

DOCKET: EXAMINER HEARING - THURSDAY – JUNE 11, 2009

8:15 A.M. - 1220 South St. Francis
 Santa Fe, New Mexico

Docket Nos. 22-09 and 23-09 are tentatively set for June 25, 2009 and July 9, 2009. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule 1211.B 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 or dismissed by order of the examiner. If a protesting party fails to submit a timely pre-hearing statement, the hearing may be continued at the applicant’s request. The following cases will be heard by an Examiner.

<p><i>Locator Key for Cases</i> <i>Case 14173 – No. 7</i> <i>Case 14271 – No. 10</i> <i>Case 14311 – No. 8</i> <i>Case 14319 – No. 6</i> <i>Case 14322 – No. 9</i> <i>Case 14325 – No. 11</i> <i>Case 14326 – No. 1</i> <i>Case 14327 – No. 2</i> <i>Case 14328 – No. 3</i> <i>Case 14329 – No. 4</i> <i>Case 14330 – No. 5</i></p>

1. CASE 14326: Application of the New Mexico Oil Conservation Division for a Compliance Order against Nacogdoches Oil and Gas, Inc. (“NOG”). The Applicant seeks an Order finding that Operator NOG is in violation of OCD Rule 19.15.8.9 as to 39 wells and Rule 19.15.25.8 as to 121 wells, requiring Xeric to bring all such wells into full compliance with OCD Rules by a date certain. The Division further seeks authority to forfeit any associated financial assurances, and to plug and abandon the subject wells should the Operator fail to meet the deadline established by the Order. The subject wells are all located in McKinley County on eight (8) units. The Hospah Sand Unit is located approximately 20 mi. NE of Crownpoint, NM, 4 mi. S of junction of highways 197 and 509 on the E side of highway 509; the Santa Fe RR Unit is located approximately 23 mi. E of Crownpoint, NM, 6 mi. SE of junction of 197/509; the Lone Pine Dakota D Unit is located approximately 24 mi. E of Crownpoint, NM, 7 mi. S of junction 197/509; the Santa Fe Railroad A Unit is located directly adjacent to the Hospah Sand Unit to the southeast and is approximately 24 mi. E of Crownpoint, NM, 7 mi. SSE of junction 197/509, the Santa Fe Railroad B Unit is comprised of a small cluster of wells located approximately 26 mi. E of Crownpoint, NM, 8 mi. SE junction 197/509; the Santa Fe Pacific RR Unit is located approximately 21 mi. E of Crownpoint, 9 mi. S junction 197/509; the South Hospah Unit is located approximately 21 mi E of Crownpoint, NM, 7 mi SE of junction 197/509; and the Santa Fe Unit is directly adjacent to the SE of the Santa Fe Railroad Unit and is approximately 24 mi. E of Crownpoint, NM, 7 mi ESE of junction 197/509. The specific wells involved in this matter include the following:

30-031-05205	hospah sand unit #003	N-36-18N-09W 1650-W 330-S
30-031-05207	hospah sand unit #015	N-36-18N-09W 2590-W 330-S
30-031-05213	hospah sand unit #017	N-36-18N-09W 999-E 999-S
30-031-05203	hospah sand unit #019	O-36-18N-09W 2060-E 330-S
30-031-05212	hospah sand unit #025	O-36-18N-09W 999-E 999-S
30-031-05214	hospah sand unit #027	P-36-18N-09W 999-E 999-S
30-031-05216	hospah sand unit #028	J-36-18N-09W 550-W 550-S
30-031-05225	hospah sand unit #029	G-36-18N-09W 550-W 550-S

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30-031-05224	hospah sand unit #032	I-36-18N-09W 999-E 999-S
30-031-05222	hospah sand unit #035	K-36-18N-09W 999-E 999-S
30-031-05219	hospah sand unit #037	I-36-18N-09W 990-E 990-S
30-031-05179	hospah sand unit #038	F-1 -17N-09W 1970-W 2030-N
30-031-05171	hospah sand unit #039	K-1 -17N-09W 1980-W 1980-S
30-031-05201	hospah sand unit #050	P-36-18N-09W 660-E 330-S
30-031-05194	hospah sand unit #051	3-1 -17N-09W 1980-E 660-N
30-031-05182	hospah sand unit #052	G-1 -17N-09W 2970-W 2310-N
30-031-20115	hospah sand unit #058	O-36-18N-09W 2350-E 30-S
30-031-20116	hospah sand unit #059	J-36-18N-09W 2625-E 1430-S
30-031-20248	hospah sand unit #084	F-1 -17N-09W 2600-W 1425-N
30-031-20613	hospah sand unit #092	O-36-18N-09W 1850-E 700-S
30-031-20611	hospah sand unit #093	4-1 -17N-09W 2010-W 770-N
30-031-20608	hospah sand unit #095	3-1 -17N-09W 2550-E 350-N
30-031-20831	hospah sand unit #100	H-36-18N-09W 1190-E 2505-N
30-031-20944	hospah sand unit #105	N-36-18N-09W 1750-W 70-S
30-031-20183	Lone pine dakota d unit#012	B-13-17N-09W 3500-W 800-N
30-031-20174	lone pine dakota d unit#014	3-13-17N-09W 4620-W 1980-N
30-031-20201	lone pine dakota d unit#023	K-13-17N-09W 2310-W 1650-S
30-031-20086	santa fe #016	C-7 -17N-08W 2310-W 330-N
30-031-20102	santa fe #017	F-7 -17N-08W 1950-W, 1950-N
30-031-20341	santa fe #029	B-7 -17N-08W 1680-E 990-N
30-031-20165	santa fe pacific RR #002	L-13-17N-09W 660-W 1980-S
30-031-20181	santa fe pacific RR #008	D-24-17N-09W 640-W 740-N
30-031-20182	santa fe pacific RR #009	F-13-17N-09W 2180-W 2180-N
30-031-05147	santa fe railroad #003	1-7 -17N-08W 660-W 660-N
30-031-05151	santa fe railroad #004	C-7 -17N-08W 1650-W 330-N
30-031-05141	santa fe railroad #007	2-7 -17N-08W 330-W 1650-N
30-031-05496	santa fe railroad #008	3-7 -17N-08W 330-W 2400-S
30-031-05531	santa fe railroad #009	F-7 -17N-08W 1650-W 1650-N
30-031-20032	santa fe railroad #012	1-7 -17N-08W 330-W 330-N
30-031-20038	santa fe railroad #013	1-7 -17N-08W 330-W 930-N
30-031-20037	santa fe railroad #014	1-7 -17N-08W 990-W 330-N
30-031-20036	santa fe railroad #015	2-7 -17N-08W 990-W 1650-N
30-031-20138	santa fe railroad #018	1-7 -17N-08W 710-W 600-N
30-031-20139	santa fe railroad #019	2-7 -17N-08W 680-W 2090-N
30-031-20140	santa fe railroad #020	F-7 -17N-08W 2010-W 1800-N
30-031-20141	santa fe railroad #021	C-7 -17N-08W 1870-W 660-N
30-031-20150	santa fe railroad #023	C-7 -17N-08W 1330-W 5-N
30-031-20452	santa fe railroad #039	1-7 -17N-08W 330-W 700-N
30-031-20451	santa fe railroad #040	2-7 -17N-08W 420-W 1440-N
30-031-20594	santa fe railroad #041	1-7 -17N-08W 1000-W 1000-N
30-031-20745	santa fe railroad #042	F-7 -17N-08W 1650-W 2310-N
30-031-20712	santa fe railroad #043	C-7 -17N-08W 1725-W 1025-N
30-031-20713	santa fe railroad #044	C-7 -17N-08W 2300-W 1095-N
30-031-20804	santa fe railroad #045	F-7 -17N-08W 1330-W 1950-N
30-031-20836	santa fe railroad #047	1-7 -17N-08W 550-W 1200-N

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30-031-20837	santa fe railroad #048	2-7 -17N-08W 410-W 2410-N
30-031-20838	santa fe railroad #049	2-7 -17N-08W 1100-W 2520-N
30-031-20854	santa fe railroad #050	2-7 -17N-08W 100-W 1980-N
30-031-20853	santa fe railroad #051	C-7 -17N-08W 1480-W 550-N
30-031-20021	santa fe railroad a #074	9-1 -17N-09W 330-E 1650-S
30-031-20147	santa fe railroad a #083	8-1 -17N-09W 15-E 1335-S
30-031-20372	santa fe railroad a #084	O-1 -17N-09W 2900-E 5-S
30-031-20413	santa fe railroad a #087	P-1 -17N-09W 50-E 5-S
30-031-20855	santa fe railroad a #097	O-1 -17N-09W 1655-E 240-S
30-031-20303	santa fe rr b #032	M-5 -17N-08W 330-W 990-S
30-031-20369	santa fe rr b #033	L-5 -17N-08W 330-W 2310-S
30-031-20390	santa fe rr b #034	M-5 -17N-08W 330-W 330-S
30-031-20391	santa fe rr b #035	E-5 -17N-08W 330-W 2310-S
30-031-20416	santa fe rr b #036	L-5 -17N-08W 330-W 1650-S
30-031-20415	santa fe rr b #037	M-5 -17N-08W 330-W 890-S
30-031-05142	south hospah unit #001	G-12-17N-09W 2062-E 1980-N
30-031-05139	south hospah unit #002	F-12-17N-09W 2310-W 2310-N
30-031-05140	south hospah unit #003	3-12-17N-09W 1392-E 1650-N
30-031-05145	south hospah unit #004	C-12-17N-09W 2310-W 990-N
30-031-05146	south hospah unit #005	B-12-17N-09W 2712-E 990-N
30-031-20009	south hospah unit #006	1-12-17N-09W 330-E 330-N
30-031-20012	south hospah unit #007	4-12-17N-09W 330-E 1650-N
30-031-20015	south hospah unit #008	G-12-17N-09W 2051-E 1650-N
30-031-20013	south hospah unit #009	B-12-17N-09W 2051-E 330-N
30-031-60017	south hospah unit #010	C-12-17N-09W 2300-W 990-N
30-031-20016	south hospah unit #011	F-12-17N-09W 2310-W 1650-N
30-031-20020	south hospah unit #012	E-12-17N-09W 990-W 2160-N
30-031-20054	south hospah unit #013	F-12-17N-09W 1620-W 2280-N
30-031-20053	south hospah unit #014	E-12-17N-09W 1300-W 1700-N
30-031-20055	south hospah unit #015	E-12-17N-09W 330-W 2500-N
30-031-20056	south hospah unit #016	F-12-17N-09W 2330-W 1755-N
30-031-20057	south hospah unit #017	G-12-17N-09W 3000-W 2250-N
30-031-05134	south hospah unit #021	K-12-17N-09W 2310-W 2310-S
30-031-05498	south hospah unit #022	L-12-17N-09W 990-W 2210-S
30-031-20091	south hospah unit #024	B-12-17N-09W 2650-E 330-N
30-031-20092	south hospah unit #025	2-12-17N-09W 1505-E 330-N
30-031-20093	south hospah unit #026	1-12-17N-09W 380-E 330-N
30-031-20094	south hospah unit #027	4-12-17N-09W 330-E 1570-N
30-031-20095	south hospah unit #028	2-12-17N-09W 1485-E 933-N
30-031-20120	south hospah unit #029	B-12-17N-09W 1870-E 410-N
30-031-20121	south hospah unit #030	B-12-17N-09W 1980-E 950-N
30-031-20122	south hospah unit #031	B-12-17N-09W 2800-E 330-N
30-031-20125	south hospah unit #032	C-12-17N-09W 2370-W 550-N
30-031-20124	south hospah unit #033	F-12-17N-09W 1710-W 1340-N
30-031-20119	south hospah unit #035	2-12-17N-09W 850-E 330-N
30-031-20118	south hospah unit #036	B-12-17N-09W 2630-E 900-N
30-031-20135	south hospah unit #037x	D-12-17N-09W 1280-W 1280-N

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30-031-20151	south hospah unit #038	2-12-17N-09W 660-E 660-N
30-031-20152	south hospah unit #039	3-12-17N-09W 660-E 2180-N
30-031-20360	south hospah unit #046	E-12-17N-09W 700-W 1700-N
30-031-20361	south hospah unit #047	3-12-17N-09W 1775-W 785-N
30-031-20362	south hospah unit #048	G-12-17N-09W 2817-E 1485-N
30-031-20363	south hospah unit #049	B-12-17N-09W 2117-E 885-N
30-031-20364	south hospah unit #050	2-12-17N-09W 900-E 950-N
30-031-20242	south hospah unit #051	E-12-17N-09W 620-W 1775-N
30-031-20243	south hospah unit #052	C-12-17N-09W 1850-W 720-N
30-031-20278	south hospah unit #053	1-12-17N-09W 330-E 950-N
30-031-20407	south hospah unit #054	1-12-17N-09W 5-E 1319-N
30-031-20408	south hospah unit #057	E-12-17N-09W 110-W 2290-N
30-031-20409	south hospah unit #058	F-12-17N-09W 1640-W 2580-N
30-031-20410	south hospah unit #059	G-12-17N-09W 2500-E 2340-N
30-031-20411	south hospah unit #060	8-12-17N-09W 1300-E 2210-N
30-031-20546	south hospah unit #061	B-12-17N-09W 2510-E 1120-N
30-031-20545	south hospah unit #062	B-12-17N-09W 1770-E 650-N
30-031-20544	south hospah unit #063	1-12-17N-09W 1325-E 710-N
30-031-20547	south hospah unit #064	3-12-17N-09W 900-E 1360-N

2. **CASE 14327: Application of Marbob Energy Corporation 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 in the following described spacing and proration units located in the N/2 of Section 2, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated West Lusk-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Undesignated Lusk-Strawn Pool; the N/2 NE/4 for all formations and/or pools developed on 80-acre spacing; and the NE/4 NE/4 for all formations and/pools developed on 40-acre spacing which includes but is not limited to the Undesignated Shugart-Yates-Seven Rivers-Queen-Grayburg Pool; Undesignated Northeast Hackberry-Delaware Pool; Undesignated Greenwood-Bone Spring Pool; Undesignated Greenwood-Wolfcamp Pool and the Undesignated Greenwood-Strawn Pool. Applicant proposes to dedicate the pooled units to its Corsair State Com Well No. 1 to be drilled at a standard gas well location 660 feet from the North and East lines of said Section 2. Also to be considered will be the cost of drilling and completing said well 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 12.1 miles Southeast of Loco Hills, New Mexico.
3. **CASE 14328: Application of Marbob Energy Corporation for approval of a Unit Agreement, Eddy County, New Mexico.** Applicant seeks approval of the SRO State Exploratory Unit for an area comprising 8320 acres of State of New Mexico lands located in portions of 32 through 34 of Township 25 South, Range 28 East and Sections 2 through 6, 7 through 10, 15 through 18 and 20, Township 26 South, Range 28 East, N.M.P.M. which is located approximately 10 miles South of Malaga, New Mexico.
4. **CASE 14329: Application of Anadarko Petroleum Corporation for approval of an acid gas injection well, San Juan County, New Mexico.** Applicant seeks approval to drill an acid gas injection well at its Kirtland New Mexico site. The well will be drilled 1650 feet from the North line and 2310 feet from the West line in Unit F of Section 1, Township 29 North, Range 15 West NMPM, to inject up to 2000 barrels of acid gas per day at a maximum pressure of 1985 psi, into the Entrada Formation, at an approximate depth of 6500 feet to 6700 feet. Anadarko may be contacted through its representative, Mr. Alberto Gutierrez, 500 Marquette Ave NW, Suite 1350, Albuquerque, New Mexico 87102 or (505) 842-8000. Said well is located on the Anadarko San Juan River Gas Plant near Kirtland in San Juan County, New Mexico.

5. **CASE 14330:** *Application by Gandy Corporation for Authorization to Inject.* The Applicant has applied for a permit, and seeks approval, to reenter the existing Albacore 25 Com #1 Well (API 30-025-37054, located 130 feet FSL and 1350 feet FWL of Section 25, T16S R35E, Lea County, New Mexico) for the purpose of injecting saltwater disposal fluids into the Abo and Permo-Penn formations, at intervals from 8,900 to 11,000 feet. A hearing on this application is set before the Oil Conservation Division Hearing Examiner, at 1220 South St. Francis Drive, Santa Fe, NM 87505, on the 11th day of June 2009, beginning at 8:15 a.m.
6. **CASE 14319:** *(Continued from the May 14, 2009 Examiner Hearing.)*
Application of Texland Petroleum, L.P. for a Non-Standard Gas Spacing Unit and Non-Standard Gas Well Location, Lea County, New Mexico. Applicant seeks approval of a non-standard 80-acre gas spacing unit in the Byers-Queen Gas Pool (73600) consisting of the S/2 SE/4 of Section 29, Township 18 South, Range 38 East, Lea County, New Mexico. Applicant proposes to dedicate this non-standard unit to its State 1-29 Well No. 5 (API No. 30-025-23173), which it requests approval to re-complete as a Queen gas well at a non-standard location 330 feet from the South line and 2218 feet from the West line (Unit O) of Section 29.
7. **CASE 14173:** *(Continued from the May 14, 2009 Examiner Hearing.)*
Application of Kaiser-Francis Oil Company for an exception to Division Rule 104.C(2), Lea County, New Mexico. Applicant seeks an exception to Division Rule 104.C(2) to drill and produce its Bell Lake Unit Well No. 33 as an infill well in an existing 318.38 acre gas spacing unit in the South Bell Lake-Morrow Gas Pool comprising Lots 6, 7, E $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$ (the S $\frac{1}{2}$ equivalent) of Section 6, Township 24 South, Range 34 East, N.M.P.M., at an orthodox gas well location in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit I) of Section 6. Applicant further seeks to simultaneously dedicate production from the South Bell Lake-Morrow Gas Pool in Section 6 to the Bell Lake Unit Well No. 33 and to Kaiser-Francis Oil Company's existing Bell Lake Unit Well No. 26, located 1650 feet from the south line and 660 feet from the east line (Unit I) of Section 6. The two wells shall not produce concurrently from the same Morrow sands. The well unit is located approximately 23 miles southwest of Oil Center, New Mexico.
8. **CASE 14311:** *(Continued from the June 2, 2009 Examiner Hearing.)*
Application of Nadel and Gussman Heyco L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Yates formation to the base of the Queen formation in four spacing and proration units located in the NW/4 of Section 28, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico to test any and all pools in these formations, which includes the Pearl-Queen Pool, as follows:
- A. NW/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 1 to be drilled at a standard location 330 feet from the North line and 660 feet from the West line of said Section to an approximate depth of 5050;
 - B. SW/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 2 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5050;
 - C. SE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 3 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5050;
 - D. NE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 4 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5050;

Also to be considered will be the cost of drilling and completing these wells as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling these wells. Said area is located approximately 20 miles West of Hobbs, New Mexico.

9. **CASE 14322:** (Continued from the June 2, 2009 Examiner Hearing.)
Application of Cimarex Energy Co. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Yates formation to the base of the Queen formation in three 40-acre spacing and proration units located in the NW/4 of Section 28, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico to test any and all pools in these formations:
- (a) SW/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 2 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;
- (b) SE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 3 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;
- (c) NE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 4 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;
- Also to be considered will be the cost of drilling and completing these wells as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling these wells. Said units are located approximately 20 miles West of Hobbs, New Mexico.
10. **CASE 14271:** (Continued from the June 2, 2009 Examiner Hearing.)
Application of Vanguard, LLC for a Non-Standard Gas Spacing and Proration Unit and an Unorthodox Gas Well Location, Lea County, New Mexico. Vanguard's application in this case has been previously heard. This case is being set for a further hearing to afford respondent, Techsys, Inc., an opportunity to show cause why its W.D. Grimes NCT-A Well No. 4 (API No. 30-025-07522), located 330 feet from the North line and 2310 feet from the West line of Section 32-18S-38E should not be ordered shut-in due to its unorthodox location and the presence of another well completed in the same spacing unit.
11. **CASE 14325:** (Continued from the June 2, 2009 Examiner Hearing.)
Application of Chesapeake Operating Inc. for approval of a pilot project in the Seven Rivers formation to study the feasibility of implementing enhanced recovery operations in this pool, Lea County, New Mexico. Applicant in the above-styled cause seeks an order authorizing a pilot project on Federal Oil and Gas Lease NM 56749 covering 520 acres located in the W/2, W/2 SE/4, N/2 NE/4, SW/4 NE/4 of Section 14, Township 19 South, Range 33 East, NMPM by the injection of water into the Tonto-Seven Rivers Pool in its Federal USA L Well No. 4 at a location 2100 feet from the South line and 2310 feet from the West line of Section 14, Township 19 South, Range 33 East, NMPM. Said lease is located approximately 13.5 miles South Southeast of Maljamar, New Mexico.