

Dockets Nos. 17-89 and 18-89 are tentatively set for June 7 and June 21, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 24, 1989

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

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

CASE 9673: Application of Grand Resources, Inc. for a unit agreement, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Mesa-Gallup Unit Area comprising 2,680.00 acres, more or less, of Navajo Indian lands in all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West, all as projected into the unsurveyed Navajo Indian Reservation. Said unit is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9674: Application of Texaco Producing, Inc. for pool reclassification, to rescind Division Order No. R-2439, as amended, and to amend Division Order No. R-5353, as amended, Lea County, New Mexico. Applicant, in the above-styled cause, seeks reclassification of the West Jal-Strawn Gas Pool as an associated pool. Applicant further seeks to replace the Special Pool Rules presently in effect for said pool, which includes 640-acre spacing, by rescinding Division Order No. R-2439, as amended, with the General Rules and Regulations for Associated Pools in Southeast New Mexico, as promulgated by Division Order No. R-5353, as amended, including provisions for 40-acre oil and 320-acre gas spacing and proration units. The horizontal limits of said pool presently comprises all of Sections 8, 17 and 20, Township 25 South, Range 36 East, being approximately 5.5 miles west by north of Jal, New Mexico.

CASE 9675: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation, underlying the NW/4 of Section 20, Township 6 South, Range 25 East, forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 160-acre spacing (which includes but is not necessarily limited to the Pecos Slope-Abo Gas Pool) and the NE/4 NW/4 of said Section 20 to form a standard 40-acre oil spacing and proration unit for all formations and/or pools developed on statewide 40-acre spacing. Both aforementioned units are to be dedicated to a well to be drilled at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) 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, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 8.5 miles east of Milepost No. 137 on U.S. Highway 285.

CASE 9109: (Reopened)

In the matter of Case 9109 being reopened pursuant to the provisions of Division Orders Nos. R-6129-A and R-8446, whereby the Benson-Strawn Pool was redesignated as a gas pool and developed on statewide 320-acre gas spacing units, Eddy County. Operators in the subject pool may appear and show cause why the Benson-Strawn Gas Pool should not be redesignated as an oil pool and the special rules and regulations reinstituted as promulgated by said Order No. R-6129-A.

CASE 9676: Application of McKay Oil Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location 2480 feet from the South line and 360 feet from the East line (Unit I) of Section 31, Township 4 South, Range 22 East, to test the Abo formation, the SE/4 of said Section 31 to be dedicated to said well to form a standard 160-acre gas spacing and proration unit. Said location is approximately 3.75 miles west of the junction of U.S. Highway 285 and New Mexico State Highway No. 20.

CASE 9677: Application of Charles B. Gillespie, Jr. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 510 feet from the North line and 990 feet from the West line (Unit D) of Section 11, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool or Undesignated Humble City-Strawn Pool, the W/2 NW/4 of said Section 11 to be dedicated to the well forming a standard 80-acre oil spacing and proration unit for said pool. Said location is approximately 4 miles north by west of Humble City, New Mexico.

CASE 9678: Application of Phillips Petroleum Company to amend Division Order No. R-3668 by authorizing a carbon dioxide pilot project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-3668 to authorize the injection of carbon dioxide into its previously approved Maljamar Grayburg-San Andres Waterflood Project through its Philmex Well No. 38 to be drilled at an unorthodox location 1440 feet from the South line and 1340 feet from the West line (Unit K) of Section 26, Township 17 South, Range 33 East. Applicant further seeks authority to drill two observation wells at unorthodox locations in said Section 26 as follows: Philmex Well No. 39 to be drilled 1552 feet from the South line and 1261 feet from the West line (Unit L) and Philmex Well No. 40 to be drilled 1702 feet from the South line and 1156 feet from the West line (Unit L). Said project area is located approximately 7.5 miles west of Buckeye, New Mexico.

CASE 9679: Application of Fred Pool Drilling, Inc. for an unorthodox gas well location and dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Eastland State Well No. 4 located 660 feet from the North and West lines (Unit D) of Section 13, Township 9 South, Range 26 East, by producing gas from the Foor Ranch-Wolfcamp Gas Pool up tubing and South Pecos Slope-Abo

Gas Pool production up the casing/tubing annulus in said wellbore, which is an unorthodox gas well location for the Wolfcamp zone, the N/2 of said Section 13 to be dedicated to said well in the Wolfcamp zone and the NW/4 of said Section 13 to be dedicated to the Abo zone. Said well is located approximately 5.5 miles southwest by south of the Campbell railroad switch.

CASE 9680: Application of Meridian Oil, Inc. for an unorthodox coal gas well location and an exception to General Rule 104.C.II (simultaneous dedication), Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox coal gas well location for its San Juan 30-6 Unit Well No. 406R to be drilled 2560 feet from the North line and 2610 feet from the West line (Unit F) of Section 15, Township 30 North, Range 7 West, Basin-Fruitland Coal (Gas) Pool. Applicant further seeks an exception to General Rule 104.C.II. to allow the W/2 of said Section 15 to form a standard 320-acre gas spacing and proration unit for said pool, to be simultaneously dedicated to the subject well and to the existing San Juan 30-6 Unit Well No. 402 located at a standard coal gas well location 1455 feet from the South and West lines (Unit K) of said Section 15. Said unit is located approximately 3 miles east by north of the Navajo Reservoir Dam.

CASE 9681: Application of Meridian Oil, Inc. for a non-standard proration unit and an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 282.50-acre non-standard gas proration unit for production in the Basin-Fruitland Coal (Gas) Pool comprising Lots 3, 10, and 11 and the NE/4 SW/4 of Section 30 and Lots 7 through 10 and Lots 15 through 18 of Section 31, all in Township 30 North, Range 8 West, to be dedicated to a well to be drilled at an unorthodox coal gas well location 1590 feet from the South line and 875 feet from the West line (Unit K) of said Section 31. Said well location is approximately 2 miles south-southwest of Archuleta, New Mexico.

CASE 9572: (Continued from April 12, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 164.87-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising Lots 1 and 2 and the E/2 NW/4 of Section 31, Township 28 North, Range 10 West. Said unit is to be dedicated to its Knauff Well No. 1 which is presently completed in the Kutz-Fruitland Pool and is located at a previously authorized unorthodox coal gas well location pursuant to Decretory Paragraph No. (4) of Division Order No. R-8768) 1015 feet from the North line and 1650 feet from the West line (Unit C) of said Section 31. This well is located approximately 6.5 miles south-southeast of Bloomfield, New Mexico.

CASE 9573: (Continued from April 12, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising the NE/4 of Section 18, Township 29 North, Range 11 West. Said unit is to be dedicated to its Hana Well No. 1 which is presently a dually completed gas well in the Fruitland formation and the Fulcher Kutz-Pictured Cliffs Pool and is located at a standard coal gas well location 790 feet from the North line and 1520 feet from the East line (Unit B) of said Section 18. This well is located approximately 2.5 miles west-northwest of Bloomfield, New Mexico.

CASE 9682: Application of Kerr-McGee Corporation for statutory unitization, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Chaveroo-San Andres Pool underlying 1280.37 acres, more or less, of State lands in all of Sections 1 and 2, Township 8 South, Range 33 East. Said unit is to be designated the K-M Chaveroo San Andres 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 the production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 11 miles west of Milnesand, New Mexico.

CASE 9683: Application of Kerr-McGee Corporation for a waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the designated and Undesignated Chaveroo-San Andres Pool, in its proposed K-M Chaveroo San Andres Unit (Division Case No. 9682) underlying all of Sections 1 and 2, Township 8 South, Range 33 East. Said area is located approximately 11 miles west of Milnesand, New Mexico.

CASE 9667: (Continued from May 10, 1989, Examiner Hearing.)

Application of Midland Phoenix Corporation for unorthodox gas well location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit 0) of said Section 34. 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 unit is located approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2.

CASE 9669: (Continued from May 10, 1989, Examiner Hearing.)

Application of Enron Oil & Gas Company for compulsory pooling, unorthodox gas well location, and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for said pool. Applicant further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit 0) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 3 miles west-southwest of the junction of Old State Highway No. 128 and County Road No. 2.

CASE 9684: 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 Chaves County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the South Acme-Pennsylvanian Gas Pool. The discovery well is the Yates Petroleum Corporation Cactus Flower State Well No. 1 located in Unit K of Section 19, Township 8 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM
Section 19: S/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Canyon production and designated as the Boyd-Canyon Pool. The discovery well is the Yates Petroleum Corporation Cotton MX Federal Com Well No. 1 located in Unit C of Section 14, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 14: NW/4

- (c) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Pre-Permian production and designated as the Comanche Spring Pre-Permian Gas Pool. The discovery well is the BHP Petroleum Company, Inc. Ervin Ranch State Com Well No. 1 located in Unit G of Section 5, Township 11 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM
Section 36: W/2

TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM
Section 5: N/2

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Delaware production and designated as the Foster Draw-Delaware Gas Pool. The discovery well is the H.L. Brown, Jr. Federal 8 Well No. 1 located in Unit E of Section 8, Township 21 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 8: NW/4

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Canyon production and designated as the Hackberry Hills-Canyon Gas Pool. The discovery well is the Mewbourne Oil Company Federal N Well No. 1 located in Unit M of Section 6, Township 22 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 6: W/2

- (f) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Yates Production and designated as the Parkway-Yates Pool. The discovery well is the Siete Oil and Gas Corporation Osage Federal Well No. 7 located in Unit K of Section 35, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 35: SW/4

- (g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the South Poker Lake-Delaware Pool. The discovery well is the Charles Gillespie Jr. Poker Lake Unit Well No. 70 located in Unit P of Section 28, Township 24 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 28: SE/4

- (h) EXTEND the East Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 12: W/2

- (i) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 19: S/2
Section 20: S/2

- (j) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 10: S/2

- (k) EXTEND the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 20: NW/4

- (l) EXTEND the Eagle Creek-Permo Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 25: E/2

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 30: S/2

- (m) EXTEND the Foor Ranch-Pre-Permian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 26 EAST, NMPM
Section 36: All

- (n) EXTEND the East Hess-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 23 EAST, NMPM
Section 2: All

- (o) EXTEND the East Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 34: NE/4
Section 35: W/2

- (p) EXTEND the High Lonesome-Queen Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
Section 18: NE/4

- (q) EXTEND the East Loving-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 22: SE/4
Section 27: NE/4

- (r) EXTEND the West Millman-Grayburg Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 12: SE/4
- (s) EXTEND the Mosley Canyon-Strawn Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM
Section 8: S/2
Section 17: N/2
- (t) EXTEND the Parkway-Delaware Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 35: NW/4
- (u) EXTEND the South Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:
TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM
Section 6: All
- (v) EXTEND the West Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:
TOWNSHIP 5 SOUTH, RANGE 22 EAST, NMPM
Section 25: SE/4
Section 35: NW/4 and E/2
Section 36: N/2
- (w) EXTEND the Penasco Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 35: S/2
- (x) EXTEND the South Sand Dunes-Lower Pennsylvanian Gas Pool in Eddy county, New Mexico, to include therein:
TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 4: S/2
Section 9: All
- (y) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 9: S/2
- (z) EXTEND the Turkey Track-Bone Spring Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 26: SE/4