

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)

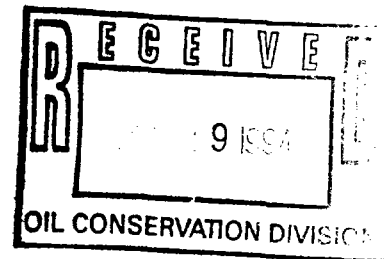
TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

July 29, 1994

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

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



Re: **OBJECTION TO MOTION FOR CONTINUANCE**
NMOCD Case 11048
Application of Bass Enterprises Production Co.
for Compulsory Pooling,
Eddy County, New Mexico

Gentlemen:

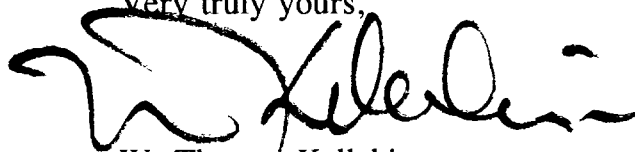
I have received a copy of Mr. Carr's motion on behalf of Maralo Inc to continue the referenced case which I have scheduled for August 4, 1994 to the September 15, 1994 docket.

On behalf of Bass Enterprises Production Corp., I wish to inform you that Bass urges the Division to deny this request. I have attached my Memorandum which contains Bass' reasons.

Oil Conservation Division
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Page 2.

Accordingly, I would appreciate knowing what action will be taken on this request as soon as possible. I am available to appear in person most any time on Friday but I am scheduled to be in Farmington all day on Monday in order to prepare Meridian's cases of Thursday.

Very truly yours,



W. Thomas Kellahin

Enclosure

cc: Bass Enterprises Production Co.
cc: William F. Carr, Esq.

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

IN THE MATTER OF THE APPLICATION
OF BASS ENTERPRISES PRODUCTION CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. _____

OBJECTION
BY
BASS ENTERPRISES PRODUCTION CO.
TO
MOTION TO CONTINUE

1. Section 30, T23S, R30E, Eddy County New Mexico, is divided such that any production from formations below the top of the Wolfcamp to the base of the Morrow in the W/2 is owned 50 % by Texaco and 50 % by Bass Enterprises Production Co. ("Bass") and in the E/2 is shared among Maralo, Inc, Collins & Ware, Santa Fe Energy Resources, Inc. and others.

2. Maralo's geologic interpretation shows a north-south oriented Morrow channel sand with the center and point of greatest thickness located in the W/2 of Section 30. See Exhibits "A" and "B" attached.

3. On March 28, 1994, Maralo, Inc. proposed to Bass a N/2 spacing unit for the drilling of the Maralo Goldrush "30" Well No. 1 in the SW/4NE/4 of said Section 30 to test for Middle Morrow and Atoka production.

4. Maralo had the opportunity to dedicate the E/2 of said Section 30 to its proposed well which would have excluded any acreage owned by Bass and thereby have avoided Maralo having to compulsory pool Bass.

5. However, Maralo chose to "divide" the section into laydown spacing units rather than standup spacing units.

6. On April 4, 1994, Maralo, Inc. filed Division Case 10963 which was a compulsory pooling application to pool 50 % of the uncommitted interests which included 25 % controlled by Bass in the N/2 of Section 30.

7. On April 28, 1994, Maralo presented its case to Examiner Jim Morrow and on May 10, 1994, the Division entered its compulsory pooling Order R-10115. Maralo presented geologic evidence which shows that if the subject well is productive then it will be positioned to drain the S/2 of Section 30. See Exhibit "A" and "B" attached.

8. On June 9, 1994 and in order to avoid being forced pooled, Bass farmed out its interest to Maralo. Bass retained a 3.125 % ORR before payout with the right to convert to a 6.25 % working interest after payout.

9. Bass still has a 25.068 % working interest in the S/2 of Section 30.

10. On June 20 and 21, 1994, in order to protect itself from possible drainage, Bass proposed the dedication of the S/2 of Section 30 to Bass' Remuda Basin "30" State Com Well No. 1 to be drilled as an offset to the Maralo well.

11. On July 4, 1994, Maralo spudded the Goldrush "30" Well No 1 which is expected to be drilled to total depth by August 20, 1994.

12. On July 7, 1994, Bass received Marlo's counter-proposal for a well in the S/2 of Section 30 to be drilled at a location in the SW/4SE/4.

13. On July 11, 1994. Bass filed a compulsory pooling application with the Division which has been docketed as Case 11048 and set for hearing on August 4, 1994.

14. Bass, despite its good faith efforts, has failed to persuade Maralo to allow Bass to proceed with and to operate the well to be drilled in the S/2 of Section 30.

15. The interests between the N/2 and the S/2 spacing units are such that Maralo has a greater interest in the N/2 and Bass has a greater interest in the S/2.

16. If a continuance is granted, Bass is concerned that Maralo will be able to produce its Goldrush "30" Well No 1 in the N/2 of Section 30 where Maralo has a larger working interest and drain the S/2 of Section 30 in which Maralo has a smaller working interest.

17. Awaiting the result of the Maralo well is not going to resolve the dispute between Bass and Maralo over operations and a Division hearing will still be required.

18. Granting a continuance has the potential to impair the correlative rights of Bass by providing an opportunity to Maralo to produce its well while disputing and thereby delaying the drilling of the Bass well.

19. Denying the continuance and proceeding with the pooling application of Bass will still afford Maralo the opportunity to know the results of its drilling well prior to having to make its election under any pooling order issued to Bass in Case 11048.

WHEREFORE, Bass Enterprises Production Co., as applicant, requests that Maralo's Motion for a Continuance be denied and the hearing proceed as scheduled.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

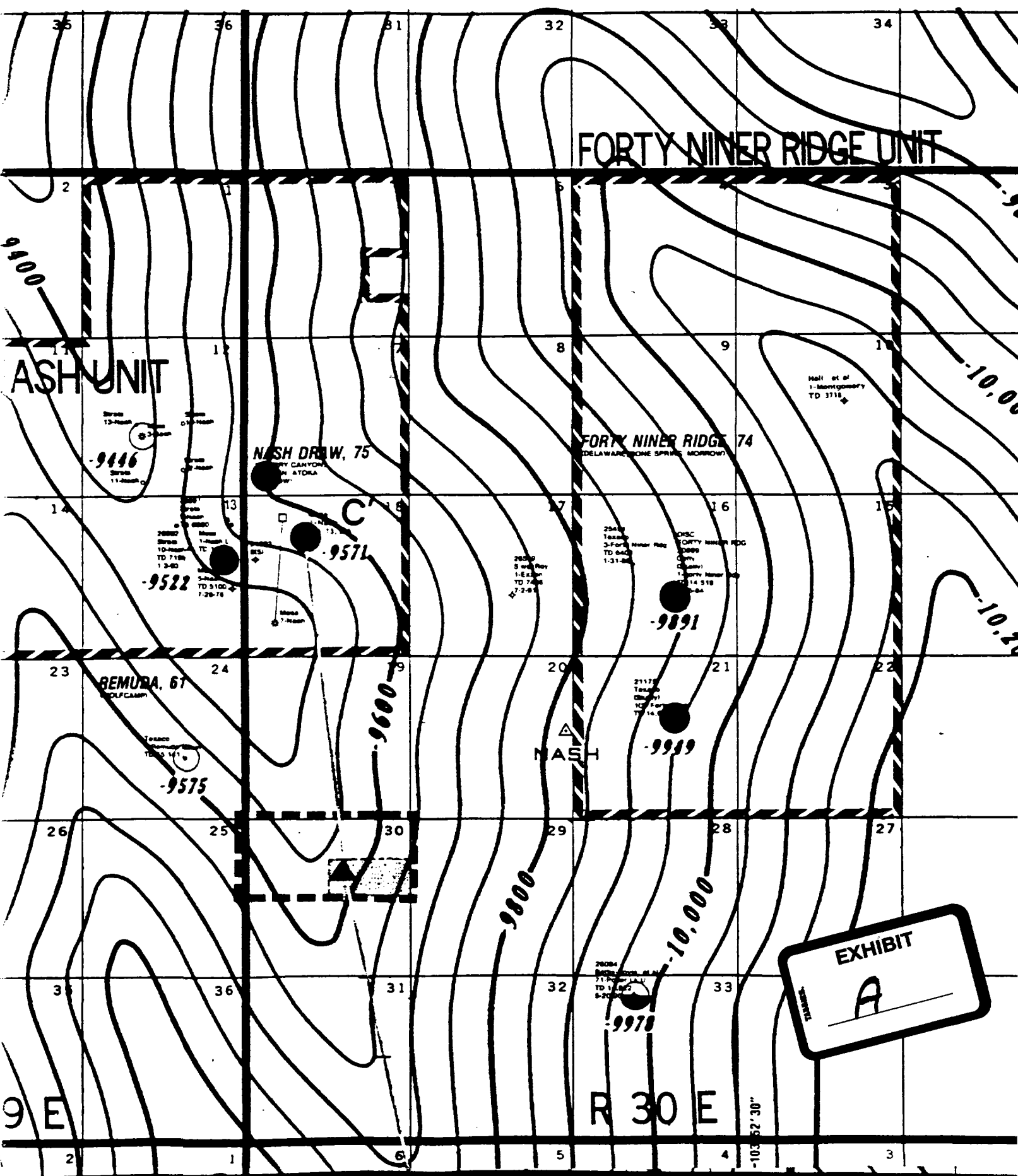


EXHIBIT
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NASH UNIT

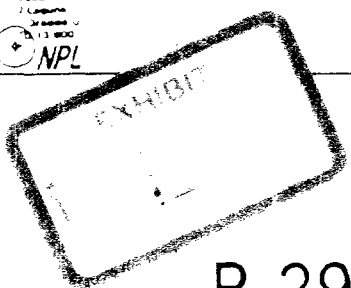
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REMUDA, 51

FORTY NINE RIDGE, 74

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