

DOCKET: EXAMINER HEARING - THURSDAY - MARCH 4, 1999

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 8-99 and 9-99 are tentatively set for March 18, and April 1, 1999. 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 12131: Application of Santa Fe Energy Resources, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to drill its Rio Blanco Federal Com. Well No. 2 at an unorthodox Morrow gas well location 660 feet from the South and West lines (Unit M) of Section 4, Township 23 South, Range 34 East, located approximately four miles west-northwest of the San Simon Sink. The S/2 of Section 4 is to be dedicated to the well in order to form a standard 320-acre gas spacing and proration unit in either the Undesignated North Bell Lake-Morrow Gas Pool or Undesignated Antelope Ridge-Morrow Gas Pool.

CASE 12101: Continued from February 4, 1999, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations underlying the N/2, for all formations developed on 320-acre spacing in Section 7, Township 19 South, Range 31 East. The unit is to be dedicated to its Red Cloud "7" Fed. Com. Well No. 1 to be drilled as a wildcat well to test the Morrow formation at a standard location 660 feet from the North line and 1980 feet from the West line of Section 7. Also to be considered will be the cost of drilling and completing the 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 a charge for risk involved in drilling the well. This area is located approximately 11 miles northwest of Halfway, New Mexico

CASE 12132: Application of Nearburg Exploration Company, L.L.C. for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks the creation of a new pool for the production of hydrocarbons from the Strawn formation to include the NE/4 of Section 15, Township 16 South, Range 32 East. Applicant also seeks the issuance of special rules for this new pool including provisions for 160-acre spacing and special well location requirements. This area is located approximately 5 miles north of Maljamar, New Mexico.

CASE 12104: Continued from January 21, 1999, Examiner Hearing.

Application of Harvard Petroleum Corporation for compulsory pooling, Roosevelt County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the San Andres formation underlying the following described acreage in Section 5, Township 5 South, Range 37 East, and in the following manner: Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) thereby forming a standard 319.09-acre gas spacing and proration unit for any and all pools developed on 320-acre spacing within said vertical extent which presently includes only the Bluit-San Andres Associated Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the E/2 SW/4 to form a standard 80-acre oil spacing and proration unit for any and all pools developed on 80-acre spacing within said vertical extent which presently includes only the Bluit-San Andres Associated Pool; and, the SE/4 SW/4 (Unit N) to form 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. All four of these units are to be dedicated to the applicant's proposed Williams Well No. 1 to be drilled 990 feet from the South line and 1650 feet from the West line (Unit N) of Section 5 being a standard well location for the proposed 319.09, 160, and 40-acre spacing and proration units but an unorthodox oil well location for the proposed 80-acre oil spacing and proration 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 a charge for risk involved in drilling said well. The proposed well location is approximately one mile north by east of Bluit, New Mexico.

CASE 12133: Application of Saga Petroleum L.L.C. for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Crossroads Siluro-Devonian Unit for an area comprising 800 acres of fee lands in Sections 27 and 34 of Township 9 South, Range 36 East, which is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12134: Application of OXY USA Inc. for compulsory pooling and a non-standard gas proration unit, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 2450 feet below the surface to 12,260 feet (base of the Morrow formation) underlying the following described acreage in Irregular Section 19, Township 18 South, Range 29 East, in the following manner: the S/2 equivalent to form a non-standard 303.37-acre spacing and proration unit consisting of the SE/4, E/2 SW/4, and Lots 3 and 4 for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, which presently may include the Dog Canyon-Strawn Gas Pool or the Crow Flats-Morrow Gas Pool. The unit is to be dedicated to its Bobcat Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in drilling this well. This unit is located approximately 17 miles southeast of Artesia, New Mexico.

CASE 12037: Readvertised - Continued from February 18, 1999, Examiner Hearing.

Application of Yates Petroleum Corporation for pool contraction, pool extension and special pool rules, or in the alternative, simultaneous dedication, Lea County, New Mexico. Applicant seeks contraction and extension of the boundaries of the North Shoe Bar-Atoka Gas Pool to conform to the acreage dedicated to the wells therein, and the promulgation of Special Pool Rules which authorize a second well on each standard spacing and proration unit in the pool. In the alternative, applicant seeks authorization to simultaneously dedicate its Brunson "AQK" State Com Well No. 1 located 2260 feet from the North line and 1795 feet from the East line and its Big Flat "ASN" State Com. Well No. 1 located 1650 feet from the South line and 1980 feet from the East line, both in Section 10, Township 16 South, Range 35 East, to a standard gas spacing unit comprised of the E/2 of Section 10 in the North Shoe Bar-Atoka Gas Pool. Said wells are located approximately 6 miles west of Lovington, New Mexico.

CASE 12114: Continued from February 18, 1999, Examiner Hearing.

Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4 SW/4 of Section 21, Township 15 South, Range 36 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within that vertical extent. This unit is to be dedicated to its I.M. Allen "21" Well No. 1 which will be located at an unorthodox location 1028 feet from the South line and 1744 feet from the West line (Unit N) of Section 21. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in drilling the well. This unit is located approximately 4 miles northeast of the center of the City of Lovington, New Mexico.

CASE 11750: Reopened – Continued from February 18, 1999, Examiner Hearing.

In the matter of Case No. 11750 being reopened pursuant to the provisions of Division Order No. R-10848, which order established temporary special pool rules for the Northeast Shoe Bar-Strawn Pool in Lea County, New Mexico. Operators in the subject pool may appear and show cause why the temporary special rules and regulations for the pool should not be rescinded and the pool not be developed either on statewide 40-acre spacing or with an optional second well on each 80-acre unit. This pool is located approximately 2 miles southwest of Lovington, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 15, 1999

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 13-99 and 14-99 are tentatively set for April 25, and May 13, 1999. 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 12159: **Application of Robert L. Bayless for downhole commingling, San Juan County, New Mexico.** Applicant seeks authority to downhole commingle Basin-Fruitland Coal and Fulcher Kutz-Pictured Cliffs Gas Pool production within its Juhan Well No. 1 located 1650 feet from the North line and 1800 feet from the East line (Unit G) of Section 29, Township 30 North, Range 12 West. This well is located approximately 5 miles northeast of Farmington, New Mexico.

CASE 12161: **Application of Ridgeway Arizona Oil Corporation for a unit agreement, Catron County, New Mexico.** Applicant seeks approval of the Cottonwood Canyon Carbon Dioxide Gas Unit Agreement, an exploratory unit comprising 109,309.33 acres, more or less, of federal, state, and fee lands in Catron County, New Mexico, and certain lands in Apache County, Arizona, covering all or parts of the following sections.

A. State of Arizona

Township 12 North, Range 29 East, G.&S.R.M.

Section 24

Township 12 North, Range 30 East, G.&S.R.M.

Sections 9, 10, 11, 13, 14, 19-21, 23-29, 34 and 35

Township 12 North, Range 31 East, G.&S.R.M.

Sections: 18-21, 27-31, 33, and 34

Township 10 North, Range 31 East, G.&S.R.M.

Sections: 3 and 10

Township 9 North, Range 31 East, G.&S.R.M.

Sections: 3, 10, 15, 22, and 27

B. State of New Mexico

Township 2 North, Range 20 West, NMPM

Sections: 30, 31, and 32

Township 2 North, Range 21 West, NMPM

Sections: 9, 14-16, 21-28, and 33-36

Township 1 North, Range 20 West, NMPM

Sections: 4-9, 16-21, 26, 27, and 28-35

Township 1 North, Range 21 West, NMPM

Sections: 1-4, 9-16, 21-28, and 33-36

Township 1 South, Range 20 West, NMPM

Sections: 2-10, 16-21, and 28-33

Township 1 South, Range 21 West, NMPM

Sections: 1-4, 9-16, 21-28, and 33-36

Township 2 South, Range 20 West, NMPM

Sections: 5-6, 18, and 19

Township 2 South, Range 21 West, NMPM

Sections: 1-4, 9-16, 21-28, and 33-36

Township 3 South, Range 21 West, NMPM

Sections: 3 and 4

The unit area is centered approximately where US Highway 60 intersects the Arizona – New Mexico state line.

CASE 12157: **Continued from April 1, 1999, Examiner Hearing.**

Application of Chi Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 19, Township 20 South, Range 34 East, to form a standard 320-acre spacing and proration unit for any formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Undesignated Quail Ridge-Morrow Gas Pool. The unit is to be dedicated to the Greenstone Fed. Com. Well No. 1, located at an unorthodox surface/bottomhole location 480 feet from the South line and 1650 feet from the East line (Unit O), or in the alternative, directionally drilled from the above surface location to an unorthodox gas well bottomhole location 760 feet from the South line and 1650 feet from the East line (Unit O). Also to be considered will be the cost of drilling and completing this 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 and completing the well. This unit is located approximately 20 miles west-southwest of Monument, New Mexico.

CASE 12158: Continued from April 1, 1999, Examiner Hearing

Application of Chi Energy, Inc. for an unorthodox gas well location or in the alternative for non-standard subsurface gas well location/producing area, Lea County, New Mexico. Applicant seeks approval to drill its Greenstone Federal Com. Well No. 1 as a straight hole from an unorthodox gas well location 480 feet from the South line and 1650 feet from the East line (Unit O) of Section 19, Township 20 South, Range 34 East, in order to test either the Undesignated West Lynch-Morrow Gas Pool or the Undesignated Quail Ridge-Morrow Gas Pool underlying the E/2 of Section 19, being a standard 320-acre gas spacing and proration unit. IN THE ALTERNATIVE, the applicant, in accordance with Division Rules 104.F and 111(C)2, seeks approval for a non-standard subsurface gas well location/producing area to be applicable to either the Undesignated West Lynch-Morrow Gas Pool or the Undesignated Quail Ridge-Morrow Gas Pool, for its proposed Greenstone Federal Com. Well No. 1 to be drilled from the above-described surface location to a proposed bottomhole location that is to be no closer than 760 feet to the South line of Section 19 nor closer than 990 feet to the western boundary of the proposed 320-acre unit. The E/2 of Section 19 is located approximately eight miles east of the junction of U.S. Highway 62/180 and State Highway No. 176.

CASE 12131: Continued from March 4, 1999, Examiner Hearing.

Application of Santa Fe Energy Resources, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to drill its Rio Blanco Federal Com. Well No. 2 at an unorthodox Morrow gas well location 660 feet from the South and West lines (Unit M) of Section 4, Township 23 South, Range 34 East, located approximately four miles west-northwest of the San Simon Sink. The S/2 of Section 4 is to be dedicated to the well in order to form a standard 320-acre gas spacing and proration unit in either the Undesignated North Bell Lake-Morrow Gas Pool or Undesignated Antelope Ridge-Morrow Gas Pool.

CASE 12120: Continued from March 18, 1999, Examiner Hearing.

Application of Universal Resources Corporation for surface commingling, Rio Arriba and San Juan Counties, New Mexico. Applicant seeks an exception to Division Rules 303-A and 309-A to permit surface commingling of Alamito-Gallup and Lybrook-Gallup Pool production from the following Federal Leases NMNM6682, NMNM6681, NMNM16586, NMNM58878, NMNM10087, NMNM048989A, and State Lease: 00016172 and 00016174, covering parts of Sections 21, 22, 23, 27, 28, 31, 32, 34, Township 23 North, Range 7 West, NMPM, San Juan County, New Mexico; Section 2, Township 22 North, Range 8 West, and Section 36, Township 23 North, Range 8 West, Rio Arriba County, New Mexico. These leases are located approximately 50 miles southeast of Farmington, New Mexico.

CASE 12162: **Application of Marathon Oil Company to amend Order No. R-11112 to adopt an administrative procedure for adding and subtracting existing and future wells to the previously approved Buchanan tank battery within the Buchanan Centralized Facility, Eddy County, New Mexico.** Applicant seeks the amendment of Order No. R-11112 to permit surface commingling, off-lease measurement and storage of North Illinois Camp-Morrow Gas, Illinois Camp-Morrow Gas, North Turkey Track-Morrow Gas, Travis-Wolfcamp Gas, and Travis Upper Pennsylvanian Gas Pool production from its Walker "33" State Lease in the W/2 of Section 33, Township 18 South, Range 28 East with previously approved leases which shall be stored and measured at its centralized facility located in Unit I, Section 33, Township 18 South, Range 28 East. Applicant also seeks the adoption of an administrative procedure to add and subtract existing and future wells to this facility without the requirement of notice and hearing. This facility is located approximately 18 miles northeast of Carlsbad, New Mexico. IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

CASE 12135: Continued from March 18, 1999, Examiner Hearing.

Application of Marathon Oil Company for surface commingling, off-lease measurement and storage, Eddy County, New Mexico. Applicant seeks an exception to Division Rule 309-A and Rule 303-A and the amendment of Division Administrative Order PLC-140 to permit surface commingling, off-lease measurement and storage of Indian Basin Upper Pennsylvanian Gas Pool and Indian Basin-Upper Pennsylvanian Associated Pool production from its Indian Basin "32" State Lease in Section 32 with its Indian Hills Unit covering parts of Sections 20, 21, 28, 29 and 33, all in Township 21 South, Range 24 East which shall be stored and measured at its centralized facility located in Unit P, Section 19, Township 21 South, Range 24 East. This facility is located approximately 18 miles east of Carlsbad, New Mexico.

CASE 12154: Continued from April 1, 1999, Examiner Hearing.

Application of Texaco Exploration & Production, Inc. for Certification of a Positive Production Response within the Cooper Jal Unit Area, Lea County, New Mexico. Applicant seeks certification by the Division that a positive production response to secondary recovery waterflood operations has occurred within its Cooper Jal Jalmat and Cooper Jal Langmat Waterflood Projects, both located within the Cooper Jal Unit Area in portions of Township 24 South, Ranges 36 and 37 East. These projects were certified by the Division to be qualified Enhanced Oil Recovery Projects by Order No. R-9983 dated October 6, 1993. These projects are located approximately 6 miles northwest of Jal, New Mexico.

CASE 12133: Continued from March 4, 1999, Examiner Hearing.

Application of Saga Petroleum L.L.C. for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Crossroads Siluro-Devonian Unit for an area comprising 800 acres of fee lands in Sections 27 and 34 of Township 9 South, Range 36 East, which is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12163: **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 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 that vertical extent, which presently include the Undesignated Teas Yates-Seven Rivers Pool and the Undesignated West Teas Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in this well. This unit is located approximately 1 mile north of U.S. Highway 62-180 at mile marker No. 77.

CASE 12164: **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SE/4 (Unit I) of Section 3, Township 20 South, Range 33 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 that vertical extent, which presently include the Undesignated Teas Yates-Seven Rivers Pool and the Undesignated West Teas Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in this well. This unit is located approximately 1.25 miles north of U.S. Highway 62-180 at mile marker No. 77.

CASE 12165: **Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 SE/4 (Unit J) of Section 3, Township 20 South, Range 33 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 that vertical extent, which presently include the Undesignated Teas Yates-Seven Rivers Pool and the Undesignated West Teas Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in this well. This unit is located approximately 1.25 miles north of U.S. Highway 62-180 at mile marker No. 77.

CASE 12153: Continued from April 1, 1999, Examiner Hearing.

Application of ARCO Permian for Certification of a Positive Production Response within the South Justis Unit Waterflood Project, Lea County, New Mexico. Applicant seeks certification by the Division that a positive production response to secondary recovery waterflood operations has occurred within Phases IIA, IIB and IIC of its South Justis Unit Waterflood Project, located in portions of Townships 25 and 26 South, Ranges 37 and 38 East. This project was certified January 5, 1994 by the Division to be a qualified Enhanced Oil Recovery Project by Order No. R-9747. This project is located approximately 4 miles east of Jal, New Mexico.

CASE 12166: **Application of Energen Resources Corporation for compulsory pooling, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde and Dakota formations in the W/2 of Section 19, Township 30 North, Range 4 West, forming standard 320-acre spacing and proration units respectively. These units are to be dedicated to its Carson Well No. 4 which is to be located in Unit E of Section 19. Applicant also seeks approval to dedicate the pooled units to its Carbon No. 4-M infill well to be drilled at an orthodox infill location in Unit L of Section 19, following the completion of the Carson Well No. 4. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for the risk involved in drilling the wells. These wells are located approximately 6 miles northeast of Gobernador, New Mexico.

CASE 12167: **Application of Energen Resources Corporation for compulsory pooling and an unorthodox well location, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde and Dakota formations in the E/2 of Section 30, Township 30 North, Range 4 West, forming standard 320-acre spacing and proration units respectively. These units are to be dedicated to its Carson Well No. 5 which is to be drilled at an unorthodox well location in Unit B of Section 30. Applicant also seeks approval to dedicate the pooled units to its Carson No. 5-M infill well to be drilled at an orthodox infill location in Unit P of Section 30, following the completion of the Carson Well No. 5. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for the risk involved in drilling the wells. These wells are located approximately 6 miles northeast of Gobernador, New Mexico.

CASE 12168: **Application of Energen Resources Corporation for compulsory pooling and an unorthodox well location, Rio Arriba County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Mesaverde and Dakota formations in the W/2 of Section 29, Township 30 North, Range 4 West, forming standard 320-acre spacing and proration units respectively. These units are to be dedicated to its Carson Well No. 6 which is to be drilled at an unorthodox well location in Unit M of Section 29. Applicant also seeks approval to dedicate these pooled units to its Carson No. 6-M infill well to be drilled at an orthodox infill location in Unit C of Section 29, following the completion of the Carson Well No. 6. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for the risk involved in drilling the wells. These wells are located approximately 6 miles northeast of Gobernador, New Mexico.

DOCKET: COMMISSION HEARING - THURSDAY - APRIL 22, 1999

9:00 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey or Gary Carlson

The minutes of the March 25, 1999, Commission hearing will be adopted.

CASE 12119: Continued from January 14, 1999, Commission Hearing.

In the matter of the hearing called by the Oil Conservation Division to discuss possible amendments to 19 NMAC 15.C.104 pertaining to well spacing and the notice requirements throughout the rules including 19 NMAC 15.N.

CASE 12169: **Application of the Oil Conservation Division to amend and/or adopt tax incentive rules.** Applicant seeks the amendment of Division Rules 712 and 713 and the adoption of new rules to facilitate the implementation of new laws granting oil and gas tax incentives. House Bill 11 amending the production restoration tax incentive has been signed by the Governor into law. House Bill 290, granting a tax credit for new wells, and House Bills 281 and 436, granting a tax incentive to stripper wells and amending the well workover tax incentive, have passed both the House and Senate and await the governor's signature.

CASE 12086: Continued from March 25, 1999, Commission Hearing.

Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction, and the escrow of production proceeds, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities, (2) providing for termination of the depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission, and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

MEMORANDUM

TO: ALL OIL AND GAS OPERATORS
FROM: LORI WROTENBERY, CHAIRMAN *lw*
SUBJECT: 1999 COMMISSION HEARING DATES
DATE: APRIL 16, 1999

Oil Conservation Commission hearing dates for the remainder of 1999 are as follows:

MAY 19 (WEDNESDAY)

JUNE 17

JULY 15

AUGUST 12

SEPTEMBER 23

OCTOBER 28

NOVEMBER 17 (WEDNESDAY)

DECEMBER 9



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

MEMORANDUM

TO: ALL OPERATORS AND INTERESTED PARTIES

FROM: LORI WROTENBERY, ^{LW}DIVISION DIRECTOR

SUBJECT: NEW MAILING ADDRESS

Please note that the Hobbs office of the Oil Conservation Division no longer has a post office box. The correct mailing address is now 1625 N. French Drive, Hobbs, New Mexico 88240.

NOTICE OF PUBLICATION

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Oil Conservation Division Regulations, the following Stage 1 Abatement Plan Proposal has been submitted to the Director of the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505, Telephone (505) 827-7131:

Phillips Pipe Line Company, Anthony C. Walker, Project Manager, Telephone (918) 661-3557, 3B11 Adams Bldg., Bartlesville, Oklahoma 79702, has submitted a Stage 1 Abatement Plan Proposal for the Line NM-1-1 site, located south of Hobbs, New Mexico in Unit N of Section 9, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico. Phillips Pipe Line Company operates a crude oil pipeline at the site. Phase-separated hydrocarbon (PSH) has been observed on the ground water. The Stage 1 Abatement Plan Proposal presents the following subsurface investigation activities: determine site geology and hydrogeology; conduct a registered water well search within a 1 mile radius of the site; install monitoring wells; collect soil samples for field screening and/or laboratory analysis from each boring; collect ground water samples for laboratory analysis from each monitoring well; obtain depth to ground water measurements and calculate the ground water gradient and direction; survey all well locations by a professional land surveyor registered in the State of New Mexico; and prepare a report summarizing field activities and laboratory results.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The Stage 1 Abatement Plan Proposal may be viewed at the above address or at the Oil Conservation Division Hobbs District Office, 1625 N. French Drive, Hobbs, New Mexico 88240, Telephone (505) 393-6161 between 8:00 a.m. and 4:00 p.m., Monday through Friday. Prior to ruling on any proposed Stage 1 Abatement Plan Proposal, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which written comments may be submitted.

NOTICE OF PUBLICATION

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Oil Conservation Division Regulations, the following Stage 1 Abatement Plan Proposal has been submitted to the Director of the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505, Telephone (505) 827-7131:

Rice Operating Company, Carolyn Doran Haynes, Operations Engineer, Telephone (505) 393-9174, 122 West Taylor, Hobbs, New Mexico 88240, has submitted a Stage 1 Abatement Plan Proposal for the Pipeline Junction I-9, Hobbs Salt Water Disposal System, located approximately .6 miles southwest of Hobbs, NM in the NE 1/4, SE 1/4 of Section 09, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico. Rice Operating Company operates a salt water disposal pipeline at the site. Phase-separated hydrocarbon (PSH) has been observed on the ground water. The Stage 1 Abatement Plan Proposal presents the following subsurface investigation activities: determine site geology and hydrogeology; conduct a registered water well search within a 1 mile radius of the site; install a minimum of 3 monitoring wells; if necessary, install additional wells; collect soil samples for field screening and/or laboratory analysis from each boring; collect ground water samples for laboratory analysis from each monitoring well; obtain depth to ground water measurements and calculate the ground water gradient and direction; survey all well locations by a professional land surveyor registered in the State of New Mexico; and prepare a report summarizing field activities and laboratory results.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The Stage 1 Abatement Plan Proposal may be viewed at the above address or at the Oil Conservation Division Hobbs District Office, 1625 N. French Drive, Hobbs, New Mexico 88240, Telephone (505) 393-6161 between 8:00 a.m. and 4:00 p.m., Monday through Friday. Prior to ruling on any proposed Stage 1 Abatement Plan Proposal, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which written comments may be submitted.

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 29, 1999
8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

DOCKET NO. 13-99

Dockets Nos. 14-99 and 15-99 are tentatively set for May 13 and May 27, 1999. 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 12162: Continued from April 15, 1999, Examiner Hearing.

Application of Marathon Oil Company to amend Order No. R-11112 to adopt an administrative procedure for adding and subtracting existing and future wells to the previously approved Buchanan tank battery within the Buchanan Centralized Facility, Eddy County, New Mexico. Applicant seeks the amendment of Order No. R-11112 to permit surface commingling, off-lease measurement and storage of North Illinois Camp-Morrow Gas, Illinois Camp-Morrow Gas, North Turkey Track-Morrow Gas, Travis-Wolfcamp Gas, and Travis Upper Pennsylvanian Gas Pool production from its Walker "33" State Lease in the W/2 of Section 33, Township 18 South, Range 28 East with previously approved leases which shall be stored and measured at its centralized facility located in Unit I, Section 33, Township 18 South, Range 28 East. Applicant also seeks the adoption of an administrative procedure to add and subtract existing and future wells to this facility without the requirement of notice and hearing. This facility is located approximately 18 miles northeast of Carlsbad, New Mexico. **IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT.**

CASE 12170: Application of Texaco Exploration & Production, Inc. for surface commingling, Lea County, New Mexico. Applicant seeks an exception to Division Rules 303-A and 309-A to permit surface commingling of Eumont-Yates Seven Rivers Queen Prorated Gas, Monument-Tubb, Skaggs-Drinkard and Skaggs-Abo Gas Pool production from the E.H.B. Phillips Lease covering the NW/4 NW/4 of Section 10, the E>H>B> Phillips "B" Lease covering the W/2 NE/4, E/2 NW/4 of Section 10 and the E.H.B. Phillips "C" Lease covering the E/2 NE/4 of Section 10, all in Township 20 South, Range 37 East. These leases are approximately 2 miles southeast of Monument, New Mexico.

CASE 11089: Continued from March 18, 1999, Examiner Hearing - Reopened.

In the matter of Case No. 11089 being reopened pursuant to the provisions of Division Order No. R-46-C, which order established temporary special pool rules for the Barker Dome-Akah/Upper Barker Creek Pool, San Juan County, New Mexico. Operators in this pool may appear and show cause why the temporary special rules and regulations for the pool should not be rescinded. This pool is located approximately 7 miles west of La Plata, New Mexico.

CASE 12171: Application of Gillespie Oil, Inc. for unit expansion, statutory unitization, and qualification of the expanded unit area for the recovered oil tax rate and certification of a positive production response pursuant to the "New Mexico Enhanced Oil Recovery Act," Lea County, New Mexico. Applicant seeks an order expanding the West Lovington Strawn Unit and unitizing all mineral interests in the designated and undesignated West Lovington-Strawn Pool underlying all or parts of: Sections 28, 32, 33, 34, and 35, Township 15 South, Range 35 East; Section 1, Township 16 South, Range 35 East; and Sections 5 and 6, Township 16 South, Range 36 East, comprising 2742.90 acres, more or less, of state, federal, and fee lands. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, NMPM 1978 Sections 70-7-1 *et. seq.*, will be: the necessity of unit operations; the determination of horizontal and vertical limits of the expanded unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the expanded unit area; the determination of credits and charges to be made among the various owners in the expanded unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate. Applicant further seeks to qualify the expanded unit area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" Sections 7-29A-1 through 7-29A-5, NMSA 1978, and to certify two wells within the expanded unit area for a positive production response. The unit is located approximately 4 miles northwest of Lovington, New Mexico.

CASE 12172: Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in Lots 1, 2, S/2 NE/4, SE/4 (E/2 equivalent), of Section 4, Township 25 North, Range 2 West. The units are to be dedicated to its Elk Com Well No. 4-7 to be drilled to a depth sufficient to test all formations to the base of the Mesaverde formation, Blanco-Mesaverde Gas Pool, at a standard location in the NE/4 of Section 4. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in drilling this well. This area is located approximately 9 miles north of Lindreth, New Mexico.

CASE 12173: Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations from the surface to the base of the Mesaverde formation in the E/2 for all formations developed on 320-acre spacing and in the SE/4 for all formations developed on 160-acre spacing of Section 22, Township 26 North, Range 2 West. The units are to be dedicated to its Seifert Gas Com "A" Well No. 1 to be drilled to a depth sufficient to test all formations to the base of the Mesaverde formation, Blanco-Mesaverde Gas Pool, at a standard location in the SE/4 of Section 22. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in drilling this well. This area is located approximately 12 miles north of Lindreth, New Mexico.

CASE 12133: Continued from April 15, 1999, Examiner Hearing.

Application of Saga Petroleum L.L.C. for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Crossroads Siluro-Devonian Unit for an area comprising 800 acres of fee lands in Sections 27 and 34 of Township 9 South, Range 36 East, which is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12163: Continued from April 15, 1999, Examiner Hearing.

Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 SE/4 (Unit O) of Section 3, Township 20 South, Range 33 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 that vertical extent, which presently include the Undesignated Teas Yates-Seven Rivers Pool and the Undesignated West Teas Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in this well. This unit is located approximately 1 mile north of U.S. Highway 62-180 at mile marker No. 77.

CASE 12164: Continued from April 15, 1999, Examiner Hearing.

Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SE/4 (Unit I) of Section 3, Township 20 South, Range 33 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 that vertical extent, which presently include the Undesignated Teas Yates-Seven Rivers Pool and the Undesignated West Teas Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in this well. This unit is located approximately 1.25 miles north of U.S. Highway 62-180 at mile marker No. 77.

CASE 12165: Continued from April 15, 1999, Examiner Hearing.

Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NW/4 SE/4 (Unit J) of Section 3, Township 20 South, Range 33 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 that vertical extent, which presently include the Undesignated Teas Yates-Seven Rivers Pool and the Undesignated West Teas Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in this well. This unit is located approximately 1.25 miles north of U.S. Highway 62-180 at mile marker No. 77.

CASE 12174: **Application of Energen Resources Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Strawn and Wolfcamp formations underlying the following described acreage in Section 35, Township 15 South, Range 35 East, in the following manner: (a) the W/2 SW/4 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools developed on 80 acre spacing within that vertical extent, including the Undesignated West Lovington-Strawn Pool; and (b) the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Townsend-Permo Upper Pennsylvanian Pool. Both units are to be dedicated to a single well to be drilled at a standard oil well location. Also to be considered will be the cost of drilling and completing this 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 a charge for risk involved in drilling and completing the well. The SW/4 SW/4 of Section 35 is located approximately four miles northwest of Lovington, New Mexico.

CASE 12175: In the matter of the hearing called by the Oil Conservation Division for an order creating and extending certain pools in Eddy County, New Mexico.

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Yates production and designated as the Russell-Lower Yates Gas Pool. The discovery well is the EGL Resources Inc. Oxy Yates Federal "14" Well No. 1 completed in Unit N of Section 14, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 14: SW/4

- (b) EXTEND the Indian Loafer Draw-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 20 ½ SOUTH, RANGE 22 EAST, NMPM

Section 31: All

- (c) EXTEND the Little Box Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM

Section 36: N/2

- (d) EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 14: S/2

- (e) EXTEND the Malaga-Delaware Pool in Eddy County, New Mexico, to include:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

Section 23: E/2

- (f) EXTEND the Northeast Sheep Draw-Strawn Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 29: N/2

- (g) EXTEND the Travis-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 34: NE/4

- (h) EXTEND the Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Section 1: N/2

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

CASE 12176: In the matter of the hearing called by the Oil Conservation Division for an order creating and extending certain pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) CREATE a new pool in Rio Arriba County, New Mexico, classified as a gas pool for Nacimiento production and designated as the Cabresto Canyon-Nacimiento Pool. The discovery well is the Mallon Oil Company Jicarilla 464 30 Well No. 10 located in Unit F of Section 30, Township 30 North, Range 3 West, NMPM. Said pool would comprise:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 30: NW/4

- (b) CREATE a new pool in Rio Arriba County, New Mexico, classified as a gas pool for San Jose production and designated as the Cabresto Canyon-San Jose Pool. The discovery well is the Mallon Oil Company Jicarilla 457 20 Well No. 7 located in Unit G of Section 20, Township 30 North, Range 3 West, NMPM. Said pool would comprise:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 20: NE/4

- (c) EXTEND the Bisti-Chacra Pool in San Juan County, New Mexico, to include:

TOWNSHIP 22 NORTH, RANGE 9 WEST, NMPM

Section 2: NE/4

- (d) EXTEND the East Blanco-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 6: All

- (e) EXTEND the Fulcher Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include:

TOWNSHIP 30 NORTH, RANGE 13 WEST, NMPM

Section 25: All

Section 26: S/2

Section 35: N/2

Section 36: N/2

- (f) EXTEND the West Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, to include:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 15: NW/4

- (g) EXTEND the La Jara-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include:

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM

Section 2: S/2

Section 10: NE/4

Section 11: N/2

Section 12: NW/4

- (h) EXTEND the Otero-Chacra Pool in Rio Arriba and San Juan Counties, New Mexico, to include:

TOWNSHIP 26 NORTH, RANGE 7 WEST, NMPM

Section 23: SW/4

Section 26: NE/4

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM

Section 5: N/2

Section 6: N/2

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