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TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

MEMO NO. 7-86

MEMORANDUM

TO: OPERATORS OF PRORATED GAS WELLS
FROM: R. L. STAMETS, DIRECTOR *RLS*
SUBJECT: SUSPENSION OF RECLASSIFICATION

I have instructed the Division's Gas Proration Manager to suspend the gas well reclassification which would normally occur at the end of the first trimester of the new gas proration period. This is being done as many wells are shut-in or are severely restricted due to current market conditions and wells otherwise capable of non-marginal production could be reclassified marginal.

It has been suggested that a continuing suspension should be considered because of these market conditions. Conversely, it has been suggested that reclassification should be allowed to proceed in order that allowable may flow to those operators choosing to participate in the spot market. The argument put forth is, that if the spot market is made available to producers and they choose not to participate, have not their correlative rights been protected (an opportunity to produce having been provided) and should not their share of the pool allowable be given to those who do choose to sell.

Your response to this issue will be appreciated and will be shared with the Gas Advisory Committee now looking at gas proration issues. Please submit any response in writing by July 18, 1986.

June 23, 1986

dr/

Dockets Nos. 22-86 and 23-86 are tentatively set for July 23 and August 6, 1986. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 9, 1986
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1986, from fifteen prorated pools in Lea Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for July, 1986, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 8932: Application of Geo Engineering, Inc. for exceptions to Division General Rules 104(F) and 104(C) (I), McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority for the location of oil wells no nearer than 165 feet to the lease boundary or nearer than 10 feet to any quarter-quarter section or subdivision inner boundary for wells completed in the Menafée member of the Mesaverde formation in the NW/4 of Section 32, Township 20 North, Range 9 West. Applicant also seeks authority allowing the operator to develop the area described with more than four wells on each 40-acre tract.

CASE 8933: Application of Geo Engineering, Inc. for exceptions to Division General Rules 104(F) and 104(C) (I), McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority for the location of oil wells no nearer than 165 feet to the lease boundary or nearer than 10 feet to any quarter-quarter section or subdivision inner boundary for wells completed in the Menafée member of the Mesaverde formation in the NW/4 of Section 30, Township 20 North, Range 9 West. Applicant also seeks authority allowing the operator to develop the area described with more than four wells on each 40-acre tract.

CASE 8934: Application of Amstar Energy Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Bone Spring, Wolfcamp, Cisco, Canyon, Strawn, Atoka, and Morrow formations in the perforated interval from approximately 9600 feet to 13,627 feet in the Mid-American Petroleum, Inc. New Mexico State "A" Well No. 1 located 660 feet from the South line and 2080 feet from the East line (Unit O) of Section 35, Township 18 South, Range 34 East, Undesignated Air Strip Bone Spring Pool or Undesignated Scharb Bone Spring Pool, Air Strip Wolfcamp Pool, and East La Rica Morrow Gas Pool.

CASE 8935: Application of Verde Grande Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Wolfcamp formation in the perforated interval from approximately 10,230 feet to 10,726 feet in its Aztec State Comm Well No. 3 located 660 feet from the South and West lines (Unit M) of Section 18, Township 16 South, Range 37 East.

CASE 8936: Application of Santa Fe Energy Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying either the SW/4 NW/4 of Section 33, Township 23 South, Range 31 East, to form a standard 40-acre oil spacing and proration unit within said vertical limits or the W/2 of said Section 33 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, both aforementioned units to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8820: (Reopened)

Application of Santa Fe Energy Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp, Strawn, Atoka, and Morrow formations underlying the W/2 of Section 24, Township 22 South, Range 27 East, forming a standard 320-acre gas spacing and proration unit, to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 8937: Application of Mobil Producing Texas and New Mexico, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its proposed Federal CCC Well No. 2 to be drilled 2970 feet from the South line and 2410 feet from the East line of Section 4, Township 16 South, Range 31 East, Undesignated North Square Lake Grayburg-San Andres Pool, Lot 15 of said Section 4 to be dedicated to the well forming a standard 40-acre oil spacing and proration unit.
- CASE 8938: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Atoka-Glorieta-Yeso Pool underlying the SW/4 SW/4 (Unit M) of Section 27, Township 18 South, Range 26 East, to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8939: Application of Yates Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation in the perforated interval from approximately 3750 feet to 3790 feet in the Sinclair Oil and Gas Company State 197 Well No. 3 located 1980 feet from the North line and 1762.5 feet from the West line (Unit F) of Section 6, Township 17 South, Range 34 East.
- CASE 8940: Application of Yates Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation in the perforated interval from approximately 3770 feet to 3810 feet in the H. L. Brown, Jr. State "B" Well No. 2 located 990 feet from the South line and 330 feet from the West line (Unit M) of Section 6, Township 17 South, Range 34 East.
- CASE 8866: (Continued from June 25, 1986, Examiner Hearing)
- Application of Amoco Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox well location 180 feet from the South line and 130 feet from the East line of Section 9, Township 27 North, Range 12 West, Wildcat Gallup/Basin Dakota Pool, the SW/4 and S/2, respectively, of said Section 9, to be dedicated to the well.
- CASE 8941: Application of BCO, Inc. for a unit agreement, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Alamito (State) Unit Area comprising 360 acres, more or less, of State lands all in Section 32, Township 23 North, Range 7 West.