

Dockets Nos. 30-87 and 31-87 are tentatively set for October 7 and 21, 1987. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 23, 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 David R. Catanach, Examiner, or Michael E. Stogner, Alternate Examiner:

- CASE 9213: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Paramount Petroleum Corporation and all other interested parties to appear and show cause why the Aztec Totah Unit Well No. 7 located on a Federal tract of land 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 20, Township 29 North, Range 13 West, San Juan County, New Mexico (which is approximately 1.2 miles south of the San Juan River Bridge on New Mexico Highway 371), should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 9214: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Paramount Petroleum Corporation, National Surety Corporation, and all other interested parties to appear and show cause why the Aztec Totah Unit Well No. 16 located 705 feet from the South line and 2110 feet from the East line (Unit O) of Section 18, Township 29 North, Range 13 West, San Juan County, New Mexico (which is approximately 1 mile west of the San Juan River Bridge on New Mexico Highway 371), should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 9215: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Honeydew Unit Area comprising 720 acres, more or less, of State lands in Sections 35 and 36, Township 18 South, Range 35 East, said acreage being approximately 3.5 miles west of Arkansas Junction, New Mexico. Applicant further seeks that Meridian Oil, Incorporated be named operator of said unit.
- CASE 9216: Application of Harvey E. Yates Company for a horizontal drainhole pilot project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to deepen its Young Deep Unit Well No. 8, located 660 feet from the North line and 860 feet from the East line (Unit A) of Section 9, Township 18 South, Range 32 East, through the North Young-Bone Spring Pool to a depth of approximately 9,000 feet and to then drill multiple short radius horizontal drainholes therefrom bottoming each of said holes in the Bone Spring formation and extending laterally a maximum of 400 feet. Said well is located approximately 6 miles south of Maljamar, New Mexico.
- CASE 9208: (Readvertised)
- Application of Hixon Development Company for a gas storage well, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authorization to utilize its Carson Unit Well No. 34-18 located 660 feet from the South line and 1976 feet from the East line (Unit O) of Section 18, Township 25 North, Range 11 West, Bisti-Lower Gallup Pool (which is approximately 5 miles south-southeast of the Carson Trading Post), as a gas storage well.
- CASE 9202: (Continued from August 26, 1987, Examiner Hearing)
- Application of Meridian Oil Inc. 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 Devonian formation underlying the NE/4 NE/4 (Unit A) of Section 35, Township 18 South, Range 35 East, forming a standard 40-acre oil spacing and proration unit 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. Said location is approximately one mile north from the junction of New Mexico Highways Nos. 8 and 529.
- CASE 9217: Application of Meridian Oil Inc. for a horizontal directional drilling pilot project and special operating rules therefor, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a horizontal directional drilling pilot project in the NE/4 of Section 23, Township 30 North, Range 7 West, forming a standard 160-acre spacing and proration unit in the Fruitland formation. The applicant proposes to drill a well vertically on said unit at a standard location 1135 feet from the North line and 1635 feet from the East line (Unit B) of said Section 23 and to then drill horizontally therefrom, bottoming said wellbore in the Fruitland formation at a vertical depth of approximately 3000 feet and extending laterally approximately 1470 feet. Applicant further seeks special rules and provisions thereon including the designation of a prescribed area within the unit limiting the horizontal extent of the wellbore. Said location is approximately 4 miles east of the Navajo Reservoir Dam.
- CASE 9129: (Continued from August 26, 1987, Examiner Hearing)
- Application of Virginia P. Uhden, Helen Orbesen, and Carrol O. Holmberg to void and vacate Division Order Nos. R-7588 and R-7588-A, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order vacating Division Order Nos. R-7588 and R-7588-A, which orders promulgated Special Rules and Regulations for the Cedar Hill-Fruitland Basal Coal Pool, including a provision for 320-acre spacing and designated well locations.

- CASE 9218: Application of Read & Stevens Inc. for compulsory pooling pursuant to Division General Rule 1207.1.(ii), Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pursuant to Division General Rule 1207.1.(ii), pooling all mineral interests from the surface to the base of the Yates formation underlying the NE/4 NE/4 (Unit A) of Section 15, Township 20 South, Range 34 East, forming a standard statewide 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location 660 feet from the North and East lines of said Section 15. Applicant further seeks a 200 percent penalty to be assessed as a charge for the risk involved in the drilling of said well, \$3268.71 per month while drilling and \$345.00 per month while producing to be fixed as reasonable charges, and that the applicant be named operator of said well and unit. Said location is approximately 3 miles south of Milepost 30 on U.S. 62/180. IF THERE ARE NO OBJECTIONS THIS CASE WILL BE TAKEN UNDER ADVISEMENT.
- CASE 9219: Application of C&C Stockfarms, Inc. to amend Division Order No. R-8264 (Salt Water Disposal), Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-8264 to include the Pennsylvanian formation with the previously authorized Wolfcamp formation for disposal purposes in its Aztec State Com Well No. 3 located 660 feet from the South and West lines (Unit M) of Section 18, Township 16 South, Range 37 East, Northeast Lovington-Pennsylvanian Pool. Said well is located approximately 3.5 miles southeast of Lovington, New Mexico.
- CASE 9220: Application of Basin Disposal, Inc. for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Mesaverde formation in a perforated interval to be determined after drilling and running logs in its proposed disposal well to be located 2207 feet from the North line and 1870 feet from the West line (Unit F) of Section 3, Township 29 North, Range 11 West. Said well is approximately 2.5 miles North of Bloomfield, New Mexico.
- CASE 9221: Application of Zia Energy, Inc. for two non-standard proration units and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 20-acre non-standard oil spacing and proration unit comprising the N/2 NW/4 SE/4 (N/2 of Unit J) of Section 4, Township 22 South, Range 37 East, Penrose Skelly (Grayburg) Pool, to be dedicated to its R. L. Brunson Well No. 1 located 2310 feet from the South and East lines of said Section 4. Applicant further seeks approval for a 20-acre non-standard gas spacing and proration unit in the Penrose Skelly Pool comprising the S/2 NW/4 SE/4 (S/2 of Unit J) of said Section 4 to be dedicated to its Brunson Well No. 4 located at an unorthodox gas well location 1650 feet from the South line and 2210 feet from the East line of said Section 4. Said wells are both located approximately one mile southeast of Eunice, New Mexico.
- CASE 9222: Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Atoka, Wolfcamp and Morrow formations underlying the S/2 of Section 16, 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 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 9223: Application of Sun Exploration and Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests below a depth of 8800 feet underlying the S/2 of Section 15, Township 18 South, Range 27 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within this vertical extent being developed on 320-acre spacing 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. Said location is approximately 10 miles southeast of Artesia, New Mexico.
- CASE 9224: Application of Robert N. Enfield for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 1980 feet from the North line and 990 feet from the East line (Unit H) of Section 7, Township 19 South, Range 27 East, Undesignated McMillan-Upper Pennsylvanian Pool (which is approximately 4.5 miles northeast of Lakewood, New Mexico), the N/2 of said Section 7 to be dedicated to the well.
- CASE 9225: Application of Mesa Grande, Ltd. for an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying a certain 640-acre tract of land in Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gavilan-Mancos Oil Pool underlying all of Section 20, Township 25 North, Range 2 West, to form a standard 640-acre oil spacing and proration unit in said pool. Said unit is to be dedicated to the Sun Exploration and Production Company Luddy Well No. 1 located 1750 feet from the North and West lines (Unit F) of said Section 20 which is presently completed in and producing from the Gavilan-Mancos Oil Pool and dedicated to a previously approved 320-acre non-standard oil spacing and proration unit (see Rule 2(a) as promulgated by Division Order No. R-7407-E) underlying the W/2 of said Section 20. 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. Applicant further requests that Sun Exploration and Production Company remain as operator of the well and that the effective date of any order issued in this case be retroactive to June 8, 1987. Said well is located approximately 5.5 miles north-northwest of Lindrith, New Mexico.

CASE 9226: In the matter called by the Oil Conservation Division on its own motion to amend the Special Pool Rules for the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, as promulgated by Division Order No. R-4314, to reconsider the well location requirements poolwide, to restate the allowable in the pool to reflect the daily oil allowables for a 160-acre unit in the depth range of this pool to 382 BOPD as promulgated by Division General Rule 505, and to create a buffer zone in those sections that adjoin the Gavilan-Mancos Oil Pool to the east (Sections 1, 12, 13, 24, 25 and 36, Township 25 North, Range 3 West, Rio Arriba County) with any additional provisions which may be necessary and/or advisable to protect correlative rights along the common boundary of the two pools. Said area is situated 10 to 20 miles west-northwest of Lindrith, New Mexico.

CASE 9227: In the matter called by the Oil Conservation Division on its own motion to amend the Special Pool Rules for the Gavilan-Mancos Oil Pool in Rio Arriba County, New Mexico, as promulgated by Division Order No. R-7407, as amended, to create a buffer zone utilizing those existing proration units in Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31 and 32, Township 25 North, Range 2 West, that adjoin the West Lindrith Gallup-Dakota Oil Pool with any additional provisions which may be necessary and/or advisable to protect correlative rights along the common boundary of the two pools. Said area is situated 4 to 9 miles northwest of Lindrith, New Mexico.

CASE 9228: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order abolishing and extending certain pools in Rio Arriba and Sandoval Counties, New Mexico:

(a) ABOLISH the Ojito Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, in order that the productive acreage may be included in the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico.

(b) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
 Sections 1 through 18: All
 Section 19: NE/4
 Section 20: N/2
 Section 21: N/2
 Section 23: NE/4 and S/2
 Sections 24 through 26: All
 Section 34: S/2
 Sections 35 and 36: All

CASE 9230: Application of Shell Western E & P Inc. for pool creation, special pool rules, and contraction of Blinebry, Tubb, and Drinkard Pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil and gas pool for Blinebry, Tubb, and Drinkard production comprising all or a portion of Sections 2 through 4, 10 and 11, 14 and 15, and 22 through 24, Township 21 South, Range 37 East, to be designated as the North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool, and the promulgation of special pool rules therefor, including a provision that any well within the pool designated as a gas well will be subject to the gas proration rules set forth in Commission Order No. R-8170, as amended, a provision that simultaneous dedication of pool acreage to oil and gas wells will be allowed, and a provision for well location requirements. Applicant also seeks the concomitant contraction of the Blinebry Oil and Gas Pool, the Drinkard Pool, and the Tubb Oil and Gas Pool. Said area is centered approximately 3 miles north-northeast of Eunice, New Mexico.

CASE 9231: Application of Shell Western E & P Inc. for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purposes of establishing a secondary recovery project, all mineral interests in the proposed North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool underlying 5,018 acres, more or less, of State, Federal, and Fee lands in either all or portions of the following described lands: Sections 2, 3, 4, 10, 11, 14, 15, 22, 23, and 24, Township 21 South, Range 37 East. Said unit is to be designated the Northeast Drinkard 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 well 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 area is centered approximately 3 miles north-northeast of Eunice, New Mexico.

CASE 9232: Application of Shell Western E & P Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Blinebry, Tubb, and Drinkard formations in its proposed Northeast Drinkard Unit Area (Division Case No. 9231), North Eunice Blinebry-Tubb-Drinkard Oil and Gas Pool, underlying portions of Township 21 South, Range 37 East. Said area is centered approximately 3 miles north-northeast of Eunice, New Mexico.

CASE 9229: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Azotea Mesa-Bone Spring Pool. The discovery well is the Indrex, Inc. Four Forks Federal Well No. 1 located in Unit H of Section 15, Township 22 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM
Section 15: NE/4

(b) EXTEND the Aid Yates-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 19: NW/4

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

TOWNSHIP 5 SOUTH, RANGE 22 EAST, NMPM
Section 27: SW/4
Section 34: All
Section 35: SW/4

TOWNSHIP 6 SOUTH, RANGE 23 EAST, NMPM
Section 4: All

(d) EXTEND the Red Lake Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 22: NW/4

Docket No. 29-87

DOCKET: COMMISSION HEARING - THURSDAY - SEPTEMBER 24, 1987

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

The following cases were continued from the July 16, 1987, Commission hearing and will be further continued to the October 15, 1987, Commission hearing.

CASE 9134: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 1207(a)7 regarding notice to royalty interest owners.

CASE 9073: (De Novo)

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.

Upon application of Mallon Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8951: Application of Benson-Montin-Greer Drilling Corporation for the amendment of Division Order No. R-8124, Rio Arriba County, New Mexico. The New Mexico Oil Conservation Division by Division Order No. R-8124, dated January 16, 1986, issued in Case 8745, authorized the applicant to conduct a long-term reservoir pressure test in the Mancos formation using certain wells in Rio Arriba County and further authorized the shut-in of certain wells and provided six months after completion of the test during which certain accumulated underproduction can be made up. Applicant, in the above-styled cause, now seeks the amendment of said Order No. R-8124 to provide for twelve months after completion of the reservoir pressure test during which to make up the accumulated underproduction of certain wells resulting from the test. Applicant further requests that all other provisions in said Order No. R-8124 remain in full force and effect.

CASE 9111: Application of Benson-Montin-Greer Drilling Corporation for the expansion of the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project Area, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the expansion of the BMG West Puerto Chiquito-Mancos Pressure Maintenance Project Area as promulgated by Division Order No. R-3401, as amended, to include certain lands in Townships 24, 25, and 26 North, Range 1 West.