

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 11, 1996

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 3-96 and 4-96 are tentatively set for January 25, 1996 and February 8, 1996. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11435: (Continued from December 21, 1995, Examiner Hearing.)

Application of Shell Western E&P Inc. To amend Division Administrative Order DHC-1149, Lea County, New Mexico. Applicant seeks to amend Division Order DHC-1149 to allow commingled oil production from the Vacuum-Wolfcamp and Vacuum-Middle Pennsylvanian Pools not to exceed 250 barrels/day from the State "A" Well No. 10, located in Unit A of Section 31, Township 17 South, Range 35 East. Said well is located approximately 1 mile southeast of Buckeye, New Mexico.

CASE 11442: **Application of Arco Permian, a unit of Atlantic Richfield, for compulsory pooling and an unorthodox well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in the E/2 of Section 32, Township 17 South, Range 28 East, for all formations developed on 320-acre spacing. Said unit is to be dedicated to its Dancer 32 State Com Well No. 1 to be drilled at an unorthodox location 1728 feet from the North line and 916 feet from the East line (Unit H) of said Section 32. 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 area is located approximately 11 miles east-southeast of Artesia, New Mexico.**CASE 11443:** **Application of ARCO Permian, a unit of Atlantic Richfield, for compulsory pooling and an unorthodox well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in the W/2 of Section 36, Township 17 South, Range 28 East, for all formations developed on 320-acre spacing. Said unit is to be dedicated to its Dorothy 36 State Com Well No. 1 to be drilled at an unorthodox location 1163 feet from the South line and 1647 feet from the West line (Unit N) of said Section 36. 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 area is located approximately 15 miles east-southeast of Artesia, New Mexico.**CASE 11444:** **Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of a unit agreement for its proposed Morton Exploratory Unit Area comprising 2,178.68 acres, more or less, of State and Fee lands comprising all or portions of Sections 32 and 33, Township 14 South, Range 35 East, and Sections 4, 5, and 6, Township 15 South, Range 35 East. Said unit area is located approximately 14 miles south-southwest of Tatum, New Mexico.**CASE 11445:** **Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of a unit agreement for its proposed Papalotes Exploratory Unit Agreement containing 2,583.6 acres, more or less, of State and Fee lands comprising all of Sections 26, 34 and 35, Township 14 South, Range 34 East and Section 2, Township 15 South, Range 34 East. Said unit area is located approximately 9 miles west of Hillburn City, New Mexico.**CASE 11339:** (Continued from December 21, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for directional drilling and an unorthodox bottomhole location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Zinnia Federal Unit Well No. 1 from a unorthodox surface location 1980 feet from the North line and 910 feet from the West line (Unit E) of Section 27, Township 20 South, Range 29 East, to an unorthodox bottomhole gas well location within 50 feet of a point 1980 from the North line and 2405 feet from the East line (Unit G of Section 27, to test the Strawn and Morrow formations, Undesignated East Burton Flat-Strawn Gas Pool and Wildcat Morrow. The N/2 of Section 27 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for both formations. Said well is located approximately 11 miles northeast of Carlsbad, New Mexico.

CASE 10748: (Reopened)

In the matter of Case No. 10748 being reopened pursuant to the provisions of Division Order No. R-9922-B, which order continued Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, in full force and effect until January, 1996. Operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations. Said pool is located approximately 16 miles west of Carlsbad, New Mexico.

CASE 11446: Application of Arch Petroleum Inc. for amendment of Division Order No. R-10453 authorizing a location change of a certain unorthodox oil well location, Lea County, New Mexico. Applicant seeks to amend Division Order No. R-10453, which authorized applicant to drill seven unorthodox oil well locations in Sections 21, 22, and 28, Township 23 South, Range 37 East, Teague-Blinbry Pool, by changing the location approved by said order of its C.E. Lamunyon Well No. 56 to a location 1300 feet from the North line and 1450 feet from the East line (Unit B) of said Section 28. Said well is located approximately 10 miles south of Eunice, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

CASE 11434: (Continued from December 21, 1995, Examiner Hearing.)

Application of Meridian Oil Inc. for compulsory pooling and an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Blanco Mesaverde Gas Pool underlying the E/2 of Section 23, Township 31 North, Range 9 West, forming a standard 320-acre spacing and proration unit. Said unit is to be dedicated to Meridian Oil Inc.'s proposed Seymour Well No. 7A which is to be drilled at an unorthodox gas well location 1615 feet from the South line and 2200 feet from the East line (Unit J) of said Section 23 to test for production from the Mesaverde formation. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling and completing, and the allocation of the costs and income therefor as well as actual operating costs and charges for supervision, a charge for risk involved in drilling and completing said well and the designation of applicant as the operator of the well. Said well is located approximately 9 miles southeast of Cedar Hills, New Mexico.

CASE 11280: (Reopened)

In the matter of Case No. 11280 being reopened pursuant to the provisions of Division Order No. R-10389, which order created the South Black River-Delaware Pool in Eddy County, New Mexico, and promulgated temporary special pool rules therefor. Operators in the subject pool may appear and present geologic and engineering evidence and testimony relative to the promulgation of permanent rules and regulations. Said pool is located approximately 6 miles east of Whites City, New Mexico.

CASE 11447: Application of Enserch Exploration, Inc. to amend special pool rules for the South Black River-Delaware Pool, Eddy County, New Mexico. Applicant seeks to amend Division Order No. R-10389, which promulgated temporary special pool rules for the South Black River-Delaware Pool, to amend such special pool rules to provide for a limiting gas-oil ratio of 20,000 cubic feet of gas for each barrel of oil produced, an increase from the current limiting gas-oil ratio of 10,000 to 1. Said pool is located approximately 6 miles east of Whites City, New Mexico.

CASE 11421: (Continued from November 2, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for the promulgation of special rules and regulations for the South Pecos Slope-Abo Gas Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules and regulations for the currently unprorated South Pecos Slope-Abo Gas Pool, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the South Pecos Slope-Abo Gas Pool comprises approximately 73,440 acres in portions of Townships 8, 9, 10, and 11 South, Ranges 24, 25, 26, and 27 East.

CASE 11422: (Continued from November 2, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for the promulgation of special rules and regulations for the West Pecos Slope-Abo Gas Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules and regulations for the currently unprorated West Pecos Slope-Abo Gas Pool, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the West Pecos Slope-Abo Gas Pool comprises approximately 92,480 acres in portions of Townships 5, 6, 7, 8, and 9 South, Ranges 21, 22, and 23 East.

CASES 10793, 10981, and 11004: (Reopened - Continued from November 2, 1995, Examiner Hearing.)

In the matter of Case Nos. 10793, 10981, and 11004 being reopened pursuant to the provisions of Division Order Nos. R-9976 and R-9976-A, which orders established a "pilot infill drilling program" in the Pecos Slope-Abo Gas Pool in portions of Townships 5, 6, and 7 South, Ranges 25 and 26 East, Chaves County. **The applicant in this matter, Yates Petroleum Corporation, seeks the promulgation of special rules and regulations for the currently unprorated Pecos Slope-Abo Gas Pool**, based on the geologic and engineering data acquired from the pilot program, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the Pecos Slope-Abo Gas Pool comprises approximately 199,000 acres in all or portions of Townships 4, 5, 6, 7, and 8 South, Ranges 24, 25, 26, and 27 East.

CASE 11448: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit Rhonda Operating Co., owner/operator, American Employers' Insurance Company, surety, and all other interested parties to appear and show cause why the State 29 Well No. 2, located 1977 feet from the North line and 670 feet from the East line (Unit H) of Section 29, Township 8 South, Range 33 East, Chaves County, New Mexico (which is approximately 17 miles southeast of Kenna, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Should the operator fail to properly plug said well, the Division should then be authorized to take such action as is deemed necessary to have the well properly plugged and abandoned and to direct the owner/operator to pay the costs of such plugging.

CASE 11449: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit Abbott Ventures, operator, Ralph Abbott, owner, Allied Fidelity Insurance Company, surety, and all other interested parties to appear and show cause why the N.E. Hogback State NM Well No. 1 (API No. 30-045-09592), located 365 feet from the North line and 330 feet from the East line (Unit A) of Section 16, Township 30 North, Range 16 West, San Juan County, New Mexico (which is approximately 9.25 miles east by north of Shiprock, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Should the operator fail to properly plug said well, the Division should then be authorized to take such action as is deemed necessary to have the well properly plugged and abandoned and to direct the owner/operator to pay the costs of such plugging.

CASE 11450: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit Ralph Abbott, owner/operator, Aetna Casualty and Surety Company, surety, and all other interested parties to appear and show cause why the Palmer Well No. 1 (API No. 30-045-24691), located 1735 feet from the North line and 1695 feet from the East line (Unit G) of Section 17, Township 29 North, Range 13 West, San Juan County, New Mexico (which is approximately one mile south of the Four Corners Regional Airport in Farmington, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Should the operator fail to properly plug said well, the Division should then be authorized to take such action as is deemed necessary to have the well properly plugged and abandoned and to direct the owner/operator to pay the costs of such plugging.

CASE 11399: (Continued from November 2, 1995, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Diamond Back Petroleum Inc. and all other interested parties to appear and show cause why the following two wells located in Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug any or all of said wells, the Division seeks an order directing the operator to pay the costs of such plugging and if failing to do so, ordering a forfeiture of the plugging bond, if any, covering said wells:

Margie Kay Well No. 1, located 1980 feet from the North line and 1980 feet from the West line (Unit F) of Section 7, Township 17 South, Range 28 East.

Margie Kay Well No. 1, located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 7, Township 17 South, Range 28 East.

DOCKET: COMMISSION HEARING - THURSDAY - JANUARY 18, 1996**9:00 A.M. - 2040 SOUTH PACHECO - SANTA FE, NEW MEXICO****The Land Commissioner's designee for this hearing will be Jami Bailey****CASE 11354: (De Novo - Continued from December 14, 1995, Commission Hearing.)**

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Nerdhlic Company, Inc., and all other interested parties to appear and show cause why the following five wells in McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug any or all of said wells, the Division seeks an order directing the operator to pay the costs of such plugging and if failing to do so, ordering a forfeiture of the "blanket" cash plugging bond covering said wells and authorizing the Director of the Division to make demand upon United New Mexico Bank in Santa Fe, New Mexico to pay to the Division so much of the funds of the certificate of deposit given as collateral for said bond as is necessary to compensate the costs of plugging any or all of said wells:

- (1) **Inditos Well No. 1** (API No. 30-031-20774), located 2310'FNL & 330'FEL (Unit H) of Section 15, Township 16 North, Range 9 West;
- (2) **Bullseye Well No. 2** (API No. 30-031-20414), located 540'FSL & 1560'FWL (Unit N) of Section 18, Township 16 North, Range 9 West;
- (3) **Bullseye Well No. 9** (API No. 30-031-20576), located 330'FSL & 1650'FEL (Unit O) of Section 18, Township 16 North, Range 9 West;
- (4) **Bullseye Well No. 8** (API No. 30-031-20531), located 330'FNL & 990'FWL (Unit D) of Section 19, Township 16 North, Range 9 West; and,
- (5) **Bullseye "A" Well No. 2** (API No. 30-031-05091), located 990'FS & EL (Unit P) of Section 13, Township 16 North, Range 10 West.

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

CASE 11353: (Continued from November 9, 1995, Commission Hearing.)

In the matter of the hearing called by the Oil Conservation Division to amend Rule 303.C. of its General Rules and Regulations pertaining to downhole commingling. The proposed amendments to Rule 303.C. would provide for administrative approval of applications for types of downhole commingling currently requiring notice and hearing.

CASE 11451: In the matter of the hearing called by the Oil Conservation Division ("Division") to reformat its rules and regulations to comply with the New Mexico Administrative Code (NMAC), which reformatting is mandated by 14-4-7.2 NMSA 1978. The OCD rules will now be found in NMAC Title 19, Chapter 15 with the rule numbers remaining unchanged. At the same time typographical and grammatical changes will be made to the rules. No substantive changes will be made.

The following orders of more-than-specific application, along with amendments, will now become sections of the NMAC: R-111, R-3221, R-5353, R-7940, and R-8170. OCD form numbers C-134 to C-140 have been added to Rule 1100.D. Parts B, Q and P of 19 NMAC 15 are Reserved. The first 6 sections (1 through 6) of each Part (on each of 19 NMAC 15, Parts A through R) will contain the following information: Issuing Agency, Scope, Statutory Authority, Duration, Effective Date, Objective.

The effective date of the reformatting change will be February 1, 1996. Copies of the proposed reformatted OCD rules may be reviewed at the OCD offices at 2040 S. Pacheco, Santa Fe, NM 87505.

CASE 11452: In the matter of the hearing called by the Oil Conservation Commission ("Commission") to adopt its annual resolution setting forth reasonable notice standards for Commission public meetings, pursuant to the New Mexico Open Meetings Act, 10-15-1.D. NMSA 1978.

Awaiting Final Commission Action -- No Evidence or Testimony Will Be Taken.

CASE 11351: In the matter of the hearing called by the Oil Conservation Division to amend Rule 104 of its General Rules and Regulations pertaining to unorthodox well locations and non-standard units. The proposed amendments to Rule 104 would provide for administrative approval of applications for certain unorthodox well locations and non-standard units currently requiring notice and hearing. A copy of the proposed Rule 104 is attached to this docket.

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 25, 1996**8:15 A.M. - 2040 South Pacheco****Santa Fe, New Mexico**

Dockets Nos 4-96 and 5-96 are tentatively set for February 8, 1996 and February 22, 1996. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11169: (Reopened - This Case will be Continued to February 8, 1996)

In the matter of Case No. 11169 being reopened pursuant to the provisions of Division Order No. R-10327, which order promulgated temporary special rules and regulations for the North Hardy Tubb-Drinkard Pool in Lea County, New Mexico. Operators in the subject pool may appear and present evidence and testimony as to the nature of the reservoir with regards to making these rules permanent.

CASE 11453: Application of Oxy USA Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Government S Well No. 9 at an unorthodox gas well location 660 feet from the North line and 660 feet from the East line (Unit A) of Section 3, Township 20 South, Range 28 East. The N/2 of Section 3 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool, the Winchester-Atoka Gas Pool and the Burton Flat-Morrow Gas Pool. Said well is located approximately 10 miles east of Lakewood, New Mexico.

CASE 11454: Application of Oxy USA Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Oxy 4 Federal Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 2130 feet from the West line (Unit F) of Section 4, Township 20 South, Range 28 East. The W/2 of Section 4 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, and the Burton Flat-Morrow Gas Pool. Said well is located approximately 9 miles east of Lakewood, New Mexico.

CASE 11455: Application of Oxy USA Inc. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its Government NBFD Unit Well No. 1 at an unorthodox gas well location 660 feet from the South line and 330 feet from the West line (Unit M) of Section 11, Township 20 South, Range 28 East, as to all prospective pools or formations below the top of the Wolfcamp formation including but not limited to the North Burton Flat-Wolfcamp Gas Pool and the Burton Flat-Morrow Gas Pool. The W/2 of Section 11 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation. Applicant further requests approval to (1) simultaneously dedicate any Wolfcamp production from the subject well with Wolfcamp production from its existing Government AB Well No. 1 located 1980 feet from the South and West lines of said Section 11; and (2) simultaneously dedicate any Morrow production from the subject well with Morrow production from its existing Government AB Well No. 5 located 1980 feet from the North line and 660 feet from the West line of said Section 11. Said well is located approximately 13 miles southeast of Lakewood, New Mexico.

CASE 10748: (Reopened - Continued from January 11, 1996, Examiner Hearing.)

In the matter of Case No. 10748 being reopened pursuant to the provisions of Division Order No. R-9922-B, which order continued Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, in full force and effect until January, 1996. Operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations. Said pool is located approximately 16 miles west of Carlsbad, New Mexico.

CASE 11456: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NE/4 NE/4 of Section 18, Township 23 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to the applicant's Tomcat 18 Fed. Well No. 1 to be drilled at an orthodox oil well location. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 4 miles north of the intersection of Highway FAS 1271 and the border between Lea and Eddy Counties.

CASE 11408: (Continued from December 7, 1996, Examiner Hearing - This Case Will Be Dismissed.)

Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Morton Exploratory Unit Agreement for an area comprising 2,178.68 acres, more or less, of State and Fee lands comprising all or portions of Sections 33 and 33, Township 14 South, Range 35 East, and Sections 4, 5 and 6 of Township 15 South, Range 35 East, which is located approximately 14 miles south-southwest of Tatum, New Mexico.

CASE 11444: (Continued from January 11, 1996, Examiner Hearing.)

Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of a unit agreement for its proposed Morton Exploratory Unit Area comprising 2,178.68 acres, more or less, of State and Fee lands comprising all or portions of Sections 32 and 33, Township 14 South, Range 35 East, and Sections 4, 5, and 6, Township 15 South, Range 35 East. Said unit area is located approximately 14 miles south-southwest of Tatum, New Mexico.

CASE 11445: (Continued from January 11, 1996, Examiner Hearing.)

Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of a unit agreement for its proposed Papalotes Exploratory Unit Agreement containing 2,583.6 acres, more or less, of State and Fee lands comprising all of Sections 26, 34 and 35, Township 14 South, Range 34 East and Section 2, Township 15 South, Range 34 East. Said unit area is located approximately 9 miles west of Hillburn City, New Mexico.

CASE 11457: In the matter of the application of the New Mexico Oil Conservation Division for a show cause hearing requiring Petro-Thermo Corporation to appear and show cause why its Goodwin Treating Plant located in the SW/4 NW/4 of Section 31, Township 18 South, Range 37 East, Lea County, New Mexico should not: (1) be ordered to cease operations, (2) have its permit to operate revoked, (3) be closed and cleaned up, (4) be closed by the Division if Petro-Thermo does not close it, (5) have the costs of closure and cleanup assessed against Petro-Thermo if closed by the Division, and (6) have its \$25,000 bond forfeited. Said plant is located approximately 9 miles west of Hobbs, New Mexico.