

Dockets Nos. 27-89 and 28-89 are tentatively set for September 20 and October 4, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 6, 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 Michael E. Stogner, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE:**
- (1) Consideration of the allowable production of gas for October, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for October, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9712: (Continued from August 9, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Chappell "5" Well No. 1 located 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 5, Township 12 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant, San Miguel County, New Mexico (which is located approximately 9.25 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9713: (Continued from August 9, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Tom L. Ingram, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Gihon "31" Well No. 1 located 2970 feet from the South line and 1814 feet from the East line (Unit G) of Section 31, Township 13 North, Range 30 East, as projected into the unsurveyed Baca Location No. 2 Grant/Pablo Montoya Land Grant, San Miguel County, New Mexico (which is located approximately 10.5 miles north-northwest of Tucumcari, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 9742: Application of Murphy Operating Corporation for a unit agreement, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Jennifer Chaveroo San Andres Unit Area comprising 5,147.00 acres, more or less, of State and Federal lands underlying all or portions of Sections 25, 26, 35, and 36, Township 7 South, Range 33 East and all or portions of Sections 18, 19, 20, 21, 29, and 30, Township 7 South, Range 34 East. This area is located approximately 8 miles north of the point common to Chaves, Lea, and Roosevelt Counties, New Mexico.

CASE 9743: Application of Murphy Operating Corporation for a waterflood project, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the proposed Jennifer Chaveroo San Andres Unit Area (Division Case No. 9742) located in all or portions of Sections 25, 26, 35, and 36, Township 7 South, Range 33 East and all or portions of Sections 18, 19, 20, 21, 29, and 30, Township 7 South, Range 34 East, by the injection of water into the Chaveroo-San Andres Pool through 44 wells within the Unit Area which is located approximately 8 miles north of the point common to Chaves, Lea, and Roosevelt Counties, New Mexico.

CASE 9725: (Continued from August 23, 1989, Examiner Hearing.)

Application of Yates Petroleum 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 for its Red Rock "NB" Federal Well No. 2 to be drilled 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 28, Township 6 South, Range 25 East, Pecos Slope-Abo Gas Pool, the SW/4 of said Section 25 to be dedicated to said well forming a standard 160-acre gas spacing and proration unit for said pool. Said well location is approximately 13.25 miles north by west of the Pecos River Bridge on U.S. Highway 70.

CASE 9698: (Continued from August 23, 1989, Examiner Hearing.)

Application of Yates Petroleum 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 for its Dragonfly State Unit Well No. 2 located 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 31, Township 9 South, Range 27 East, Undesignated Poor Ranch-PrePermian Gas Pool, Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 31 to be dedicated to said well forming a standard 319.16-acre gas spacing and proration unit for said pool. Said well is approximately 4.5 miles north of Mile Post 172.5 on U. S. Highway 380.

CASE 9700: (Continued from August 23 1989, Examiner Hearing.)

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 Morrow formation underlying Lots 1, 2, 3, and 4 and the S/2 N/2 (N/2 equivalent) of Section 2, Township 20 South, Range 24 East, forming a standard 319.04-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Strawn Gas Pool, Undesignated Dagger Draw-Atoka Gas Pool, Undesignated North Cemetery-Atoka Gas Pool, Undesignated Cemetery-Morrow Gas Pool, and the Undesignated Hoag Tank-Morrow Gas Pool) and Lots 3 and 4 and the S/2 NW/4 (NW/4 equivalent) of said Section 2 to form a standard 159.64-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing (which presently includes but is not necessarily limited to the Undesignated Dagger Draw-Wolfcamp Gas Pool and the Undesignated North Dagger Draw-Upper Pennsylvanian Pool). 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 2. Also to be considered will be the cost of drilling and completing said well and the allocation of 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 miles west by north of Seven Rivers, New Mexico.

CASE 9744: Application of Richmond Petroleum Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 of Section 10, Township 32 North, Range 6 West, forming a standard 279-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at an undetermined location at this time. The applicant proposes to submit any proper or required forms, applications, and supporting data for Division approval once a well location is determined. Also to be considered will be the cost of drilling and completing a well within the unit and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the unit and well and a charge for risk involved in drilling said well. Said unit is bounded to the north by the State of Colorado between Mile Posts Nos. 242 and 243.

CASE 9745: Application of Richmond Petroleum Inc. for compulsory pooling and a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1, 2, 3 and 4 and the S/2 N/2 of Section 9, Township 32 North, Range 6 West, forming a non-standard 237.60-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at an undetermined location at this time. The applicant proposes to submit any proper or required forms, applications, and supporting data for Division approval once a well location is determined. Also to be considered will be the cost of drilling and completing a well within the unit and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the unit and well and a charge for risk involved in drilling said well. Said unit is bounded to the north by the State of Colorado at Mile Post No. 243.

CASE 9746: Application of Richmond Petroleum Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the S/2 of Section 9, Township 32 North, Range 6 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard coal gas well location in the SE/4 of said Section 9. 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 1/2 mile south of Mile Post No. 243 which is located on the Colorado/New Mexico stateline.

CASE 9703: (Readvertised.)

Application of Meridian Oil, Inc. for exemption from the New Mexico Natural Gas Pricing Act (NMPA), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the exemption from the NMPA of certain infill wells in the Basin-Dakota and Blanco-Mesaverde Pools as provided in Section 62-7-5 NMSA, 1978. Applicant further requests that said exemptions be made effective retroactive from the date of first production of natural gas from each well. A list of wells for which exemptions are being sought may be obtained by contacting the Santa Fe office of the Oil Conservation Division.

CASE 9747: (This case will be dismissed.)

Application of Amoco Production Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle gas production from the Scoggins Draw-Strawn and Scoggins Draw-Morrow Gas Pools within the wellbore of its Federal "DH" Gas Com Well No. 1 located at a previously approved unorthodox gas well location (NSL-1800) 700 feet from the South line and 990 feet from the West line (Unit M) of Section 11, Township 18 South, Range 27 East. Said well is located approximately 5.5 miles south-southeast of Riverside, New Mexico.

CASE 9736: (Continued from August 23, 1989, Examiner Hearing.)

Application of Wallen Production Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to institute a waterflood project on its Wallen Tonto Lease underlying the SW/4, N/2 SE/4, and the SE/4 SE/4 of Section 30, Township 19 South, Range 33 East, by the injection of water into the South Tonto Yates-Seven Rivers Pool through the open hole interval from approximately 2,900 feet to 3,113 feet in the Wallen Tonto Well No. 7 located 1650 feet from the South line and 990 feet from the East line (Unit I) of said Section 30. Said well is located approximately 4 miles north of Laguna Gatuna.

CASE 9748: Application of Conoco Inc. for revision of Division Order No. R-5008 and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to revise the two Eumont Gas Pool proration units described in Division Order No. R-5008 to eliminate the 40-acre tract being the SW/4 NW/4 of Section 10, Township 20 South, Range 37 East, from said order and to establish a 640-acre non-standard gas proration unit comprising the SW/4 of Section 10 and the W/2 and W/2 E/2 of Section 15, both in said Township 20 South, Range 37 East, to be simultaneously dedicated to the Britt "B" Wells Nos. 3, 15, and 25 all located at previously approved unorthodox gas well locations in Unit L of Section 15, Unit M of Section 10, and Unit C of Section 15, respectively. Said unit is located approximately 3.5 miles south-southeast of Monument, New Mexico.

CASE 9749: Application of OGS Operating Company, Inc. for compulsory pooling and an unorthodox oil well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Bluit-San Andres Associated Pool underlying either the N/2 of Section 15, Township 8 South, Range 37 East, forming a standard 320-acre gas spacing and proration unit for said pool if gas is encountered or the E/2 NE/4 of said Section 15, forming a standard 80-acre oil spacing and proration unit for said pool if oil is encountered. Either unit is to be dedicated to a well to be drilled 990 feet from the North and East lines (Unit A) of said Section 15, which is a standard gas well location for the 320-acre unit and a non-standard oil well location for the 80-acre unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is approximately 2.5 miles east of Bluit, New Mexico.

CASE 9750: Application of Meridian Oil, Inc. for compulsory pooling and a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 and 2, SE/4 NE/4, and E/2 SE/4 of Section 8, and SW/4 of Section 9, both in Township 32 North, Range 6 West, forming a non-standard 317.51-acre gas spacing and proration unit for said pool, to be dedicated to its Allison Unit Well No. 135 to be drilled at a standard coal gas well location in the SW/4 of said Section 9. 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 bounded to the north by the State of Colorado at Mile Post No. 244.

CASE 9751: Application of Quinoco Petroleum Inc. for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 310.48-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising Lots 5, 6, 7, and 8, the E/2 SW/4 and the SE/4 of Section 2, Township 31 North, Range 7 West. Said unit is to be dedicated to its Quinoco State "N" Well No. 4 to be drilled at a standard coal gas well location in the SW/4 of said Section 2. Said unit is located approximately 9.5 miles north-northeast of the Navajo Lake Dam.

CASE 9752: Application of Quinoco Petroleum Inc. for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10, all in Township 31 North, Range 7 West. Said unit is to be dedicated to its Federal "G" Well No. 4 to be drilled at a standard coal gas well location in the NE/4 of said Section 10. Said unit is located approximately 5.5 miles south of Mile Post No. 245 on the New Mexico/Colorado stateline.

CASE 9753: Application of Quinoco Petroleum Inc. for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising the W/2 SE/4 and the E/2 SW/4 of Section 3 and the NW/4 of Section 10, both in Township 31 North, Range 7 West. Said unit is to be dedicated to its Quinoco "N" Well No. 5 to be drilled at a standard coal gas well location in the SW/4 of said Section 3. Said unit is located approximately 8.75 miles north-northeast of the Navajo Lake Dam.

CASE 9754: Application of Merrion Oil and Gas Corporation for a horizontal directional drilling pilot project, special operating rules therefor, non-standard oil proration unit, unorthodox oil well location, and simultaneous dedication, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the formation of an 80-acre non-standard oil spacing and proration unit in the Papers Wash-Entrada Oil Pool comprising the SW/4 NW/4 and NW/4 SW/4 of Section 15, Township 19 North, Range 5 West, for the purpose of initiating a horizontal directional drilling pilot project. The applicant proposes to either plug-back, sidetrack and directionally drill horizontally through the Entrada formation in its Federal 15 Well No. 2 located 1980 feet from the North line and 990 feet from the West line (Unit E) of said Section 15 or, in the alternative, to drill a new well for the same purpose at a surface location 1400 feet from the North

line and 550 feet from the West line of said Section 15. The horizontal wellbore in either well is to be drilled in a southerly direction within a target window described as a rectangle 1250 feet wide and 2350 feet long, the north end being 1400 feet from the North line of said Section 15, with the western side formed by the Section line. Applicant further seeks special rules and procedures within the pilot project area including allowable provisions for a double sized oil proration unit for this pool where the proposed horizontal well will be simultaneously dedicated with the Navajo Allotted 15 Well No. 5 located 2310 feet from the South line and 990 feet from the West line (Unit L) of said Section 15 and possibly with said Federal 15 Well No. 2. The project area is located approximately 22 miles northwest of San Luis, New Mexico.

CASE 9755: Application of BTA Oil Producers for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its Maxus "B" 8026 JV-P Well No. 3 to be drilled 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 34, Township 22 South, Range 34 East, to test the Antelope Ridge-Atoka Gas Pool and the Antelope Ridge-Morrow Gas Pool, the N/2 of said Section 34 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for both pools. Said well location is approximately 4 miles northwest of the San Simon Sink.

CASE 9740: (Readvertised)

Application of Hondo Oil and Gas Company for a horizontal directional drilling pilot project, special operating rules therefor, simultaneous dedication, and a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the formation of a 159.40-acre non-standard oil spacing and proration unit in the Scharb-Bone Spring Pool comprising Lots 1 and 2 and the S/2 NE/4 of Section 6, Township 19 South, Range 35 East, for the purpose of initiating a horizontal directional drilling pilot project. The applicant proposes to re-enter the previously plugged and abandoned Pennzoil United Inc. Atlantic State Well No. 1 located 660 feet from the North and East lines (Unit A) of said Section 6, clean said wellbore out the Bone Spring formation whereby the formation will be evaluated to determine the proper direction for a 1500 feet horizontal extension to said wellbore within the Bone Spring formation. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that the well cannot be any closer than 330 feet to the NE/4 quarter section lines of said Section 6. Also to be considered will be special allowable provisions for a double sized proration unit for this pool where the proposed horizontal well will be simultaneously dedicated with the applicant's State "AZ" Well No. 2 located 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 6. The project area is located approximately 8 miles west of Arkansas Junction, New Mexico.

CASE 9715: (Continued from August 9, 1989, Examiner Hearing.)

Application of Benson-Montin-Greer Drilling Corporation for a horizontal directional drilling pilot project, special operating rules therefor, and a non-standard oil proration unit, West Puerto Chiquito-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to initiate a horizontal directional drilling pilot project in Sections 15 and 16, Township 25 North, Range 1 West, West Puerto Chiquito-Mancos Oil Pool, Canada Ojitos Unit Area. The applicant proposes to utilize its C.O.U. (A16) Well No. 8 located 850 feet from the North line and 1030 feet from the East line (Unit A) of said Section 16 by kicking off from the vertical wellbore in an easterly direction and then drilling horizontally in the Mancos formation for approximately 2000 feet bottoming said wellbore in the adjoining Section 15, whereby it is proposed that both Sections 15 and 16 will be dedicated to the well forming a non-standard 1280-acre oil spacing and proration unit for said pool. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal extent of the wellbore and special allowable considerations. This area is located approximately 15 miles north by east of Regina, New Mexico.

CASE 9756: Application of Bill Fenn, Inc. to amend Division Order No. R-8890, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8890, dated March 14, 1989, which authorized the applicant to dually complete its Roaring Springs Federal Com. Well No. 1 in the Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools at an unorthodox gas well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 14, Township 21 South, Range 23 East, by allowing the applicant to recomplete up the hole from the Morrow zone to the Strawn formation whereby said well would be dually completed in the Indian Basin-Upper Pennsylvanian Gas Pool and the Strawn formation. Said Order No. R-8890 is to be further amended to include authorization for an unorthodox gas well location in the Strawn formation, the N/2 of said Section 14 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for the Strawn interval. Said well is located approximately 1.25 miles north-northwest of the Marathon Oil Company Indian Basin Gas Plant.

CASE 8668: (Continued from August 9, 1989, Examiner Hearing.) (Reopened.)

In the matter of Case No. 8668 being reopened upon application of Howard Olsen to reconsider the provisions of Division Order No. R-8031, issued in said Case No. 8668 and dated September 27, 1985, which granted the application of Doyle Hartman to compulsorily pool all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 SE/4 (Unit P) of Section 23, Township 25 South, Range 37 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. Said well is located approximately 4 miles east of Jal, New Mexico.

CASE 8769: (Continued from August 9, 1989, Examiner Hearing.) (Reopened.)

In the matter of Case No. 8769 being reopened upon application of Howard Olsen to reconsider the provisions of Division Order No. R-8091, issued in said Case No. 8769 and dated December 6, 1985, which granted the application of Doyle Hartman to compulsorily pool all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 NE/4 (Unit H) of Section 26, Township 25 South, Range 37 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. Said well is located approximately 4 miles east of Jal, New Mexico.