

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 9068: (Continued from January 21, 1987, Examiner Hearing)

Application of Sage Energy Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the West Tres Papalotes-Pennsylvanian Pool in the perforated interval from approximately 10,401 feet to 10,410 feet in its New Mexico State Well No. 1 located 560 feet from the North and East lines (Unit A) of Section 31, Township 14 South, Range 34 East.

CASE 9072: Application of Mobil Producing Texas and New Mexico, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the North Vacuum-Abo Pool by the injection of water into the perforated interval from approximately 8714 feet to 8762 feet in its State "N" Well No. 2 located 735 feet from the North line and 840 feet from the West line (Unit D) of Section 10, Township 17 South, Range 34 East.

CASE 9073: Application of Mallon Oil Company for the reinstatement of oil production allowables and an exception to the provisions of Division General Rule 502 for certain wells located in the Gavilan-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order reinstating the oil allowables which should have been assigned to the following described wells, all in Township 25 North, Range 2 West, Gavilan-Mancos Oil Pool, for the months of January, February, March, and April, 1986. Applicant further seeks an exemption to the provisions of Division General Rule 502 which limit the period of time an operator is given to make up any overproduction of oil and casinghead gas:

Howard Federal "1" Well No. 8 located in Unit H of Section 1;

Howard Federal "1" Well No. 11 located in Unit K of Section 1;

Fisher Federal "2" Well NO. 1 located in Unit A of Section 2;

Ribeyowids Federal "2" Well No. 16 located in Unit P of Section 2; and,

Johnson Federal "12" Well No. 5 located in Unit E of Section 12.

Docket No. 5-87

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 11, 1987
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for March, 1987, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for March, 1987, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Dockets Nos. 6-87 and 7-87 are tentatively set for February 18 and March 4, 1987. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 4, 1987
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

CASE 9057: (Continued and Readvertised)

Application of New Mexico Petroleum Company to amend Division Order No. R-3960 and to transfer ownership of its oil treating plant approved by said Order, Lea County, New Mexico. Division Order No. R-3960, dated May 12, 1970, authorized New Mexico Petroleum Company to install and operate an oil treating plant at a site located in the SE/4 of Section 25, Township 11 South, Range 33 East. Applicant, in the above-styled cause, seeks to amend said Order to reflect the proper location of said plant site in the SW/4 SE/4 of Section 7, Township 11 South, Range 37 East. Applicant further seeks to transfer ownership of New Mexico Petroleum Company from Michael D. Caudill and Roland Caudill to Jess Keeth pursuant to Division General Rule 312.

CASE 9060: (Continued from January 7, 1987, Examiner Hearing)

Application of ARCO Oil and Gas 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 Atoka formation underlying the W/2 of Section 23, Township 17 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit 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 9061: (Reopened and Readvertised)

Application of ARCO Oil and Gas Company for an unorthodox oil well location and simultaneous dedication, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its Chacon Federal Well No. 102 to be drilled 900 feet from the North line and 990 feet from the East line of Section 19, Township 24 North, Range 3 West, West Lindrith Gallup-Dakota Oil Pool, and the simultaneous dedication of the previously approved non-standard oil proration unit (Administrative Order NSP-1367) consisting of the NE/4 and Lots 1 and 2 of said Section 19 comprising 191.55 acres, more or less, to this well and to the existing Chacon Federal Wells Nos. 101 (located 700 feet from the North line and 800 feet from the East line of said Section 19) and 8 (located 1825 feet from the North line and 1850 feet from the East line of said Section 19).

CASE 9070: 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 in the Cisco Canyon formation underlying the SE/4 of Section 19, Township 19 South, Range 25 East, to form a standard 160-acre gas spacing and proration unit 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 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 9058: (Continued from January 21, 1987, Examiner Hearing)

Application of Yates Petroleum Corporation 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 Atoka formation underlying either the NW/4 NE/4 of Section 14, Township 17 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit within said vertical limits or the N/2 NE/4 of said Section 14 to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits which are developed on 80-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 9071: Application of Foran Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Northeast Lovington-Pennsylvanian Pool underlying the S/2 NW/4 of Section 8, Township 16 South, Range 37 East, to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



No. 8-86

TONEY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

M E M O R A N D U M

TO: SAN JUAN BASIN OPERATORS, PURCHASERS,
AND TRANSPORTERS

FROM: R. L. STAMETS, DIRECTOR *RLS*

SUBJECT: EXTENSION OF 1986 DELIVERABILITY TEST PERIOD,
SUSPENSION OF BIENNIAL TESTING

Case No. 8586 reopened December 3, 1986 was, in part, an application to extend the deadline for completing and filing 1986 deliverability tests to March 31, 1987, and for a one year suspension of biennial deliverability testing.

No testimony was received in opposition to this application and it will be granted. As completion of work necessary to prepare an order dealing with other matters in Case No. 8586 will take some time, this memorandum is being issued in order that all persons concerned with deliverability testing may be aware of our intentions and may take advantage of the relief to be granted.

The deliverability test cycle will begin again in 1988 with those pools which would have been tested in 1987. The three annual deliverability tests for new wells will continue to be required. Voluntary testing and retests after workover will be handled as at present.

December 15, 1986

/et

MEMORANDUM

TO: ALL GAS PRODUCERS, PURCHASERS, TRANSPORTERS
AND INTERESTED PERSONS

FROM: R. L. STAMETS, DIRECTOR

SUBJECT: JANUARY 8, 1987 HEARINGS ON CASE NO. 9015 (PRIORITY PRODUCTION SCHEDULE) AND
CASE NO. 9018 (GAS BANK)

On December 16, 1986, a committee met to further study priority production schedule and gas bank proposals.

The following represents some of the results and questions arising from their work. Also, an alternative to the Gas Bank proposal was brought forth following the committee meeting and is presented herein.

I encourage all interested parties to review this material and be prepared to present appropriate testimony at the January 8, 1987, Commission hearing.

Case 9015 Priority Production Schedule

It was suggested that this be retained as a memorandum by the Director for the time being. The following is language which has been proposed to be included in such a memorandum and/or as findings in the order in this case:

To prevent the waste of gas which might result from the shutting in or curtailment of certain wells in New Mexico, the Priority Production Schedule outlined below is hereby established.

In order for a seller of gas to enjoy the benefit of the priorities established hereinbelow it may be necessary to sell gas at market-clearing levels or other terms mutually acceptable to the purchaser and seller. This is not to be interpreted in any respect as an interference or impediment to existing contractual rights or an impairment of one party's rights to institute or maintain litigation over alleged breaches of those contractual rights. Any value paid and volumes taken may have the effect of mitigating damages under such alleged breaches. Refusal to sell gas under current market conditions is regarded as a decision not to mitigate damages and also should not impair an injured party's rights to pursue recovery of damages in a court of law. Such matters are not within the authority of the Division. The Division's role is limited to prevention of waste and protection of correlative rights by allocating the gas market equitably between wells in a pool, establishing priorities of takes within each system and taking appropriate action where a purchaser or transporter is discriminating unreasonably in the taking of gas between pools or between wells in a pool.

- A. To prevent waste, every person now engaged or hereafter engaged in the business of (producing, transporting, purchasing) gas from gas wells or casinghead gas from oil wells shall observe the following priority production schedule:
- (1) Gas from all wells designated under a hardship classification by the Division under Rules 410, 411, or after hearing shall have first priority;
 - (2) casinghead gas from Division approved waterflood, pressure maintenance, or certified tertiary recovery projects shall have second priority;
 - (3) casinghead gas shall have third priority;
 - (4) gas from downhole commingled wells involving one or more gas zones and one or more oil zones shall have fourth priority;
 - (5) gas from wells classified as gas wells in associated pools shall have fifth priority;
 - (6) gas from wells in non-associated pools shall have sixth priority.

- B. Any gas transporter connected to a well, lease or field facility, which transporter provides transportation to the spot market, shall provide an affiliate or associate marketing service. Such marketing service shall provide the opportunity for sale of gas from wells in the above priority schedule from the highest to lowest to the extent of available demand.
- C. The schedule shall be observed by giving all highest priority gas an opportunity to produce before giving gas with the next highest priority the opportunity to produce and so on throughout the priority schedule until the demand for gas is met. In the schedule listed above, the lowest priority is number 6 and the highest is number 1.

* * * * *

Your opinion is solicited on the following questions:

- (1) Is continuation of the schedule by memorandum a reasonable alternative?
- (2) Should all associated pool gas wells enjoy a special priority or only those in the Tubb and Blinbry Oil and Gas Pools? Other associated allowables are equal to casinghead allowables.
- (3) As waste has not been tied to well capacity at this point, underproduced or low capacity gas wells have received no special priority. Is this appropriate?
- (4) Are the priorities in the correct order? If not, why not?

Comments on any other portion of the proposal will be appreciated.

Case 9018 Gas Bank

In Case 9018 the docket for the November 20 Commission hearing contained proposed rules for a gas allowable bank. In summary, the bank is divided into two parts, primary and secondary. The primary bank would permit operators of wells which are capable of non-marginal production to withdraw their wells from the gas market and accumulate equivalent allowable for future make-up. The deferred allowable then would be distributed to non-banked wells resulting in increased current allowables to those wells. Essentially it distributes current allowable to the wells able and willing to sell in the current market. The banked allowable offers only the opportunity to make up the allowable "loaned" to producing wells by overproducing at a later date when they choose to re-enter the market.

The secondary bank merely records allowable cancelled by underproduction due to lack of adequate market or producing opportunity in the current market situation and makes it available for make-up when the market improves.

The proposal was reviewed by the committee and has not received strong support. There is fear on one hand that too many wells would go into the gas bank so that current demand cannot be met. On the other hand no representative indicated a desire to use the primary gas bank.

Certainly the Division will not propose adoption of a program that nobody wants to use. Unless some parties support the concept and indicate a desire to use the primary gas allowable bank, it will be dropped and attention will be given only to handling cancelled underproduction allowable so that it can be made up in happier times.

Any party supporting the gas bank proposal should be prepared to testify in its favor on January 8th.

Gas Bank Alternative

An alternative to the proposed gas bank would be a change to the rules which would allow for reinstatement of allowable for up to 5 years beginning April 1, 1986. Under this plan, underproduced wells would be reclassified and allowables cancelled as contemplated by the rules. However, any operator could petition the Division for assignment of all or a portion of the non-marginal allowable which would have been assigned during the period from April 1, 1986 to March 31, 1991, remaining after subtraction of actual production. Such assignment could be credited as needed such as when a well reached the six or twelve times overproduced limit. To qualify an operator would have to demonstrate that the well involved was capable of non-marginal production during the five-year period.

This last proposal enjoys some of the advantages of the gas bank but should be simpler to administer. Again your comments are invited.

Dockets Nos. 3-87 and 4-87 are tentatively set for January 21 and February 4, 1987. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 7, 1987

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

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

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for February, 1987, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for February, 1987, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9051: (Continued from December 17, 1986, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Petro-Thermo Corporation to appear and show cause why its Form C-133, Authorization to Haul Water, should not be cancelled for non-compliance with Oil Conservation Division regulations.

CASE 9027: (Readvertised)

Application of P-R-O Management, Inc. for three non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the following three 160-acre non-standard gas spacing and proration units in the Basin-Dakota Pool:

- 1) the NW/4 of Section 19, Township 27 North, Range 11 West, to be dedicated to its Federal Well No. 1E located at a previously approved non-standard gas well location (Administrative Order NSL-1156) 1120 feet from the North line and 2300 feet from the West line (Unit C) of said Section 19;
- 2) the SE/4 of Section 5, Township 30 North, Range 13 West, to be dedicated to its Knight Well No. 1E located 1820 feet from the South line and 690 feet from the East line (Unit I) of said Section 5; and,
- 3) the SE/4 of Section 21, Township 31 North, Range 13 West, to be dedicated to its Johnson Well No. 1E located 1120 feet from the South and East lines (Unit P) of said Section 21.

Applicant further seeks an exception to the General Rules for Prorated Gas Pools in northwest New Mexico as promulgated by Division Order No. R-8170 permitting the application of a full deliverability factor in the formula utilized in determining the allowable for said unit.

CASE 9057: Application of New Mexico Petroleum Company to transfer ownership of its oil treating plant approved by Division Order No. R-3960, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to transfer ownership of New Mexico Petroleum Company from Michael D. Caudill and Roland E. Caudill to Jess Keeth pursuant to Division General Rule 312 for their oil treating plant located in the SE/4 of Section 25, Township 11 South, Range 33 East (authorized by Division Order No. R-3960).

CASE 9058: Application of Yates Petroleum Corporation 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 Atoka formation underlying either the NW/4 NE/4 of Section 14, Township 17 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit within said vertical limits or the N/2 NE/4 of said Section 14 to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits which are developed on 80-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 9043: (Continued from December 3, 1986, Examiner Hearing)

Application of Apollo Oil Company for N.G.P.A. Wellhead Price Ceiling Category Determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that its State "E" Tract 17 Well No. 5 located 990 feet from the South line and 660 feet from the East line (Unit P) of Section 1, Township 17 South, Range 36 East, Lovington-Queen Pool, is producing natural gas from a new onshore reservoir and should therefore be designated as such under Section 102 of the Natural Gas Policy Act of 1978 and Division Order No. R-5878-B, as amended.

CASE 9059: Application of Harvey E. Yates Company for exception to Division Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Division Order No. R-3221, as amended, to permit the disposal of water produced in conjunction with the production of oil and gas into seven unlined pits all located in Township 18 South, Range 31 East, as follows:

Section 1: NE/4 SW/4
Section 2: NW/4 SE/4
Section 3: NW/4 NW/4
Section 4: NW/4 SE/4
Section 11: NW/4 NE/4
Section 12: SE/4 NW/4
Section 13: SE/4 SE/4

CASE 9053: (Continued from December 17, 1986, Examiner Hearing)

Application of Mewbourne Oil Company 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 and Penrose formations in the perforated interval from approximately 3875 feet to 3906 feet and 4128 feet to 4152 feet, respectively, in its Federal "E" Well No. 9 located 1980 feet from the North line and 330 feet from the East line (Unit H) of Section 28, Township 18 South, Range 32 East, Querecho Plains-Queen Associated Pool.

CASE 9060: Application of ARCO Oil and Gas 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 Atoka formation underlying the W/2 of Section 23, Township 17 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit 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 9061: Application of ARCO Oil and Gas Company for an unorthodox oil well location and simultaneous dedication, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its Chacon Federal Well No. 102 to be drilled 900 feet from the North line and 990 feet from the East line of Section 19, Township 24 North, Range 3 West, West Lindrith Gallup-Dakota Oil Pool, and the simultaneous dedication of the previously approved non-standard oil proration unit consisting of the NE/4 and Lots 1 and 2 of said Section 19 comprising 191.55 acres, more or less, to this well and to the existing Chacon Federal Well No. 101 located 700 feet from the North line and 800 feet from the East line of said Section 19.

CASE 9048: (Continued from December 17, 1986, Examiner Hearing)

Application of Benson-Montin-Greer Drilling Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 20, Township 25 North, Range 1 West, to form a standard 640-acre spacing and proration unit 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 8849: (Continued from December 17, 1986, Examiner Hearing)

Application of Southland Royalty Company for NGPA Wellhead Price Ceiling Category Determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination by the Division that the following four wells in Township 19 South, Range 35 East, Scharb-Bone Spring Pool, meet the NGPA well category criteria for New Onshore Reservoir under Section 102 of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission:

- 1) Smith "5" Well No. 2 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 5;
- 2) Smith "5" Well No. 4 located 2149 feet from the South line and 700 feet from the East line (Unit I) of Section 5;
- 3) Scharb "8" Well No. 2 located 660 feet from the North line and 2180 feet from the East line (Unit B) of Section 8; and,
- 4) Scharb "9" Well No. 4 located 766 feet from the North line and 2086 feet from the West line (Unit C) of Section 9.

CASE 9056: (Continued from December 17, 1986, Examiner Hearing)

Application of Citation Oil & Gas 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 Yates formation in the open-hole interval from approximately 2636 feet to 2725 feet in its State Well No. 1-Y located 380 feet from the North and West lines (Unit D) of Section 36, Township 24 South, Range 36 East, Jalmar Gas Pool.

CASE 9062: 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 Lea County, New Mexico:

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Triple X-Bone Spring Pool. The discovery well is the Texaco Producing Inc. HNG 4F State Well No. 1 located in Unit F of Section 4, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 4: NW/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the North Tulk-Abo Pool. The discovery well is the Coastal Oil & Gas Corporation State 22 Well No. 2 located in Unit O of Section 22, Township 14 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM
Section 22: SE/4

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 20: NE/4

- (d) EXTEND the Lower Double A-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM
Section 21: NE/4

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

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 17: SE/4
Section 20: NE/4
Section 21: W/2
Section 28: N/2

- (f) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 6: SW/4
Section 7: NW/4

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 11: NW/4

- (h) EXTEND the San Simon-Yates Pool in Lea County, New Mexico, to include therein:

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

- (i) EXTEND the Wilson Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM
Section 6: SE/4

DOCKET: COMMISSION HEARING - THURSDAY - JANUARY 8, 1987

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 9015: (Continued from November 20, 1986, Commission Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion for the adoption of new Rules 315, 413, and 903 to establish a gas priority production schedule. The Division seeks adoption of a hierarchy of classes of gas production in times of severely restricted demand for gas from New Mexico wells. Also to be considered will be the application of such rules to purchasers with marketing affiliates.

CASE 9018: (Continued from November 20, 1986, Commission Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-8170. The Division seeks the amendment of Rule 10(a), 11(a), and 11(b) of the General Rules for the Prorated Gas Pools of New Mexico to provide for two-year balancing periods and for a twelve times overproduced limit for the prorated gas pools of northwest New Mexico. Further to be considered is creation of a Gas Bank wherein gas allowables may be deposited for later use.

CASE 9063: Application of Merrion Oil & Gas Corporation for enforcement of Common Purchaser Requirements of Section 70-2-19 NMSA 1978 (1984 Supplement) and other pertinent provisions of the Oil and Gas Act, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order requiring El Paso Natural Gas Company to purchase applicant's casinghead gas production, without discrimination as to price paid, quantity purchased, bases of measurement, or gas transportation facilities afforded, as compared to casinghead gas from other wells of like quantity, quality, and pressure, from the common source of supply known as the Gavilan-Mancos Oil Pool, from the following identified wells:

1. Oso Canyon Gas Com C Well No. 1 located 1650 feet from the North and West lines of Section 13, Township 24 North, Range 2 West;
2. Krystina Well No. 1 located 1820 feet from the South line and 1650 feet from the West line of Section 14, Township 24 North, Range 2 West.

Applicant further seeks an order requiring El Paso Natural Gas Company to take ratably the casinghead gas produced from the aforementioned wells and any such other relief as may be appropriate.

cket Nos. 3-87 and 4-87 are tentatively set for January 21 and February 4, 1987. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 7, 1987

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1987, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for February, 1987, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9051: (Continued from December 17, 1986, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Petro-Thermo Corporation to appear and show cause why its Form C-133, Authorization to Haul Water, should not be cancelled for non-compliance with Oil Conservation Division regulations.

CASE 9027: (Readvertised)

Application of P-R-O Management, Inc. for three non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the following three 160-acre non-standard gas spacing and proration units in the Basin-Dakota Pool:

- 1) the NW/4 of Section 19, Township 27 North, Range 11 West, to be dedicated to its Federal Well No. 1E located at a previously approved non-standard gas well location (Administrative Order NSL-1156) 1120 feet from the North line and 2300 feet from the West line (Unit C) of said Section 19;
- 2) the SE/4 of Section 5, Township 30 North, Range 13 West, to be dedicated to its Knight Well No. 1E located 1820 feet from the South line and 690 feet from the East line (Unit I) of said Section 5; and,
- 3) the SE/4 of Section 21, Township 31 North, Range 13 West, to be dedicated to its Johnson Well No. 1E located 1120 feet from the South and East lines (Unit P) of said Section 21.

Applicant further seeks an exception to the General Rules for Prorated Gas Pools in northwest New Mexico as promulgated by Division Order No. R-8170 permitting the application of a full deliverability factor in the formula utilized in determining the allowable for said unit.

CASE 9057: Application of New Mexico Petroleum Company to transfer ownership of its oil treating plant approved by Division Order No. R-3960, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to transfer ownership of New Mexico Petroleum Company from Michael D. Caudill and Roland E. Caudill to Jess Keeth pursuant to Division General Rule 312 for their oil treating plant located in the SE/4 of Section 25, Township 11 South, Range 33 East (authorized by Division Order No. R-3960).

CASE 9058: Application of Yates Petroleum Corporation 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 Atoka formation underlying either the NW/4 NE/4 of Section 14, Township 17 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit within said vertical limits or the N/2 NE/4 of said Section 14 to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits which are developed on 80-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 9043: (Continued from December 3, 1986, Examiner Hearing)

Application of Apollo Oil Company for N.G.P.A. Wellhead Price Ceiling Category Determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that its State "E" Tract 17 Well No. 5 located 990 feet from the South line and 660 feet from the East line (Unit P) of Section 1, Township 17 South, Range 36 East, Lovington-Queen Pool, is producing natural gas from a new onshore reservoir and should therefore be designated as such under Section 102 of the Natural Gas Policy Act of 1978 and Division Order No. R-5878-B, as amended.

CASE 9059: Application of Harvey E. Yates Company for exception to Division Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Division Order No. R-3221, as amended, to permit the disposal of water produced in conjunction with the production of oil and gas into seven unlined pits all located in Township 18 South, Range 31 East, as follows:

Section 1: NE/4 SW/4
Section 2: NW/4 SE/4
Section 3: NW/4 NW/4
Section 4: NW/4 SE/4
Section 11: NW/4 NE/4
Section 12: SE/4 NW/4
Section 13: SE/4 SE/4

CASE 9053: (Continued from December 17, 1986, Examiner Hearing)

Application of Mewbourne Oil Company 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 and Penrose formations in the perforated interval from approximately 3875 feet to 3906 feet and 4128 feet to 4152 feet, respectively, in its Federal "E" Well No. 9 located 1980 feet from the North line and 330 feet from the East line (Unit H) of Section 28, Township 18 South, Range 32 East, Querecho Plains-Queen Associated Pool.

CASE 9060: Application of ARCO Oil and Gas 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 Atoka formation underlying the W/2 of Section 23, Township 17 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit 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 9061: Application of ARCO Oil and Gas Company for an unorthodox oil well location and simultaneous dedication, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its Chacon Federal Well No. 102 to be drilled 900 feet from the North line and 990 feet from the East line of Section 19, Township 24 North, Range 3 West, West Lindrith Gallup-Dakota Oil Pool, and the simultaneous dedication of the previously approved non-standard oil proration unit consisting of the NE/4 and Lots 1 and 2 of said Section 19 comprising 191.55 acres, more or less, to this well and to the existing Chacon Federal Well No. 101 located 700 feet from the North line and 800 feet from the East line of said Section 19.

CASE 9048: (Continued from December 17, 1986, Examiner Hearing)

Application of Benson-Montin-Greer Drilling Corporation for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 20, Township 25 North, Range 1 West, to form a standard 640-acre spacing and proration unit 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 8849: (Continued from December 17, 1986, Examiner Hearing)

Application of Southland Royalty Company for NGPA Wellhead Price Ceiling Category Determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination by the Division that the following four wells in Township 19 South, Range 35 East, Scharb-Bone Spring Pool, meet the NGPA well category criteria for New Onshore Reservoir under Section 102 of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission:

- 1) Smith "5" Well No. 2 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 5;
- 2) Smith "5" Well No. 4 located 2149 feet from the South line and 700 feet from the East line (Unit I) of Section 5;
- 3) Scharb "8" Well No. 2 located 660 feet from the North line and 2180 feet from the East line (Unit B) of Section 8; and,
- 4) Scharb "9" Well No. 4 located 766 feet from the North line and 2086 feet from the West line (Unit C) of Section 9.

CASE 9056: (Continued from December 17, 1986, Examiner Hearing)

Application of Citation Oil & Gas 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 Yates formation in the open-hole interval from approximately 2636 feet to 2725 feet in its State Well No. 1-Y located 380 feet from the North and West lines (Unit D) of Section 36, Township 24 South, Range 36 East, Jalmat Gas Pool.

CASE 9062: 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 Lea County, New Mexico:

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Triple X-Bone Spring Pool. The discovery well is the Texaco Producing Inc. HNG 4F State Well No. 1 located in Unit F of Section 4, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 4: NW/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the North Tulk-Abo Pool. The discovery well is the Coastal Oil & Gas Corporation State 22 Well No. 2 located in Unit O of Section 22, Township 14 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM
Section 22: SE/4

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 20: NE/4

- (d) EXTEND the Lower Double A-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM
Section 21: NE/4

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

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 17: SE/4
Section 20: NE/4
Section 21: W/2
Section 28: N/2

- (f) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 6: SW/4
Section 7: NW/4

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 11: NW/4

- (h) EXTEND the San Simon-Yates Pool in Lea County, New Mexico, to include therein:

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

- (i) EXTEND the Wilson Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM
Section 6: SE/4

DOCKET: COMMISSION HEARING - THURSDAY - JANUARY 8, 1987

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 9015: (Continued from November 20, 1986, Commission Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion for the adoption of new Rules 315, 413, and 903 to establish a gas priority production schedule. The Division seeks adoption of a hierarchy of classes of gas production in times of severely restricted demand for gas from New Mexico wells. Also to be considered will be the application of such rules to purchasers with marketing affiliates.

CASE 9018: (Continued from November 20, 1986, Commission Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-8170. The Division seeks the amendment of Rule 10(a), 11(a), and 11(b) of the General Rules for the Prorated Gas Pools of New Mexico to provide for two-year balancing periods and for a twelve times overproduced limit for the prorated gas pools of northwest New Mexico. Further to be considered is creation of a Gas Bank wherein gas allowables may be deposited for later use.

CASE 9063: Application of Merrion Oil & Gas Corporation for enforcement of Common Purchaser Requirements of Section 70-2-19 NMSA 1978 (1984 Supplement) and other pertinent provisions of the Oil and Gas Act, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order requiring El Paso Natural Gas Company to purchase applicant's casinghead gas production, without discrimination as to price paid, quantity purchased, bases of measurement, or gas transportation facilities afforded, as compared to casinghead gas from other wells of like quantity, quality, and pressure, from the common source of supply known as the Gavilan-Mancos Oil Pool, from the following identified wells:

1. Oso Canyon Gas Com C Well No. 1 located 1650 feet from the North and West lines of Section 13, Township 24 North, Range 2 West;
2. Krystina Well No. 1 located 1820 feet from the South line and 1650 feet from the West line of Section 14, Township 24 North, Range 2 West.

Applicant further seeks an order requiring El Paso Natural Gas Company to take ratably the casinghead gas produced from the aforementioned wells and any such other relief as may be appropriate.