

**DOCKET: EXAMINER HEARING - THURSDAY - MARCH 3, 1994**  
**8:15 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING**  
**SANTA FE, NEW MEXICO**

Dockets Nos. 9-94 and 10-94 are tentatively set for March 17, 1994 and March 31, 1994. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

**CASE 10812:** (Continued from February 17, 1994, 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 10922:** **Application of Marathon Oil Company for a high angle/horizontal directional drilling pilot project and special operating rules therefor, Lea County, New Mexico.** Applicant seeks to initiate a high angle/horizontal directional drilling project in the Denton-Devonian Pool, underlying a Project Area being the SW/4, N/2 SE/4 and SE/4 SE/4 of Section 11, Township 15 South, Range 37 East. Applicant proposes to re-enter and directionally drill its J. M. Denton Well No. 5 by commencing at a standard well location in Unit N of Section 11, then kick-off from vertical in a northeasterly direction commencing to build angle at an appropriate rate to vertically and/or horizontally intersect the proposed producing area such that the producing interval will be located in Unit N of Section 11. Applicant further seeks the promulgation of special operating rules and procedures for wells within said Project Area including provisions for administrative authorization for additional horizontal/high angle/directional wellbores, and the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, the assignment of a special oil allowable or formula for the project area. Applicant further seeks the designation of a target window such that the horizontal or producing portion of such wellbores shall be no closer than 330 feet to any outer boundary of the project area. Said project is located approximately 4.5 miles south-southeast of Prairieview, New Mexico.

**CASE 10923:** **Application of Marathon Oil Company for a high angle/horizontal directional drilling pilot project, special operating rules therefor and an unorthodox producing interval, Eddy County, New Mexico.** Applicant seeks authority to initiate a high angle/horizontal directional drilling pilot project in the Indian Basin-Upper Pennsylvanian Gas Pool and the promulgation of special operating rules, including the designation of a prescribed area limiting the surface location and the horizontal displacement of the wellbore such that its surface location and producing interval be no closer than 1500 feet to the west and north or 1650 feet to the east and south outer boundaries of its spacing unit being a standard 640 acre spacing unit consisting of all of Section 26, Township 21 South, Range 23 East. Said project area is located approximately 20 miles west of Carlsbad, New Mexico.

**CASE 10914:** (Continued from February 17, 1994 Examiner Hearing.)

**Application of Marathon Oil Company for compulsory pooling, unorthodox well location and a non-standard gas proration and spacing unit, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying Section 36, Township 20 1/2 South, Range 23 East, forming either a standard 345.4-acre oil-gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which may presently include but is not necessarily limited to the South Dagger Draw-Upper Pennsylvanian Associated Pool, OR IN THE ALTERNATIVE forming a non-standard 345.4-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent, which may presently include but is not necessarily limited to the Indian Basin-Upper Pennsylvanian Gas Pool. Said unit is to be dedicated to a well to be drilled and completed at a well location 660 feet from the North line and 1650 feet from the East line of Section 36, said location being unorthodox if dedicated to the Indian Basin Upper Pennsylvanian Gas Pool. 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 10 miles southeast of Hope, New Mexico.

**CASE 10899:** (Continued from February 17, 1994, Examiner Hearing.)

Application of Matador 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 Abo formation underlying the NW/4 SW/4 or in the alternative, the N/2 SW/4 of Section 5, Township 17 South, Range 37 East, forming either a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Lovington-Drinkard Pool, OR IN THE ALTERNATIVE a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the West Knowles-Drinkard Pool. Said unit is to be dedicated to a well to be drilled and completed at a standard oil well location in Unit L of said Section 5. 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 6 miles southeast of Lovington, New Mexico.

**CASE 10924:** Application of GECKO, Inc. for directional drilling and unorthodox oil well surface and bottomhole locations, Lea County, New Mexico. Applicant seeks exceptions to Division General Rule 111 and the Special Rules and Regulations of the Casey-Strawn Pool and for approval to reenter its Gecko State "35 Well No. 1 at an unorthodox surface location 434 feet from the North line and 1762 feet from the East line (Unit B) in Section 35, Township 16 South, Range 37 East, establish a kickoff point and to deviate from vertical in a southerly direction to a total vertical depth of approximately 1,750 feet to the base of the Strawn formation at a point within a 100 foot radius of an estimated bottomhole target 934 feet from the North line and 1762 feet from the East line (Unit B) in said Section 35 and for approval to produce the Strawn formation at said unorthodox bottomhole location within an 80-acre spacing and proration unit consisting of the N/2 NE/4 of Section 35 being dedicated to production from the Casey-Strawn Pool. Said well is located approximately 6 miles north of Humble City, New Mexico.

**CASE 10925:** Application of Armstrong Energy Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks authorization to drill to the Delaware formation, Northeast Lea-Delaware Pool, its Mobil Lea State Well No 5 at a location 2440 feet from the North line and 870 feet from the West line (Unit E) of Section 2, Township 20 South, Range 34 East. The SW/4 NW/4 of said Section 2 is to be dedicated to said well forming a standard 40-acre spacing and proration unit. Said unit is located approximately 1/2 mile south of Mile Marker 80 on U.S. Highway 180/62.

**CASE 10926:** Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and a non-standard spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill its Foster Well No. 4 at an unorthodox location 660 feet from the South line and 480 feet from the East line (Unit P) of Section 34, Township 19 South, Range 36 East, Eumont Gas Pool. Applicant also seeks the creation of a 160-acre non-standard spacing unit comprised of the S/2 S/2 of said Section 34 to be dedicated to said well. Said area is located approximately 1 mile northwest of the Warren Gas Company Compressor Station.

**CASE 10911:** (Continued from February 17, 1994, Examiner Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 31, Township 17 South, Range 27 East. Applicant proposes to reenter the Fasken Exxon AOF Federal Com Well No. 1 located at a standard location 1980 feet from the South and East lines of said Section 31 to test any and all formations to the base of the Morrow, Undesignated Red Lake-Pennsylvanian Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 7 miles east-southeast of Artesia, New Mexico.

**CASE 10912:** (Continued from February 17, 1994, Examiner Hearing.)

Application of Enron Oil & Gas Company for downhole commingling, Eddy County, New Mexico. Applicant seeks approval to downhole commingle production from the Morrow formation, West Sand Dunes-Morrow Gas Pool, and Atoka formation, West Sand Dunes-Atoka Gas Pool, within the wellbore of its Pure Gold "B" Federal Well No. 2 located 660 feet from the North line and 1980 feet from the East line of Section 20, Township 23 South, Range 31 East. Said area is located near Mile Marker 14 on State Highway 128.

**CASE 10927:** Application of Breck Operating Corporation for surface commingling, San Juan County, New Mexico. Applicant seeks an exception to Division General Rule 303A for the surface commingling of production from the Basin-Fruitland Coal Gas Pool in its Kutz Government Well No. 8J located 930 feet from the South line and 1720 feet from the West line (Unit N) of Section 21, Township 28 North, Range 10 West, and production from the Fulcher Kutz-Pictured Cliffs Gas Pool in its Kutz Government Well No. 8 located 990 feet from the South and West lines (Unit M) of said Section 21 which is located approximately 4 miles north of El Paso's Angel Peak Station.

**CASE 10928:** Application of Breck Operating Corporation for surface commingling, San Juan County, New Mexico. Applicant seeks an exception to Division General Rule 303A for the surface commingling of production from the Basin-Fruitland Coal Gas Pool in its Kutz Government Well No. 7 located 790 feet from the South line and 1650 feet from the West line (Unit N) of Section 3, Township 27 North, Range 10 West, and production from the Fulcher Kutz-Pictured Cliffs Gas Pool in its Kutz Government Well No. 7J located 1840 feet from the South line and 1050 feet from the West line (Unit L) of said Section 3 which is located approximately 2 miles northeast of El Paso's Angel Peak Station.

**CASE 10929:** Application of Breck Operating Corporation for surface commingling, San Juan County, New Mexico. Applicant seeks an exception to Division General Rule 303A for the surface commingling of production from the Basin-Fruitland Coal Gas Pool in its Kutz Government Well No. 6 located 990 feet from the North line and 1650 feet from the East line (Unit B) of Section 3, Township 27 North, Range 10 West, and production from the Fulcher Kutz-Pictured Cliffs Gas Pool in its Kutz Government Well No. 6J located 1640 feet from the North line and 1190 feet from the East line (Unit H) of said Section 3 which is located approximately 2 miles northeast of El Paso's Angel Peak Station.

**CASE 10910:** (Continued from February 17, 1994, Examiner Hearing.)

Application of Manzano Oil Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval of the unorthodox location in the Morrow formation, West Osado-Morrow Gas Pool, for its Neuhaus Federal Well No 3 to be drilled 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 14, Township 20 South, Range 35 East, the E/2 of said Section 14 is to be dedicated to the well. Applicant further requests approval of the unorthodox location as to all prospective pools or formations including but not limited to the Morrow, spaced on 320 acres. Said well is located approximately 17 miles southwest of Hobbs, New Mexico.

**CASE 10909:** (Continued from February 17, 1994, Examiner Hearing.)

Application of Klabzuba Oil and Gas for an unorthodox well location, Lea County, New Mexico. Applicant seeks authorization to drill its State Well No 1-36 at an unorthodox location 2403 feet from the North line and 2620 feet from the West line (Unit F) of Section 36, Township 11 South, Range 37 East, Devonian formation, Gladiola-Devonian Pool. The SE/4 NW/4 of said Section 36 should be dedicated to the well. Said area is located approximately 8 miles northeast of Tatum, New Mexico.

**CASE 10930:** Application of The Wiser Oil Company for statutory unitization, Lea County, New Mexico. Applicant seeks an order unitizing, for the purpose of establishing a waterflood project, all mineral interests in the proposed Caprock Maljamar Unit in the Maljamar Grayburg San Andres Pool, underlying 4160 acres, more or less, of State, Federal and Fee lands comprising portions of Sections 13 and 24, Township 17 South, Range 32 East and portions of Sections 17, 18, 19, 20, 21, 27, 28, 29, and 33, Township 17 South, Range 33 East. Said unit is to be designated the Caprock Maljamar 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 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 necessarily limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Said unit area is located approximately 8 miles east of Maljamar, New Mexico.

**CASE 10931:** Application of The Wiser Oil Company for approval of a waterflood project, Lea County, New Mexico. Applicant seeks authority to institute a waterflood project on its proposed Caprock Maljamar Unit in the Maljamar Grayburg San Andres Pool (Division Case No. 10930) located in portions of Sections 13 and 24, Township 17 South, Range 32 East and portions of Sections 17, 18, 19, 20, 21, 27, 28, 29, and 33, Township 17 South, Range 33 East, by the injection of water into the Maljamar Grayburg-San Andres Pool through certain wells to be converted to water injection and the drilling of infill 20-acre wells to serve as producers. The applicant further seeks approval that said project qualify as an "Enhanced Oil Recovery Project" pursuant to the provisions of Division Order No. R-9708. Said project area is located approximately 8 miles east of Maljamar, New Mexico.

**CASE 10932:** Application of The Wiser Oil Company to authorize the expansion of the Maljamar Caprock Unit Waterflood Project and qualify said expansion for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act," Lea County, New Mexico. Applicant seeks an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovery Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying a portion of its Maljamar Caprock Unit in Sections 13 and 24, Township 17 South, Range 32 East, and portions of Sections 17, 18, 19, 20, 21, 27, 28, 29, 33, Township 17 South, Range 33 East, Maljamar Grayburg-San Andres Pool, for the Recovered Oil Tax Rate under the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said project area is located approximately 8 miles east of Maljamar, New Mexico.

**CASE 10882:** (Continued from February 3, 1994, Examiner Hearing.)

Application of James C. Brown, Trustee, and Bayshore Production Co., Limited Partnership, to vacate and void Division Administrative Orders NSP-1632(L)(SD) and NSP-1633(L), Lea County, New Mexico. Applicants seeks approval of an order from the Division vacating and voiding Administrative Order NSP-1633(L) covering the N/2 N/2 (equivalent) and Administrative Order NSP-1632(L) (SD) covering the S/2 N/2 (equivalent) of Section 7, Township 23 South, Range 37 East, Jalmat Gas Pool. The said units are located approximately 8 miles south-southwest of Eunice, New Mexico.

**DOCKET: COMMISSION HEARING - THURSDAY - MARCH 10, 1994****9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO****The Land Commissioner's designee for this hearing will be Gary Carlson**

**CASE 10933:** The Oil Conservation Division is calling a hearing on its own motion to accept nominations and other evidence and information to assist in determining April 1994 through September 1994 gas allowables for the prorated gas pools in New Mexico. Thirteen of the prorated gas pools are in Lea, Eddy, and Chaves Counties in Southeast New Mexico and four pools are in San Juan, Rio Arriba and Sandoval Counties in Northwest New Mexico. Commission Order No. R-8170-H dated December 1990 provides for allowables to be established for 6-month allocation periods beginning in April and October of each year. Preliminary allowable estimates for the April-September period are being distributed with OCD Memorandum dated February 18, 1994.

**CASE 10907:** (Continued from February 10, 1994, Commission Hearing.)

In the matter of the hearing called by the Oil Conservation Division to amend Rules 1111, 1112, and 1115 of its General Rules and Regulations. The Oil Conservation Division seeks to amend its General Rules and Regulations to provide for the filing of Forms C-111, C-112, and C-115, respectively, on the last business day of the month following the month of production and to provide for the imposition of penalties for failure to file timely and accurate reports.

**CASE 10345:** (De Novo - Continued from January 13, 1994, 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 January 13, 1994, 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 10887:** (De Novo - Continued from February 10, 1994, Commission Hearing.)

Application of Kaiser-Francis Oil Company for directional drilling, Eddy County, New Mexico. Applicant seeks to test and develop the Undesignated Los Medanos-Delaware and/or Undesignated West Sand Dunes-Delaware Pools underlying the NE/4 of Section 20 and the W/2 NE/4 and NW/4 of Section 21, Township 23 South, Range 31 East, by drilling directional into the ten 40-acre standard oil well spacing and proration units comprising said area from ten various surface locations around its periphery in Sections 16, 17, 20 and 21. Said area is located approximately 5.5 miles northwest of the Lea/Eddy County line on State Highway No. 128. Upon application of Santa Fe Energy Operating Partners, L.P., this case will be heard De Novo pursuant to the provisions of Rule 1220.

**CASE 10871:** (De Novo)

Application of Santa Fe Energy Partners, L.P. for compulsory pooling and to shut-in a producing well, and for a non-standard spacing and proration unit, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the South Dagger Draw-Upper Pennsylvanian Associated Pool underlying the W/2 of Section 10, Township 20 South, Range 24 East, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the South Dagger Draw-Upper Pennsylvanian Associated Pool. Said unit is to be dedicated to a well to be drilled at an orthodox 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 said well. Applicant also requests that the existing Yates Petroleum Corporation Judith "AJ" Fed. Well No. 1, located 660 feet from the South and East lines of Section 9, Township 20 South, Range 24 East, be shut-in pending the drilling and completion of applicant's proposed well. Further, applicant requests approval for a non-standard spacing and proration unit in the South Dagger Draw-Upper Pennsylvanian Associated Pool for the proposed Ocotillo "ACI" Fed. Com Well No. 2 to be located at a standard location in the SE/4 of Section 10, Township 20 South, Range 24 East. Said area is located approximately 2 miles west of Seven Rivers, New Mexico. Upon application of Santa Fe Operating Partners, L.P., this case will be heard De Novo pursuant to the provisions of Rule 1220.