

DOCKET: EXAMINER HEARING - THURSDAY - MAY 2, 1996

8:15 A.M. - 2040 S. Pacheco

Santa Fe, New Mexico

Dockets Nos 14-96 and 15-96 are tentatively set for May 16, 1996 and May 30, 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 11470: (Readvertised)

Application of Energy Development Corporation for salt water disposal and designation of a portion of the Menefee Member of the Mesaverde Formation as an "Exempted Aquifer", Sandoval County, New Mexico. Applicant seeks authority to inject produced water into the Menefee interval through perforations from 2,438 - 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Applicant also seeks to designate the Menefee interval underlying the W/2 E/2 and W/2 of Section 7 and the N/2 NW/4 of Section 18, Township 20 North, Range 2 West and the E/2 E/2 of Section 12, Township 20 North, Range 3 West, as an "Exempted Aquifer" pursuant to Division Rule No. 701.E. and applicable Federal Underground Injection Control Program Rules and Regulations, as contained within the Code of Federal Regulations, 40 CFR Parts 145 and 146, thereby enabling the injection of produced water, for purpose of disposal, into said interval. Said area is located approximately 8 miles southwest of Cuba, New Mexico.

CASE 11520: Application of Mewbourne Oil Company to increase injection pressure, Lea County, New Mexico. Pursuant to the terms of Division Order No. R-9737-A, applicant seeks to increase, from 2000 psi to 2320 psi, the surface injection pressure in fourteen injection wells within its Querecho Plains Bone Spring Sand Waterflood Project, located in Township 18 South, Range 32 East. Said project is located approximately 8 miles south of Maljamar, New Mexico.

CASE 11521: Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 4, Township 18 South, Range 28 East, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Illinois Camp-Morrow Gas Pool. Said unit is to be dedicated to its Hummer State "4" Com Well No. 1 to be drilled and completed at a standard well location in Unit B of said Section 4. 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 14 miles east-southeast of Artesia, New Mexico.

CASE 11522: Application of Phillips Petroleum Company for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of its proposed State-35 Unit for a tertiary recovery project for an area comprising 560 acres, more or less, of state lands consisting of portions of Section 35, Township 17 South, Range 34 East. Said unit is located approximately 2 miles southwest of Buckeye, New Mexico.

CASE 11523: Application of Phillips Petroleum Company for approval of a pressure maintenance project, to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, and for 3 unorthodox well locations, Lea County, New Mexico. Applicant seeks approval to institute a tertiary recovery project in its proposed State-35 Unit Pressure Maintenance Project by the injection of water and carbon dioxide ("CO₂") into the Grayburg and San Andres formations in the Vacuum Grayburg-San Andres Pool, encompassing 560 acres of State lands comprising portions of Section 35, Township 17 South, Range 34 East, including the drilling of three producing oil wells at unorthodox well locations within said Section 35. Applicant further seeks to qualify this expansion area 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 2 miles southwest of Buckeye, New Mexico.

CASE 11512: (Continued from April 18, 1996, Examiner Hearing.)

Application of Marathon Oil Company, Kerr-McGee Corporation and Santa Fe Energy Resources Inc. to terminate gas prorationing, to infill drill and to amend the special pool rules and regulations for the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico. Applicants seek the termination of gas prorationing in the Indian Basin-Morrow Gas Pool including the cancellation of all accumulated over and under production. Applicants also seek the promulgation for said pool of a special pool rule authorizing infill drilling of a second well on a standard 640-acre spacing unit. In addition, applicants seek to amend Rule 4 of the current special pool rules for this pool to provide for standard well locations not closer than 660 feet to the outer boundary of a spacing unit. Said pool is located in portions of Township 21 South, Range 23 East and Township 21 South, Range 24 East, the center of which is located approximately 18.5 miles west of Carlsbad, New Mexico.

CASE 11493: (Readvertised)

Application of Bonneville Fuels Corporation for pool contraction, pool creation, and special pool rules, Lea County, New Mexico. Applicant seeks contraction of the S/2 and NW/4 of Section 14 and the W/2 SW/4 of Section 13, Township 17 South, Range 37 East, from the South Humble City-Strawn Pool and the creation of a new pool for the production of oil from the Strawn formation to be comprised of this acreage and the promulgation of special pool rules therefor including provisions for 80-acre spacing units, a special depth bracket allowable provision, and a limiting gas-oil ratio for the pool of 8000 cubic feet of gas for each barrel of oil produced. Said area is located approximately 8.5 miles northwest of Hobbs, New Mexico.

CASE 11524: **Application of ARCO Permian, a unit of Atlantic Richfield, for compulsory pooling and unorthodox well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in the W/2 of Section 23, Township 17 South, Range 28 East, for all formations developed on 320-acre spacing. Said unit is to be dedicated to its Dinah 23 Federal Com Well No. 1 to be drilled at an unorthodox location 1077 feet from the South line and 660 feet from the West line of said Section 23, to a depth sufficient to test the Morrow formation, South Empire-Morrow Gas Pool. 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 13 miles east-southeast of Artesia, New Mexico.

CASE 11525: **Application of Yates Petroleum Corporation for amendment of the Special Pool Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool and for the cancellation of overproduction, Eddy County, New Mexico.** Applicant seeks amendment of the Special Pool Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool located in portions of Townships 19 and 20 South, Ranges 24 and 25 East, to provide for a special depth bracket allowable of 4000 barrels of oil per day for each 160-acre proration unit. Applicant also seeks the cancellation of all overproduction in the pool on the date the requested depth bracket allowable becomes effective. This pool is located approximately 18 miles south-southwest of Artesia, New Mexico.

CASE 11526: **Application of Yates Petroleum Corporation for amendment of the Special Pool Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Pool and for the cancellation of overproduction, Eddy County, New Mexico.** Applicant seeks amendment of the Special Pool Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Pool located in portions of Townships 20 and 21 South, Ranges 23 and 24 East, to provide for a special depth bracket allowable of 8000 barrels of oil per day for each 320-acre proration unit. Applicant also seeks the cancellation of all overproduction in the pool on the date the requested depth bracket allowable becomes effective. This pool is located approximately 19 miles south-southwest of Artesia, New Mexico.

CASE 11527: **Application of Texaco Exploration and Production Inc. for an unorthodox oil well location for a lease line production well and simultaneous dedication, Lea County, New Mexico.** Applicant seeks approval to drill its proposed Vacuum-Grayburg San Andres Well No. 159 as a lease line production well at an unorthodox location 572 feet from the North line and 78 feet from the East line (Unit A) of Section 1, Township 18 South, Range 34 East, to be dedicated to a standard 40-acre spacing unit consisting of the NE/4 NE/4 of said Section 1 in the Vacuum-Grayburg San Andres Pool. Said well is to be simultaneously dedicated with the existing Vacuum Grayburg San Andres Unit Wells 50, 58, 122, and 158. Said unit is located approximately 2 miles south of Buckeye, New Mexico.

CASE 11514: (Continued from April 18, 1996, Examiner Hearing.)

Application of Read & Stevens, Inc. for an unorthodox infill gas well location and simultaneous dedication, Chaves County, New Mexico. Applicant seeks approval of an unorthodox infill gas well location in the Buffalo Valley-Pennsylvanian (Prorated) Gas Pool for a well to be drilled 990 feet from the South line and 1980 feet from the West line (Unit O) of Section 26, Township 15 South, Range 27 East. Said well is to be simultaneous dedicated with the existing Harris Federal Well No. 4, located at a standard gas well location in Unit "P" of said Section 26, to a standard 320-acre gas spacing and proration unit comprising the S/2 of said Section 26. Said unit is located approximately 9.5 miles southeast of Lake Arthur, New Mexico.

CASE 11475: (Readvertised)

Application of Texaco Exploration and Production Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23 for all formations developed on 160-acre spacing, in the W/2 SW/4 of Section 23 for all formations developed on 80-acre spacing and in the NW/4 SW/4 of Section 23 for all formations developed on 40-acre spacing in Township 26 South, Range 37 East. Said unit is to be dedicated to its Rhodes "23" Fed. Com Well No. 1 to be drilled at a standard location in the NW/4 SW/4 of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. 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 5 miles south-southwest of Jal, New Mexico.

CASE 11476: (Continued from April 18, 1996, Examiner Hearing.)

Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator, for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23, Township 26 South, Range 37 East for all formations developed on 160-acre spacing. Said unit is to be dedicated to a well to be drilled at a standard location 1980 feet from the South line and 660 feet from the West line of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. 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 area is located approximately 5 miles south-southeast of Jal, New Mexico.

CASE 11528: **Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator, and James A. Davidson to rescind Division Administrative Order NSL-3633, as amended, and for an order contracting the Rhodes (Oil) Pool and extending the Rhodes Yates-Seven Rivers Gas Pool, Lea County, New Mexico.** The applicants, in the above-styled cause, seek to contract the boundaries of the Rhodes (Oil) Pool by deleting therefrom the NE/4, NE/4 NW/4, and NE/4 SE/4 of Section 26, Township 26 South, Range 37 East, and the concomitant extension of the Rhodes Yates-Seven Rivers (unprorated) Gas Pool to include the W/2 NE/4 and NE/4 NW/4 of said Section 26. The applicants further seek an order from the Division rescinding those provisions of Division Administrative Order NSL-3633, as amended, approving the unorthodox location of the Meridian Oil, Inc. Rhodes "B" Federal Well No. 7 located 330 feet from the North line and 1470 feet from the West line (Unit C) of said Section 26. Said well and area described above is located approximately 7 miles south-southeast of Jal, New Mexico.

CASE 11529: **Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator for (i) an amendment to Division Order No. R-5448, (ii) an acreage rededication, (iii) the formation of two non-standard gas proration units, (iv) an unorthodox gas well location, (v) compulsory pooling, and (vi) an order requiring Meridian Oil, Inc. to compensate applicant for certain revenues received by Meridian corresponding to the 320-acre non-standard gas proration unit previously approved by Division Order No. R-5448, Lea County, New Mexico.** Applicant seeks to amend Division Order No. R-5448, dated June 8, 1977, which authorized the formation of a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the W/2 E/2 and E/2 W/2 of Section 7, Township 20 South, Range 37 East, and had dedicated thereon the Britt Well Nos. 3 and 12, located in Units "G" and "C", respectively, of said Section 7 (both wells are now operated by Meridian Oil, Inc.), by rededicating to said wells a 200-acre non-standard gas proration unit to comprise the W/2 NE/4, E/2 NW/4, and NE/4 SW/4 of said Section 7 and the formation of a 120-acre non-standard gas proration unit to comprise the SE/4 SW/4 and W/2 SE/4 of said Section 7. The applicant further seeks an order pooling all mineral interests within said Eumont Gas Pool underlying the proposed 120-acre non-standard gas spacing and proration unit, which is to be dedicated to a well to be drilled and completed at an orthodox location within said 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 the operator of the well and unit and a charge for risk involved in drilling and completing said well. Further, the applicant seeks an order from the Division directing Meridian Oil, Inc. to compensate Doyle Hartman, Oil Operator its proportional share of revenues, for the period September 1, 1991 to the present, corresponding to the 320-acre non-standard unit previously approved under Order No. R-5448. Said 320-acre tract is located approximately 3 miles south southwest of Monument, New Mexico.

CASE 11448: (Continued from March 21, 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 11507: (Continued from April 4, 1996, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator Petroleum Development Corporation, United New Mexico Bank, Albuquerque, New Mexico, and all other interested parties to appear and show cause why the El Poso Ranch Well Nos. 8 and 11, located in Unit N of Section 14 and Unit K of Section 14, both in Township 28 North, Range 1 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. Said wells are located approximately 4 miles northwest of El Vado, New Mexico.

CASE 11508: (Continued from April 4, 1996, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator Spur Oil Inc., Old Republic Insurance Company, and all other interested parties to appear and show cause why the Samantha Well No. 1 located in Unit L of Section 26, Township 28 North, Range 1 East; Samantha Well No. 2 located in Unit K of Section 26, Township 28 North, Range 1 East; Samantha Well No. 3 located in Unit N of Section 26, Township 28 North, Range 1 East; Gonzales 13 Well No. 1 located in Unit I of Section 13, Township 31 North, Range 1 East; Gonzales 18 Well No. 1 located in Unit M of Section 18, Township 31 North, Range 2 East; Quinlan Ranch Well No. 1 located in Unit H of Section 23, Township 32 North, Range 2 East; and the Quinlan Ranch Well No. 2 located in Unit N of Section 19, 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. The three Samantha wells are located approximately 5 miles west-northwest of El Vado, New Mexico. The Gonzales 13 Well No. 1 and Gonzales 18 Well No. 1 are located approximately 4 and 6 miles east of Monero, New Mexico, respectively. The Quinlan Ranch Well Nos. 1 and 2 are located approximately 6 miles northwest and 6 miles north-northwest of Chama, New Mexico, respectively.

CASE 11509: (Continued from April 4, 1996, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division ("Division") on its own motion to permit the operator Chuza Operating, Underwriters Indemnity Co., and all other interested parties to appear and show cause why the El Poso Ranch Wells Nos. 1, 2, 3, 4, 7, 9 and 10, located in Units E of Section 26, P of Section 22, F of Section 14, C of Section 23, J of Section 14, N of Section 11, and O of Section 14, respectively, all in Township 28 North, Range 1 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. Said wells are located approximately 4 miles northwest of El Vado, New Mexico.

CASE 11467: (Reopened)

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 11510: (Continued from April 4, 1996, Examiner Hearing.)

Application of Branko, Inc. et al to reopen Case No. 10656, Lea County, New Mexico. Applicant seeks approval to reopen Case No. 10656 (Order No. R-9845) regarding the compulsory pooling of certain interests in a standard 320-acre gas spacing and proration unit comprising the W/2 of Section 28, Township 20 South, Range 33 East, which is dedicated to Mitchell Energy Corporation's Tomahawk "28" Federal Com Well No. 1 located in Unit F of said Section 28. Said unit is located approximately 20 miles south-southeast of Maljamar, New Mexico.

CASE 11530: In the matter of the hearing called by the Oil Conservation Division upon its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Northwest Corral Canyon-Delaware Pool. The discovery well is the Santa Fe Energy Resources, Inc. Corral Fly Unit Well No. 1 located in Unit G of Section 2, Township 25 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 2: E/2

Section 11: NE/4

- (b) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the Elkins-Pennsylvanian Gas Pool. The discovery well is the Walter Exploration, Inc. J. G. O'Brien Well No. 4 located in Unit L of Section 31, Township 7 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 7 SOUTH, RANGE 29 EAST, NMPM

Section 31: W/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Happy Valley-Bone Spring Pool. The discovery well is the Pennwell Energy, Inc. Rookie State Well No. 1 located in Unit B of Section 7, Township 22 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 7: NE/4

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

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 4: E/2

Section 9: E/2

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

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 22: S/2

Section 27: N/2

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

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 27: N/2

Section 28: N/2

- (g) EXTEND the South Carlsbad-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 20: W/2

- (h) EXTEND the Cedar Canyon-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 21: SE/4

- (i) EXTEND the Cedar Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 11: W/2

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

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 34: W/2

- (k) EXTEND the Happy Valley-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 32: NE/4

- (l) EXTEND the Loco Hills-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 35: N/2

Section 36: N/2

- (m) EXTEND the Nash Draw-Brushy Canyon Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM

Section 30: SW/4

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

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 30: S/2

- (o) EXTEND the Southeast Quahada Ridge-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 36: NE/4

- (p) EXTEND the Sand Tank-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 7: E/2

Section 8: W/2

- (q) EXTEND the Turkey Track-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 16: N/2

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.