

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 29, 2000

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 19-00 and 20-00 are tentatively set for July 13 and July 27, 2000. 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 12439: **Application of Arch Petroleum Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from 7100 feet subsurface to the base of the Ellenburger formation underlying the SW/4 SE/4 of Section 27, Township 23 South, Range 37 East, 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 that vertical extent, including but not limited to the Teague (Simpson) Pool. The unit is to be dedicated to applicant's E.C. Hill "A" Well No. 7, to be drilled at a location 540 feet from the South line and 1850 feet from the East line of Section 27. 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 operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 11½ miles south of Eunice, New Mexico.

CASE 12407: **Continued from June 15, 2000, Examiner Hearing.**

Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 18, Township 23 South, Range 34 East, and in the following manner: the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Antelope Ridge-Atoka Gas Pool and Undesignated North Bell Lake-Morrow Gas Pool; the NE/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 that vertical extent; and the SE/4 NE/4 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 that vertical extent, including but not limited to the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool. The units are to be dedicated to its Paloma Blanco "18" Fed. Com. Well No. 1, to be drilled at a location 1980 feet from the North line and 660 feet from the East line of Section 18. 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 and completing the well. The units are located approximately 20 miles southwest of Oil Center, New Mexico.

CASE 12440: **Application of Shahara Oil LLC for approval of a tertiary recovery project for the Grayburg Jackson Premier Sand Unit, unorthodox oil well and injection well locations within that unit, and qualification of that project for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act, Eddy County, New Mexico.** Applicant seeks approval of a tertiary recovery project using micro-emulsion flooding for enhanced recovery of oil in the Grayburg-Jackson Pool within the Grayburg-Jackson Premier Sand Unit covering the following described lands in Eddy County, New Mexico:

Township 17 South, Range 30 East, N.M.P.M.

Section 27: W/2, W/2 SE/4, SE/4 SE/4

Section 28: E/2 NE/4, SE/4

Section 33: N/2 NE/4

Section 34: N/2 N/2

Section 35: NW/4 NW/4

Applicant also seeks approval of one new producing oil well (MA No. 7) to be located 1330 feet from the North line and 1310 feet from the East line (Unit H), Section 28, and conversion of an existing well bore (MA No. 2) to an injection well 2615 feet from the North line and 1297 feet from the East line (Unit H), Section 28, and qualification of that project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act". The unit is located approximately 1 mile southeast of Loco Hills, New Mexico.

CASE 12441: **Application of LG&E Natural Pipeline LLC for special rules for the Grama Ridge Morrow Gas Storage Unit, Lea County, New Mexico.** Applicant seeks an order establishing special rules applicable to wells drilled and completed or recompleted in the Morrow formation within its Grama Ridge Morrow Gas Storage Unit and within each 320-acre spacing unit immediately adjacent to the Unit in the following described area:

Grama Ridge Morrow Gas Storage Agreement

Township 21 South, Range 34 East

Section 33: All

Section 34: All

Township 22 South, Range 34 East

Section 3: All

Section 4: All

Section 10: All

Acreage Adjacent to Unit

Township 21 South, Range 34 East

Section 26: NW/4, S/2

Section 27: All

Section 28: All

Section 29: E/2, SW/4

Section 32: All

Section 35: All

Township 22 South, Range 34 East

Section 2: All

Section 5: All

Section 8: N/2, SE/4

Section 9: All

Section 11: All

Section 14: N/2, SW/4

Section 15: All

Section 16: N/2, SE/4

The application requests the Division establish rules requiring operators of all newly drilled or recompleted wells in the Morrow formation to provide the operator of the Unit with information and data obtained during drilling, completion, and production to determine whether such wells are in communication with the unitized formation or would otherwise interfere with Unit operations. The special project rules would also include provisions requiring the operators of wells determined to be in communication with the Unitized Interval to demonstrate how such well may be produced without interfering with Unit operations or to take such other action determined to be appropriate. The Grama Ridge Morrow Gas Storage Unit is approximately 18 miles west of Eunice, New Mexico.

CASE 12442:

Application of Santa Fe Snyder Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests underlying Lot 9 through Lot 16 (middle third equivalent) of Irregular Section 1, Township 21 South, Range 34 East to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent. The unit is to be dedicated to its State "R" Well No. 2 to be drilled and completed at a standard well location 3300 feet from the South line and 990 feet from the West line of this section. Also to be considered will be the costs 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 the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 17 miles west of Eunice, New Mexico.

CASE 12419:

Continued from June 1, 2000, Examiner Hearing.

Application of Marathon Oil Company for amendment of surface commingling Division Order R-11112-A, Eddy County, New Mexico. Applicant seeks to amend Division Order R-11112-A to permit surface commingling of North Turkey Track-Morrow Gas and Travis-Upper Pennsylvanian Gas Pool production from the Jose Guerrero '34' State lease, S/2 of Section 34, Township 18 South, Range 28 East. The production will be metered on lease prior to being commingled at the Buchanan Central Tank Battery located in the NE/4 SE/4 of Section 33, Township 18 South, Range 28 East. Said lease is approximately 18 miles northeast of Carlsbad, New Mexico.

CASE 12368:

Continued from May 18, 2000, Examiner Hearing.

Application of Harvey E. Yates Company for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 9000 feet subsurface to the base of the Morrow formation underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 5, Township 18 South, Range 31 East, to form a standard 319.96-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Shugart-Morrow Gas Pool. The unit is to be dedicated to a well to be drilled at a standard gas well location in the SW/4 of Section 5. 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 operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately six miles southeast of Loco Hills, New Mexico.

CASE 12369:

Application of Yates Petroleum Corporation for approval of a Unit Agreement, Chaves County, New Mexico. Applicant seeks approval of the Tres Canal State Exploratory Unit for an area comprising 3200 acres of State and fee lands in Sections 23, 25, 26, 27, 34, and 35 of Township 8 South, Range 33 East, which is located approximately 12 miles northwest of Crossroads, New Mexico.

CASE 12444:

Application of Marbob Energy Corporation for amendment of the Special Rules and Regulations for the Lusk-Morrow Gas Pool, Eddy and Lea Counties, New Mexico. Applicant seeks amendment of the Special Rules and Regulations for the Lusk-Morrow Gas Pool to provide for up to four infill wells on each 640-acre spacing unit and well location requirements which provide for wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. The Lusk-Morrow Gas Pool is located in Sections 1, 24 and 25 of Township 19 South, Range 31 East, Eddy County, New Mexico and Sections 9, 10, 15, 16 18, 19, 20, 21, 27, 28, 29, 30, and 32 of Township 19 South, Range 32 East, Lea County, New Mexico. Said pool is located approximately 14 miles south-southeast of Maljamar, New Mexico.

CASE 12417:

Continued from June 15, 2000, Examiner Hearing.

Application of Saga Petroleum, L.L.C. for statutory unitization, Lea County, New Mexico. Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interests in the Devonian formation, Crossroads Siluro-Devonian Pool, underlying 800 acres, more or less, of fee lands in the following acreage:

Township 9 South, Range 36 East, N.M.P.M.

Section 27: N/2, SE/4

Section 34: E/2

The unit is to be designated the Crossroads Siluro-Devonian Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation 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 investment, 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 limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any non-consenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. The unit area is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12418:

Continued from June 15, 2000, Examiner Hearing.

Application of Saga Petroleum, L.L.C. for approval of a waterflood project for its Crossroads Siluro-Devonian Unit Area and qualification of said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval of its Crossroads Siluro-Devonian Unit Waterflood Project for injection of water into the Devonian formation, Crossroads Siluro-Devonian Pool, through four injection wells located in the following described area:

Township 9 South, Range 36 East, N.M.P.M.

Section 27: N/2, SE/4

Section 34: E/2

The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within the project area without the necessity of further hearings and the adoption of such other provisions as are necessary for said waterflood operations. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The unit is located approximately 6 miles east of Crossroads, New Mexico.

CASE 12377:

Continued from May 18, 2000, Examiner Hearing.

Application of Concho Resources, Inc. 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 following described acreage in Section 10, Township 17 South, Range 27 East, and in the following manner: (a) the S/2 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 this vertical extent which presently includes the Undesignated Logan Draw-Atoka Gas Pool, Undesignated Logan Draw-Morrow Gas Pool, and Undesignated Crow Flats-Morrow Gas Pool; and (b) the SE/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 this vertical extent which presently includes the Undesignated Empire-Grayburg Gas Pool. Both units are to be dedicated to a single well, its proposed Woody "10" Federal Com. Well No. 1, to be drilled within the SE/4 SE/4 (Unit P) of Section 10 at a location considered to be standard for these two units. 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 this well and the two above-described units, and a charge for risk involved in drilling the well. The proposed well location is approximately 1.5 miles northeast of Riverside, New Mexico.

CASE 12405: Continued from May 18, 2000, Examiner Hearing.

Application of Lynx Petroleum Consultants, Inc. 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 following described acreage in Section 13, Township 19 South, Range 31 East, in the following manner: (i) the N/2 to form a standard 320-acre gas spacing and proration unit for all formations and/or pool developed on 320-acre spacing within that vertical extent, including the Undesignated Lusk-Atoka Gas Pool; and (ii) the NE/4 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent, including the Undesignated Lusk-Strawn Pool. The units are to be dedicated to applicant's Trapper 13 Federal Well No. 1, located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 13. 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 operator of the well, and a charge for the risk involved in drilling and completing the well. The units are located approximately 14 miles southeast of Loco Hills, New Mexico.

CASE 12411: Continued from June 15, 2000, Examiner Hearing.

Application of EnerQuest Oil & Gas, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the SW/4 of Section 18, Township 20 South, Range 39 East, including but not limited to the Blinebry formation, Blinebry Oil and Gas Pool. The unit is to be dedicated to its McCasland "18" Fee Well No. 1 located at a standard location in the SW/4 of Section 18 which has been drilled and completed in the Blinebry formation. 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 EnerQuest Resources, L.L.C. as operator of the well and a charge for risk involved in drilling the well. The area is located approximately 4 miles southeast of Nadine, New Mexico.

CASE 12445: 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 an oil pool for Bone Spring production and designated as the Northwest Hackberry-Bone Spring Pool. The discovery well is the Santa Fe Snyder Corporation Hackberry "19" Federal Well No. 1 located in Unit F of Section 19, Township 19 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 19: NW/4

- (b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Happy Valley-Wolfcamp Pool. The discovery well is the Penroc Oil Corporation PFI Amoco "19" Federal Well No. 1 located in Unit K of Section 19, Township 22 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 19: SW/4

Section 29: NW/4

Section 30: N/2

- (c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Southeast Henshaw-Wolfcamp Pool. The discovery well is the Texaco Exploration and Production Inc. Skelly Unit Well No. 902 located in Unit E of Section 15, Township 17 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 15: NW/4

- (d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Loco Hills-Strawn Gas Pool. The discovery well is the EOR Resources, Inc. Oak Lake "14" Federal Well No. 1 located in Unit B of Section 14, Township 17 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 14: E/2

- (e) EXTEND the Fren-Morrow Gas Pool in Eddy County, New Mexico, to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 2: All

- (f) EXTEND the Grayburg-Atoka Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM**
Section 33: E/2
- (g) EXTEND the North Illinois Camp-Morrow Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM**
Section 36: N/2
- (h) EXTEND the Mosley Canyon-Strawn Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM**
Section 14: S/2 and NE/4
- (i) EXTEND the South Paduca-Wolfcamp Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM**
Section 11: N/2
- (j) EXTEND the Red Lake-Glorieta-Yeso Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM**
Section 7: N/2
- (k) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM**
Section 8: W/2
- (l) EXTEND the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM**
Section 19: N/2
- (m) EXTEND the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM**
Section 28: N/2
- (n) EXTEND the North Winchester-Wolfcamp Pool in Eddy County, New Mexico, to include:
- TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM**
Section 23: SW/4
Section 26: NW/4

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