well to be drilled at an unorthodox gas well location 1650 feet from the North line and 2310 feet from the East line (Unit G) of said Section 36. 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 location is approximately 16 miles east of Roswell, New Mexico.

CASE 9642: 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 Lea Counties, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the Quail Ridge-Delaware Pool. The discovery well is the Bill Fenn Inc. Powell Federal Well No. 1 located in Unit P of Section 4, Township 20 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 4: SE/4

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 16: SW/4
Section 17: SE/4

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 8: SE/4
Section 17: E/2
Section 20: NE/4
Section 21: NW/4

- (d) EXTEND the Southwest Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 17: SE/4

- (e) EXTEND the Lea-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 14: NW/4
Section 15: NE/4

- (f) EXTEND the Lightcap-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
Section 6: SE/4

- (g) EXTEND the Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 33: W/2

- (h) EXTEND the Querecho Plains-Upper Bone Spring Pool in Lea County, New Mexico, to include therein:

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

- (i) EXTEND the Shipp-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 1: SW/4

- (j) EXTEND the South Shoe Bar-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 22: SW/4

CASE 9639: Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 (equivalent) of Section 23, Township 31 North, Range 10 West, forming a standard 313.78-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 205 to be drilled at a standard coal gas well location in the NW/4 of said Section 23. 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 location is approximately 9 miles northeast of Aztec, New Mexico.

CASE 9640: Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 (equivalent) of Section 21, Township 31 North, Range 10 West, forming a standard 310.38-acre gas spacing and proration unit for said pool, to be dedicated to its Lambe Com Well No. 200 to be drilled at a standard coal gas well location in the NE/4 of said Section 21. 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 location is approximately 7.5 miles northeast by east of Aztec, New Mexico.

CASE 9641: Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 (equivalent) of Section 23, Township 31 North, Range 10 West, forming a standard 315.75-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "B" Com Well No. 205 to be drilled at a standard coal gas well location in the SW/4 of said Section 23. 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 location is approximately 9 miles northeast of Aztec, New Mexico.

CASE 9627: (Continued from March 15, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 330 feet from the North and East lines (Unit A) of Section 25, Township 7 South, Range 29 East, San Andres formation, the NE/4 of said Section 25 to be dedicated to the well forming a standard 160-acre gas spacing and proration unit. Said location is approximately 7.5 miles east by south of Elkins, New Mexico.

CASE 9628: (Continued from March 15, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the plugged and abandoned Carper Drilling Company, Inc. Marathon-State Well No. 1 located at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 33, Township 17 South, Range 24 East, to test any and all formations and/or pools from the top of the Undesignated Collins Ranch-Wolfcamp Gas Pool to the base of the Morrow formation, the N/2 of said Section 33 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said well is located approximately 7.75 miles east by south of Hope, New Mexico.

CASE 9629: (Continued from March 15, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Ordovician formation underlying the E/2 of Section 36, Township 10 South, Range 26 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing. Said unit is to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 36. 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 location is approximately 16 miles east of Roswell, New Mexico.

CASE 9630: (Continued from March 15, 1989, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 1650 feet from the North line and 2310 feet from the East line (Unit G) of Section 36, Township 10 South, Range 26 East, Ordovician formation, the E/2 of said Section 36 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit. Said location is approximately 16 miles east of Roswell, New Mexico.

- (k) EXTEND the Skaggs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 2: SE/4

- (l) EXTEND the North Teague-Ellenburger Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 4: SW/4