

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

June 28, 1994

HAND DELIVERED

JUN 28 1994

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 11041

Re: Application of PG&E Resources Company for the
Creation of a New Pool for production from the
Strawn Formation with the Adoption of Special
Pool Rules and a Discovery Oil Allowable,
Lea County, New Mexico.

Dear Mr. Stogner:

On behalf of PG&E Resources Company, please find enclosed our
referenced application which we request be set for hearing on the next
available Examiner's docket now scheduled for July 21, 1994.

By copy of this letter and application, sent regular mail, we are
notifying all interested parties of their right to appear at the hearing and
participate in this case, including the right to present evidence either in
support of or in opposition to the application and that failure to appear at
the hearing may preclude them from any involvement in this case at a later
date.

Mr. Michael E. Stogner
June 28, 1994
Page Two

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, July 15, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Thomas Kellahin

cc: PG&E Resources Company
attn: Mr. Jerry Anderson

PL 2 3 1994

PROPOSED ADVERTISEMENT

CASE 11041 Application of PG&E Resources Company for creation of a new oil pool with special rules and a discovery oil allowable, Lea County, New Mexico. Applicant, in the above styled cause, seeks an order creating a new oil pool to be designated the Diamond-Strawn Pool for production from the Strawn formation with the promulgation of Special Pool Rules and Regulations for the pool including 80-acre oil spacing and proration units and a discovery oil allowable for its Smith "15" Well No 1 located 660 feet from the South line and 1980 feet for the West line (Unit N) of Section 15, Township 16 South Range 36 East, NMPM with the S/2SW/4 being dedicated to the subject well. Said pool is located in the approximately 2 miles south from the center of Lovington, New Mexico.

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

28/09/94

APPLICATION OF PG&E RESOURCES COMPANY
FOR THE CREATION OF A NEW POOL FOR
STRAWN FORMATION PRODUCTION INCLUDING
THE ADOPTION OF SPECIAL RULES AND A
DISCOVERY OIL ALLOWABLE,
LEA COUNTY, NEW MEXICO.

CASE NO. 11041

A P P L I C A T I O N

Comes now PG&E Resources Company, by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation for the creation of a new oil pool to be designated the Diamond-Strawn Pool for production from the Strawn formation and the promulgation of Special Rules and Regulations for the pool including 80-acre oil spacing and proration units and a discovery oil allowable for its Smith "15" Well No 1 located 660 feet from the South line and 1980 feet for the West line (Unit N) of Section 15, Township 16 South Range 36 East, NMPM with the S/2SW/4 being dedicated to the subject well.

and in support thereof states:

1. PG&E Resources Company has drilled, completed and now operates its Smith "15" Well No. 1, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 15, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico. See Exhibit "A" attached.

2. This well constitutes a "new oil discovery" for the production of oil from the Strawn formation.

3. The nearest Strawn oil production is some two miles to the east in the Northwest Lovington-Strawn Pool.

4. Based upon this discovery, PG&E Resources Company seeks the creation of a new pool to be designated the Diamond-Strawn Pool which shall be defined as all of the Strawn formation as identified on the log of the discovery well, the top of which is located at 11453 feet and the bottom of which is located 11574 feet with an initial pool boundary consisting of:

TOWNSHIP 16 SOUTH, RANGE 36 EAST
Section 15: S/2 SW/4

5. PG&E Resources Inc. also seeks a "discovery oil allowable" for the discovery well as set forth in Division General Rule 509 (A).

6. In addition, PG&E Resources Company requests the adoption of the following Special Rules and Regulations for this pool:

(a) 80-acre oil spacing and proration units;

(b) with no more than one producing well for each 80-acre spacing or proration unit;

(c) well locations within 150 feet of the center of a governmental quarter-quarter section;

(d) a special limiting gas oil ratio of 2,000 cubic feet of gas per barrel of oil;

(e) a special depth bracket maximum oil allowable of 445 barrels of oil per day per oil spacing unit;

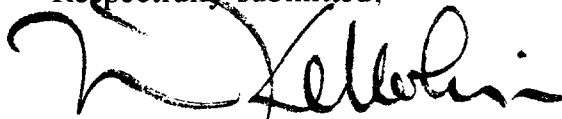
(f) that each well completed or recompleted in the Diamond-Strawn Pool or the Strawn formation within one mile thereof, shall be spaced, drilled operated and produced in accordance with these special rules.

5. Based upon data from the discovery well, the initial rules for the pool should provide for 80-acre oil proration and spacing units combined with the limit of no more than one well per unit to prevent the drilling of unnecessary wells and to protect correlative rights and provide for the orderly development of the reservoir.

6. Notification of this application and request for hearing to be held on July 21, 1994 has been sent to those parties identified on Exhibit "B" attached.

Wherefore, Applicants' request that, after notice and hearing, this application be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501

T 16 S - R 36 E

*Discovery Well
Smith 15-1*

PG&E RESOURCES
SMITH 15-1

80 Ac.

N

PG&E Resources Company

6688 NORTH CENTRAL EXPRESSWAY SUITE #1000
DALLAS, TEXAS 75206 (214) 750-3800

PROPOSED DIAMOND FIELD
LEA COUNTY, NEW MEXICO

**DISCOVERY WELL
SMITH 15-1**

0 2000 4000
SCALE IN FEET

DATE: 6-28-94

LANDMAN: J.A.

OFFSET OPERATORS

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Meridian Oil Production, Inc.
P. O. Box 51810
Midland, TX 79710

Mobil Producing Texas & New Mexico Inc.
Nine Greenway Plaza, Suite 2700
Houston, TX 77046

Amerada Hess Corporation
P. O. Box 2040
Tulsa, OK 74101

Matador Petroleum Corporation
8340 Meadow Road
Suite 158, Pecan Creek
Dallas, TX 75231

Orion Oil & Gas Properties
2420 Lakeview Drive
Amarillo, TX 79109

M. J. Harvey Jr.
P. O. Box 12705
Dallas, TX 75225

EXHIBIT "B"