

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 7, 1996

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 9-96 and 10-96 are tentatively set for March 21, 1996 and April 4, 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 11463: (Continued from February 8, 1996, Examiner Hearing.)

Application of Robert L. Bayless for downhole commingling, San Juan County, New Mexico. Applicant, seeks approval to downhole commingle production from Fulcher Kutz-Pictured Cliffs and Aztec Fruitland Sand Pools within the wellbore of its Horn Canyon Well No. 1 located 1190 feet from the North line and 1055 feet from the West line (Unit D) of Section 15, Township 28 North, Range 11 West. Said well is located approximately 4 miles south of Bloomfield, New Mexico.

CASE 11460: (Readvertised)

Application of Santa Fe Energy Resources, Inc. for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Tomcat Unit Agreement for an area comprising 3,840 acres, more or less, of federal, state, and fee lands consisting of all or parts of Sections 8, 15-17, 20-22, and 28, Township 23 South, Range 32 East. Said unit area is centered approximately 5 miles northeast of the intersection of State Highway 128 with the Eddy/Lea County line.

CASE 11461: (Continued from February 22, 1996, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the following described acreage in Section 29, Township 22 South, Range 34 East, and in the following manner: All of Section 29 to form a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent, including the Undesignated North Bell Lake-Devonian Gas Pool; and the E/2 of Section 29 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Antelope Ridge-Atoka Gas Pool. Said units are to be dedicated to the applicant's Shamrock "29" Fed Com. Well No. 1 to be drilled at an orthodox gas well location 1330 feet from the North and East lines (Unit G) of the Section. 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 units are located approximately 16 miles southwest of Eunice, New Mexico.

CASE 11456: (Continued from February 22, 1996, Examiner Hearing.)

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 11479: Application of Exxon Corporation for a non-standard gas proration unit, simultaneous dedication and two unorthodox gas well locations, Lea County, New Mexico. Applicant seeks to establish a non-standard 159.92-acre gas spacing and proration unit for Blinebry Oil and Gas Pool production comprising Lots 2, 3, and the S/2 NW/4 of Section 2, Township 22 South, Range 37 East. Said unit is to be dedicated to its existing New Mexico "S" State Well Nos. 14, 38 and 28, located in Units C, E, and F, respectively. Applicant also seeks approval of an unorthodox gas well location for Well No. 38, located 2100 feet from the North line and 660 feet from the West line (Unit F) of said Section 2 and for Well No. 28, located 2160 feet from the North line and 1800 feet from the West line (Unit F) of said Section 2. Said proration unit is located two miles southeast of Eunice, New Mexico.

CASE 11459: (Readvertised)

Application of Conoco, Inc. to Amend Division Administrative Order DHC-1170, Lea County, New Mexico. Applicant seeks to amend the original allowable set forth in Division Order DHC-1170 which approved the commingling of production from the Warren Blinebry -Tubb Oil and Gas Pool and the Warren-Drinkard Pool in its Warren Unit Well No. 95, located 660 feet from the South and East lines (Unit P) of Section 28, Township 20 South, Range 38 East. Said well is located approximately 7 miles north of Eunice, New Mexico.

CASE 11480: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle conventional Aztec-Pictured Cliffs Gas Pool production (160-acre standard dedication comprising the SW/4) with gas production from the Blanco-Mesaverde Gas Pool (320-acre standard dedication comprising the W/2) within the wellbore of its existing Hancock Well No. 3 located 890 feet from the South line and 990 feet from the West line (Unit M) of Section 22, Township 28 North, Range 9 West. Applicant further seeks an exception to the pressure differential limitations of Rule 303(C)(b)(v). Said well is located approximately 5 miles southeast of Blanco, New Mexico. IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

CASE 11481: Application of Nearburg Exploration Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Black River "10" Federal Com Well No. 1 at an unorthodox gas well location 1330 feet from the North line and 990 feet from the West line (Unit E) of Section 10, Township 24 South, Range 26 East, to be dedicated to a standard 320-acre spacing unit consisting of the W/2 of said Section 10 and to be dedicated to any and all production therein including but not necessarily limited to the Undesignated South Carlsbad-Morrow Gas Pool. Said unit is located approximately 10 ½ miles southwest of Whites City, New Mexico.

CASE 11482: Application of SDX Resources, Inc. for approval of a leasehold pilot waterflood project and to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval of its State "7" Leasehold Waterflood Project by injection of water into the Queen and Grayburg formations of the East Millman-Queen-Grayburg-San Andres Pool, in a new project area consisting of 611.20 acres, more or less and being all of Section 7, Township 19 South, Range 29 East. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Said project is located approximately 12 ½ miles southwest of Loco Hills, New Mexico.

CASE 11464: (Continued from February 22, 1996, Examiner Hearing.)

Application of Penwell Energy, Inc. for pool creation, special pool rules and a discovery allowable, Eddy County, New Mexico. Applicant seeks the creation of a new pool for the production of oil from the Bone Spring formation comprising the W/2 NE/4 of Section 7, Township 22 South, Range 26 East, the assignment of a discovery allowable, and the promulgation of special pool rules therefor including provisions for 80-acre oil spacing units and designated well location requirements. Said area is located approximately 15 miles south of Loving, New Mexico.

CASE 11483: Application of Penwell Energy, Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the N/2 of Section 33, Township 21 South, Range 33 East, for all formations developed on 320-acre spacing. Said unit is to be dedicated to the J. D. Federal 33 Well No. 1 to be drilled at an unorthodox location 660 feet from the North line and 2080 feet from the East line in the N/2 of Section 33. 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 the risk involved in drilling said well. Said unit is located approximately 24 miles west of Eunice, New Mexico.

CASE 10748: (Reopened - Continued from February 22, 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 11484: Application of Yates Petroleum Corporation to amend the special pool rules and regulations for the Indian Basin-Upper Pennsylvanian Associated Pool, established by Order No. R-9922, Eddy County, New Mexico. Applicant seeks the promulgation of special rules and regulations for the Indian Basin-Upper Pennsylvanian Associated Pool, including the authorization of no more than one well per 80 acres, allowing the simultaneous dedication of acreage to both oil and gas wells and a special limiting gas-oil ratio of 10,000 cubic feet of gas for each barrel of oil produced. Said pool is located approximately 16 miles west of Carlsbad, New Mexico.

CASE 11339: (Readvertised)

Application of Yates Petroleum Corporation for directional drilling and unorthodox bottomhole locations, Eddy County, New Mexico. Applicant seeks authority to drill its Zinnia Federal Unit Well No. 1 from a surface location 1980 feet from the North line and 910 feet from the West line (Unit E) to an unorthodox bottomhole location in the Strawn formation, East Burton Flat-Strawn Gas Pool, 2065 feet from the North line and 2480 feet from the East line (Unit G) and as a wildcat well in the Wolfcamp formation 2055 feet from the North line and 2277 feet from the West line (Unit F) of Section 27, Township 20 South, Range 29 East. The N/2 of said Section 27 is dedicated to this well forming a standard 320-acre oil proration unit. Said well is located approximately 11 miles northeast of Carlsbad, New Mexico.

CASE 11485: Application of Robert N. Enfield for salt water disposal, Lea County, New Mexico. Applicant seeks authority to inject produced salt water into the Penrose interval of the Buffalo-Queen Pool through the perforated interval from approximately 4423 feet to 4432 feet in its Hudson "31" Federal Well No. 1, located 2310 feet from the North line and 330 feet from the East line (Unit H) of Section 31, Township 18 South, Range 33 East. Said well is located approximately 8 miles south-southeast of Loco Hills, New Mexico.

CASE 11486: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Walter J. Cambern d/b/a Cambern & Associates Oil and Gas, Sunwest Bank of Rio Arriba, N.A., and all other interested parties to appear and show cause why the Smith Well No. 1 located in Unit I of Section 21, Township 31 North, Range 3 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11487: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Schwartz Carbonic Company, Federal Insurance Company, and all other interested parties to appear and show cause why the De Baca Well No. 2 located in Unit B of Section 31, Township 20 North, Range 31 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11488: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Sofia Exploration Company, First National Bank in Clayton, and all other interested parties to appear and show cause why the Roxana State Well No. 1 located in Unit F of Section 36, Township 26 North, Range 26 East, Union County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11489: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Santa Rita Exploration Corp., Allied Fidelity Insurance Company, and all other interested parties to appear and show cause why the Moonlight 4 West Well No. 1 located in Unit D of Section 4, Township 8 South, Range 28 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11490: In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator, Salkar, Inc., the Travelers Indemnity Company, and all other interested parties to appear and show cause why the El Cheapo Well No. 1 located in Unit F of Section 35, Township 18 South, Range 27 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program, authorizing the Division to plug said well, and ordering a forfeiture of the plugging bond.

CASE 11399: (Continued from February 8, 1996, 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.

CASE 11448: (Continued from February 8, 1996, Examiner Hearing.)

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 11467: (Continued from February 22, 1996, Examiner Hearing.)

Application of the Oil Conservation Division for a show cause hearing requiring Southwest Water Disposal, Inc. (SWD) to appear and show cause why it should not be ordered to comply with its permit requirements and close its commercial clay lined surface evaporation pond located in the SE/4 SW/4, Section 32, Township 30 North, Range 9 West, San Juan County, New Mexico. Said facility is located approximately 3 miles north-northeast of Blanco, New Mexico.

CASE 11457: (Continued from February 22, 1996, Examiner Hearing.)

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-Therm closed by the Division, and (6) have its \$25,000 bond forfeited. Said plant is located approximately 9 miles west of Hobbs, New Mexico.

DOCKET: COMMISSION HEARING - TUESDAY - MARCH 12, 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 11358: (De Novo - Continued from February 15, 1996, Commission Hearing.)

Application of Nearburg Exploration Company/Nearburg Producing Company to terminate injection operations into two certain disposal wells by rescinding Division Administrative Order SWD-336 and Division Order No. R-7637, Eddy County, New Mexico. Applicant, in the above-styled cause, as operator of the Ross Ranch "22" well No. 2 (API No. 30-015-27458), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 22, Township 19 South, Range 25 East, North Dagger Draw-Upper Pennsylvanian Pool, seeks an order from the Division rescinding: (1) Administrative Order SWD-336, dated March 3, 1988, which order permitted Yates Petroleum Corporation to utilize its Osage Well No. 1 (API No. 30-015-20890), located 1980 feet from the North and East lines (Unit G) of Section 21, Township 19 South, Range 25 East, as a salt water disposal well into the Canyon formation; and, (2) Order No. R-7637, dated August 23, 1984, which order authorized Anadarko Petroleum Corporation to dispose of produced salt water into the Cisco/Canyon formations through its Dagger Draw SWD Well No. 1, (API No. 30-015-25003), located 1495 feet from the North line and 225 feet from the West line (Unit E) of said Section 22. The 160 acres comprising the NW/4 of said Section 22, in which the Ross Ranch "22" Well No. 2 is therein dedicated, is located approximately 4 miles southwest by west of Seven Rivers, New Mexico. Upon application of Nearburg Exploration Company, only that portion of this case pertaining to the rescission of Division Order No. R-7637 will be heard De Novo pursuant to the provisions of Rule 1220.

AWAITING FINAL COMMISSION ACTION – NO EVIDENCE OR TESTIMONY WILL BE TAKEN.

CASE 11297: **Application of Exxon Corporation for a waterflood project, qualification for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" for said project, and for 18 non-standard oil well locations, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks approval to institute a waterflood project in the designated and Undesignated Avalon-Delaware Pool within its proposed Avalon Delaware Unit Area (being the subject of Case No. 11298) located in portions of Townships 20 and 21 South, Ranges 27 and 28 East, by the injection of water through 18 new wells to be drilled as injection wells and one well to be converted from a producing oil well to an injection well. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Applicant further seeks approval to drill 18 new producing wells throughout the project area at locations considered to be unorthodox. The proposed unit area is centered approximately 8 miles north of Carlsbad, New Mexico. Upon the application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions on Rule 1220.

CASE 11298: **Application of Exxon Corporation for statutory unitization, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a waterflood project, all mineral interests in the designated and Undesignated Avalon-Delaware Pool underlying its proposed Avalon Delaware Unit Area encompassing some 2,140.14 acres, more or less, of Federal, State, and Fee lands comprising portions of Sections 25 and 35, Township 20 South, Range 27 East, all or portions of Sections 29, 30, 31, and 32, Township 20 South, Range 28 East, and portions of Sections 4, 5, and 6, Township 21 South, Range 28 East. Among the matters to be considered at the hearing, pursuant to the "New Mexico Statutory Unitization Act", Sections 70-7-1 et. seq., NMSA, will be the necessity of unit operations; the designation of a unit operator; the determination of 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 investments, 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 necessarily limited to unit voting procedures, selection, removal or substitution of the unit operator, and time of commencement and termination of unit operations. Said unit area is centered approximately 8 miles north of Carlsbad, New Mexico. Upon the application of Premier Oil & Gas, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.