

HOLLAND & HART LLP



**William F. Carr**  
wcarr@hollandhart.com  
50127.0001

March 17, 2004

**RECEIVED**

**MAR 17 2004**

Mr. Will Jones, Hearing Examiner  
Oil Conservation Division  
New Mexico Energy, Minerals and Natural Resources Department  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**Re: Case 13217: Application of Concho Resources, Inc. for Compulsory Pooling,  
Lea County, New Mexico**

Dear Mr. Jones:

I represent Derrel Melton, a working interest owner in the acreage that is the subject of the above-referenced application. Mr. Melton and Concho Resources, Inc. have been in negotiations and have now reached a verbal agreement for the voluntary commitment of Mr. Melton's interest in the subject well. However, Concho has advised Mr. Melton that they will be unable to provide the agreed to Term Assignment prior to the March 18th Examiner Hearing.

WFC  
3/17/04

Derrel Melton therefore requests that Case 13217 be continued to the April 1, 2004, examiner docket to assure that the Melton-Concho agreement is finalized.

Your consideration of this request is appreciated.

Very truly yours,

William F. Carr  
of Holland & Hart LLP  
Attorney for Derrel Melton

WFC:keh  
Enclosure

cc: Mr. Derrel Melton  
James Bruce, Esq.

**Holland & Hart LLP**

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

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Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

To: Mr. Bill Carr  
505-983-6043 (Fax)

From: Derrel C. Melton

Date: March 16, 2004

Re: Compulsory Pooling  
W/2 of Section 21-T21S-R35E  
Lea County, New Mexico

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Bill - Last week I talked with Gary Lang of Concho/Chesapeake concerning our trade with respect to the above captioned acreage. He informed me that our proposal was acceptable and he would prepare the paperwork. I called this a.m. and he has still not provided the term assignment - he had other fires to put out. I assume we are still O.K. as far as the hearing being continued. We are checking to see if the Samson well that is staked 990' off of our south line is being drilled.

Thanks,



Derrel Melton  
972-758-1073

HAVE TO CONTINUE.  
TO APRIL 1<sup>ST</sup>.

extent. The units are to be dedicated to applicant's Roughneck Red 29 Com Well No. 1 to be located at a standard gas well location 1480 feet from the North line and 1980 feet from the West line of said Section 29. 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 200% charge for the risk involved in drilling and completing the well. The units are to be located approximately 8 miles southeast of Artesia, New Mexico.

**CASE 13246: Application of Preston Exploration, L.L.C. 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 N/2 of Section 3, Township 18 South, Range 26 East, to form standard 320-acre gas spacing and proration units for any and all formations and/or pools developed on 320-acre spacing within that vertical extent including, but not limited to the undesignated Kennedy Farms-Morrow Gas Pool. The unit is to be dedicated to applicant's Uncle Buck "3" Well No. 1 to be located at a standard gas well location 1200 feet from the North line and 1800 feet from the East line of said Section 3. 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 200% charge for the risk involved in drilling and completing the well. The unit is to be located approximately 6 miles east of Atoka, New Mexico.

**CASE 13217: Continued from March 18, 2004, Examiner Hearing.**

**Application of Concho Resources Inc. 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 21, Township 21 South, Range 35 East, and in the following manner: The W/2 to form a standard 320-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 Grama Ridge-Wolfcamp Gas Pool and Undesignated South Osudo-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool and Undesignated South Osudo-Wolfcamp Pool; and the SW/4 NW/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 Undesignated North San Simon-Yates Associated Pool. The units are to be dedicated to applicant's San Simon State Com. Well No. 2, to be located at an orthodox location in the SW/4 NW/4 of Section 21. 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 200% charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles southwest of Oil Center, New Mexico.

**CASE 13163: Continued from February 19, 2003, Examiner Hearing.**

**Application of the New Mexico Oil Conservation Division for an Order Requiring Saba Energy of Texas, Inc., to Properly Plug Six Wells, Imposing Civil Penalties in Event of Failure to Comply, Authorizing the Division to Plug Said Wells in Default of Compliance by Operator, and Ordering a Forfeiture of Applicable Security, if Any, Lea County, New Mexico.** The Applicant seeks an order requiring Saba Energy of Texas, Inc., the operator of six inactive wells in Lea County, New Mexico, to properly plug and abandon the same, imposing civil penalties in event of failure to comply, authorizing the Division to plug said well or wells if the operator fails to do so, forfeiting Operator's plugging security, if any, and providing for such other relief as the Director deems appropriate. The affected wells are the following:

|                      |                    |                             |
|----------------------|--------------------|-----------------------------|
| Harton State #1      | API # 30-025-28540 | UL H, Section 7, T13S, R36E |
| Morris #1            | API # 30-025-29247 | UL D, Section 8, T13S, R36E |
| Fern Guye #1         | API #30-025-34488  | UL M, Section 5, T13S, R36E |
| Saba State #1        | API #30-025-33726  | UL I, Section 7, T13S, R36E |
| San Simon 5 State #1 | API #30-025-27564  | UL E, Section 5, T22S, R35E |
| San Simon 5 State #2 | API #30-025-28480  | UL G, Section 5, T22S, R35E |

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

CONTINUED AND DISMISSED CASES

RECEIVED

APR 15 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 1st, 2004

Santa Fe, New Mexico

ORIGINAL

These matters came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, April 1st, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

April 1st, 2004  
Continued and Dismissed Cases

PAGE

REPORTER'S CERTIFICATE

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\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:15 a.m.:

3 EXAMINER CATANACH: Okay, I'll call the hearing  
4 to order for Docket Number 09-04. I will call the  
5 continuances and dismissals at this time.

6 On page 1, Case 13,240 is continued to April  
7 29th, Case 13,234 is dismissed.

8 On page 2, Case 13,232 is continued to April  
9 15th, Case 13,245 is continued to April 15th, Case 13,229  
10 is dismissed, Case 13,236 is continued to April 15th.

11 And on page 3, Case 13,246 continued to April  
12 15th and Case 13,217 continued to April 15th.

13 (Thereupon, these proceedings were concluded at  
14 8:16 a.m.)

15 \* \* \*

16 I do hereby certify that the foregoing is  
17 a complete record of the proceedings of  
18 the Examiner hearing of Case No. April 1, 2000  
19 heard by me on David H. Catnach, Examiner  
20 Oil Conservation Division  
21  
22  
23  
24  
25

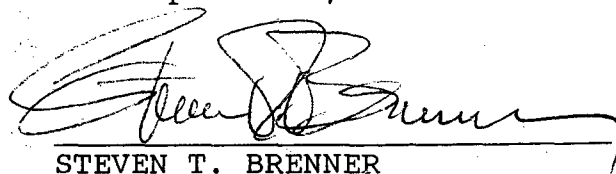
## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                              )   ss.  
COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 1st, 2004.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006