



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

TONEY ANAYA
GOVERNOR

February 16, 1983

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88240
(505) 393-6161

Kern Company
250 Mid America Building
Midland, TX 79701

SUBJECT: Southeast Bagley Wolfcamp, North Bagley Penn Pools,
and Kern Company Hess State Well #1-L Sec 34, T11S, R33E

Gentlemen:

A study was done on the Southeast Bagley Wolfcamp and North Bagley Penn Pools. This study shows that the principle pay for the North Bagley Penn is in Penn formations with numerous wells also producing from a zone higher than the Bough A in the Wolfcamp.

The New Mexico Oil Conservation proposes that the North Bagley Penn vertical limits be established as Permo Penn. In order to do this we would have to abolish the Southeast Bagley Wolfcamp Pool and place Kern Company Hess State Well #1 in the new Permo Penn Pool. This new pool would be on 80-acre spacing. At this time, the subject well is on 40-acre spacing.

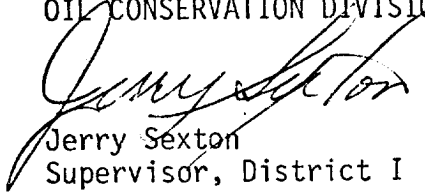
This leaves us with several options:

- 1) You may dedicate 80 acres to your Hess State #1, or
- 2) you may obtain a nonstandard 40-acre proration unit for the subject well.

Please review this proposal and if you have any questions concerning the above, please contact Paul F. Kautz in the Hobbs OCD office at (505) 393-6161. Please advise us in writing concerning the proration unit by March 15, 1983, as this matter will be scheduled for the earliest hearing after that date.

Very truly yours,

OIL CONSERVATION DIVISION


Jerry Sexton
Supervisor, District I

PKF/ed