

DOCKET: EXAMINER HEARING - THURSDAY –FEBRUARY 2, 2017

8:15 A.M.

1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Docket Nos. 6-17 and 7-17 are tentatively set for February 16, 2017 and March 2, 2017. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule Subsection B of 19.15.4.13 NMAC requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer. The following cases will be heard by an Examiner.

Locator Key for Cases*Case 15586 - No. 8**Case 15594 - No. 7**Case 15616 - No. 3**Case 15619 - No. 4**Case 15620- No. 5**Case 15622 - No. 6**Case 15623 - No. 1**Case 15624 - No. 2*

1. Case No. 15623: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against G. P. Sims, the Estate of, for a Well Operated in Lea County, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator G. P. Sims, the Estate of, (“Operator”) is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the well abandoned, and authorizing the OCD to plug the violating well in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

2. Case No. 15624: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against David H. Arrington, for Wells Operated in Lea, Eddy, Chaves, and San Juan County, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator David Arrington Oil & Gas, Inc. (“Operator”) is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the wells abandoned, and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

3. Case No. 15616: (Continued from the January 19, 2017 Examiner Hearing.) *Application of OXY USA Inc. for Approval of a Pressure Maintenance Project, Eddy County, New Mexico.* Applicant in the above-styled cause seeks an order approving a pressure maintenance pilot project for injection of produced gas and produced water through two horizontal wells into the Second Bone Spring in a project area comprised of Section 16, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. Produced water and produced gas will be injected into the Second Bone Spring formation (Pierce Crossing, Bone Spring, East Pool (96473) and Corral Draw Bone Spring Pool (96238)) through the Cedar Canyon 16 State No. 7H and the Cedar Canyon 16 State No. 12H in a proposed project area comprised of Section 16, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. The surface hole location for the Cedar Canyon 16 State No. 7H (API No. 30-015-41251) is 2,485 feet from the North line, 330 feet from the West (Unit E) of Section 15 and the bottom hole location is 1,980 feet from the North line, 330 feet from the West line (Unit E) of Section 16. The Cedar Canyon 16 State No. 7H is currently

producing from the Pierce Crossing, Bone Spring, East Pool (96473). True vertical depth at the first perforation point is 8,690 feet, and corresponding measured depth is 9,200 feet. True vertical depth at the last perforation point is 8,644 feet, and the corresponding measured depth is 13,860 feet. The proposed injection interval is along the horizontal portion of the wellbore at a measured depth of 9,200 feet to 13,680 feet. The surface hole location for the Cedar Canyon 16 State No. 12H (API No. 30-015-42683) is 900 feet from the South line, 860 feet from the West (Unit M) of Section 15 and the bottom hole location is 910 feet from the South line, 180 feet from the West line (Unit M) of Section 16. The Cedar Canyon 16 State No. 12H produces from the Corral Draw Bone Spring Pool (96238). True vertical depth at the first perforation point is 8,691 feet, and the corresponding measured depth is 9,704 feet. True vertical depth at last perforation is 8,635 feet and the corresponding measured depth is 14,214 feet. The proposed injection interval is along the horizontal portion of the wellbore at a measured depth of 9,704 feet to 14,214 feet. Produced water used for injection into the Subject Wells will be from the Bone Spring and Delaware formations. Injected gas is sourced from the Cedar Canyon Central Delivery Point integration system, which will include gas produced from the Delaware, First Bone Spring, and Second Bone Spring formations. The proposed project is located approximately 5 miles east of Malaga, New Mexico.

4. Case No. 15619: (Continued from the January 19, 2017 Examiner Hearing.)

Application of Cimarex Energy Co. for a non-standard spacing and proration unit, project area and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 360-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of the N/2 N/2 of Sections 26 and 27 and the NE/4 NE/4 of Section 28, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard project area and spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Hackberry 26 Federal Com 1H** well, to be horizontally drilled. The producing area for this well will be 330 feet from the project area boundary. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 31 miles southeast of Carlsbad, New Mexico.

5. Case No. 15620: (Continued from the January 19, 2017 Examiner Hearing.)

Application of Cimarex Energy Co. for a non-standard spacing and proration unit, project area and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 360-acre, more or less, oil spacing and proration unit and non-standard project area in the Bone Spring formation, comprised of the S/2 N/2 of Sections 26 and 27 and the SE/4 NE/4 of Section 28, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard project area and spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Hackberry 26 Federal Com 2H** well, to be horizontally drilled. The producing area for this well will be 330 feet from the project area boundary. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 31 miles southeast of Carlsbad, New Mexico.

6. Case No. 15622: (Continued from the January 19, 2017 Examiner Hearing.)

Application of Robert L. Bayless, Producer LLC For Approval of the East Horseshoe Gallup Unit, Creation of a New Pool For Horizontal Development Within the Unit Area With No Allowables, and For Allowance of 330 Foot Setbacks From The Exterior of the Proposed Unit, San Juan County, New Mexico and Application For Authorization To Inject. Applicant seeks approval for its East Horseshoe Gallup Unit consisting of 4,762.57 acres, more or less, of federal and fee lands situated in all or parts of Sections 3-5, 7-9, and 17-19 of Township 30 North, Range 15 West, N.M.P.M., San Juan County, New Mexico. The Unitized Interval includes all formations from the base of the Point Lookout Sandstone to the base of the Greenhorn Limestone Member of the Mancos Shale. In addition, Applicant seeks an order creating a new pool which would extend from the bottom of the Point Lookout formation to the top of the Greenhorn Formation within the proposed Unit Area that will allow for horizontal oil development with 330 foot setbacks from the exterior of the proposed Unit with no allowables. Alternatively, Applicant seeks expansion of the existing “frozen” Horseshoe Gallup Gas Pool to cover the proposed unit. Bayless also seeks authorization to inject produced gas into the Gallup formation in the Horseshoe Gallup Pool. The San Juan Generating Station, a coal-burning power plant, is in the vicinity of the proposed location. Bayless seeks this authorization in order to ensure air quality is not impacted in the area which could otherwise be affected from venting and flaring excess associated gas.

7. Case No. 15594: (Continued from the January 19, 2017 Examiner Hearing.)

Amended application of BC Operating, Inc., Crown Oil Partners V, Crump Energy Partners, and Nadel and Gussman Permian, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (1) creating a 160-acre, more or less, non-standard spacing and proration unit comprised of the SE/4 of Section 25, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interest owners in the Wolfcamp formation (WC; Salt Draw; Wolfcamp (G) Pool (Pool Code 97721)) underlying the E/2 of Section 36 and the proposed non-standard spacing and proration unit comprised of the SE/4 of Section 25 to form a non-standard 480-acre spacing and proration unit for the proposed horizontal well. Said non-standard unit is to be dedicated to applicants’ proposed **Southern Comfort 25-36 State Com. X Well No. 2H**, which will be drilled horizontally from the NE/4 SE/4 (Unit I) of Section 25 to a non-standard

bottomhole location in the SE/4 SE/4 (Unit P) of Section 36. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BC Operating, Inc., as operator of the well, and a 200% charge for risk involved in drilling said well. The area is located approximately 10 miles southwest of Carlsbad, New Mexico.

8. **Case No. 15586:** *(Continued from the January 19, 2017 Examiner Hearing.)*

Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order (i) creating a 160-acre, non-standard oil spacing and proration unit (project area) comprised of the E/2W/2 of Section 32, Township 21 South, Range 32 East, NMPM, in Lea County, and (ii) pooling all mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's **Grenache "32" State Com. #1H** well, which will be horizontally drilled from a surface location in Unit N of Section 32, Township 21 South, Range 32 East to a bottom hole location in Unit C of Section 32, Township 21 South, Range 32 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of applicant as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately twenty-five (25) miles southwest of Loving, New Mexico.