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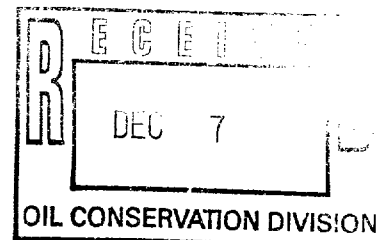
W. THOMAS KELLAHIN*

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

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December 27, 1994



HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: **NMOCD CASE 11165 (Readvertised and Reopened)**

Custer Wells No. 1

W/2 Sec. 6, T25S, R37E, NMPM

Supplemental Application of Naumann Oil & Gas, Inc.

to Vacate Order R-6792, as amended, for

Compulsory Pooling and an Unorthodox Surface

and Subsurface Well Location, Lea County, New Mexico

Dear Mr. Stogner:

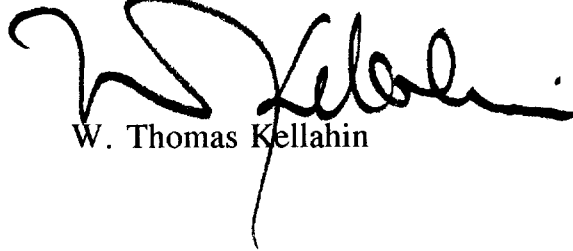
On behalf of Naumann Oil & Gas, Inc., please find enclosed our **Supplemental Application** to vacate Order R-6792, as amended and to authorize an unorthodox subsurface well location as a supplement to our original application which was heard on December 15, 1994. We request the hearing for these supplemental issues be heard on the Examiner's docket now scheduled for January 19, 1995. Also enclosed is our proposed notice of publication for this case.

Oil Conservation Division
December 27, 1994
Page 2.

By separate letter to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

In addition, pursuant to the Division's Memorandum 2-90, all interested parties will be informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, January 13, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping horizontal stroke at the end.

W. Thomas Kellahin

Enclosures:

cc: Naumann Oil & Gas, Inc.

cc: David N. Frye

CASE 11165: (Reopened and Readvertised) Application of Naumann Oil & Gas, Inc. to vacate Division Order R-6792, as amended, for compulsory pooling, an unorthodox gas well surface and subsurface location, and a non-standard gas proration and spacing unit, Lea County, New Mexico. Applicant seeks an order vacating Order R-6792, as amended which previously imposed a production limitation and for an order pooling all mineral interests in the Devonian formation underlying the W/2 Section 6, T25S, R37E, NMPM, Lea County, New Mexico, forming a non-standard 312.95-acre gas spacing and proration unit for the Devonian formation in the East Custer-Devonian Gas Pool. Said unit is to be dedicated to the Custer Wells No. 1 which is located at an unorthodox gas well surface location 1810 feet FNL and 2164 feet FWL (Unit F) of said Section 6, which is an existing and temporarily abandoned wellbore originally drilled as an Ellenburger formation test well and is to be recompleted in the Devonian, the top of which is at an unorthodox subsurface location 1759 feet FNL and 1269 feet FWL of Said Section 6. The Division will hear evidence and arguments dealing only with the applicant's request to vacate Order R-6792, as amended all other issues having been presented without opposition at the hearing held on December 15, 1994. Said unit is located approximately 3 miles north of Jal, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.**

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

IN THE MATTER OF THE SUPPLEMENTAL APPLICATION
OF NAUMANN OIL & GAS, INC. TO VACATE ORDER
R-6792, AS AMENDED, FOR COMPULSORY POOLING,
FOR AN UNORTHODOX GAS WELL SURFACE AND SUBSURFACE
LOCATION, AND A NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

CASE NO. 11165

**FIRST SUPPLEMENTAL
APPLICATION**

Comes now NAUMANN OIL & GAS, INC., by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division to vacate Order R-6792, as amended, and in accordance with Section 70-2-17(c) (1978) for an order pooling all mineral interests in the Devonian formation underlying the W/2 of Section 6, T25S, R37E, NMPM, Lea County, New Mexico, forming a non-standard 312.95-acre gas spacing and proration unit for gas production from the Devonian formation in the East Custer-Devonian Gas Pool. Said unit is to be dedicated to the Custer Wells No. 1 which is an existing and temporarily abandoned wellbore located at an unorthodox gas well surface location 1810 feet FNL and 2164 feet FWL (Unit F) of said Section 6. Said well is to be re-entered and recompleted in the Devonian formation at a depth of approximately 10,140 feet to 10,160 feet at an unorthodox subsurface location in the top of the Devonian at 1750 feet FNL and 1269 feet FWL of said Section 6. Also to be considered will be the costs of re-entering, and completing said well and the allocation of the value and costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well.

In support of its supplemental application, Naumann Oil & Gas, Inc. ("Naumann") states:

1. Naumann has acquired ownership of the wellbore known as the Custer Wells No 1. which is a temporarily abandoned well formerly drilled as an Ellenburger formation test to a total depth of 12,964 feet and then plugged back to 9,594 feet and produced from a perforated interval 9435 feet to 9482 feet. Naumann has a working interest ownership in the oil and gas minerals underlying the W/2 of Section 6, T25S, R37E, NMPM, Lea County, New Mexico. See plat attached as Exhibit "A."

2. The Custer Wells No. 1 was originally drilled by ARCO Oil & Gas Company pursuant to a Joint Operating Agreement which expired on or about October 31, 1991.

3. The Custer Wells No. 1 was produced from January 12, 1982 to approximately July, 1991 when it was temporarily abandoned.

4. This well and its previous N/2 spacing and proration unit are the subject of Division Order R-6792, as amended which imposed a Devonian production limitation on said well as a result of being unorthodox from the west side of Section 6.

5. Division Order R-6792-A also requires that prior to recompletion of said Custer Wells Well No. 1 in any other Devonian interval the applicant shall give notice to offset operators by certified mail and shall obtain an order from the Division authorizing such recompletion.

6. Naumann proposes to re-orient this well's spacing unit from the N/2 to the W/2 of said Section 6 and thereby make this well's subsurface location a standard location which vacates the necessity for Division Order R-6792, as amended.

7. Naumann proposes to re-complete this well in the Devonian interval from approximately 10,140 feet to 10,160 feet, the top of which will be at an unorthodox subsurface location 1750 feet FNL and 1269 feet FWL of said Section 6.

8. On October 24, 1994, Naumann proposed the re-entry of the Custer Wells No. 1 to all interest owners in the proposed spacing unit and invited each interest owner to participate on a voluntary basis by each paying its proportionate share of the costs to re-enter, deepen and complete said well as a Devonian formation gas well.

9. All of the working interest ownership of the oil & gas minerals Devonian formation underlying W/2 of said Section 6 have voluntarily agreed to the formation of this spacing unit and to participation in this re-entry except for the following parties:

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attn: Mr. Glen Lanoue

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 769762
Attn: Reece C. Copeland, Esq.

Texaco Exploration and Production, Inc.
P. O. Box 46513
Denver, Colorado 80201
Attn: Mr. Terry Young

UNOCAL
P. O. Box 3100
Midland Texas 79702
Attn: Mr. Robert C. Gnagy

10. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Naumann needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

11. On December 15, 1994, the original application for compulsory pooling came before the Division's Examiner for hearing and no party appeared in opposition.

11. On December 15, 1994, the original application for compulsory pooling came before the Division's Examiner for hearing and no party appeared in opposition.

12. At the time of the December 15th hearing, Applicant was not aware of Division Order R-6792, as amended.

13. In accordance with the Division's notice requirements and pursuant to the requirements of Division Order R-6792-A, a copy of this application and notice of this hearing will be sent to the operator, or in the absence of an operator the owners of interest in the Devonian spacing units towards which the subject well encroaches or which were parties to the hearing which resulted in Order R-6792, as amended, all as shown as follows:

Conoco Inc.
10 Desta Drive West
Midland, Texas 79705
Attn: Jerry Hoover

Texaco Exploration & Production Inc.
P. O. Box 2100
Denver, Colorado 80237

Citation Oil & Gas Corp.
8223 Willow Place South, Suite 250
Houston, Texas 77070

WHEREFORE, Naumann Oil & Gas, Inc., as applicant, requests that this application be set for hearing on January 19, 1995 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order vacating Division Order R-6792, as amended and pooling the mineral interest described in this spacing unit for the drilling of the subject well at the proposed unorthodox surface and subsurface location upon terms and conditions which include:

- (1) Naumann Oil & Gas, Inc. be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in reimbursing Naumann for the costs of re-entering, deepening, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, reimbursement for the costs of the drilling, deepening, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W' and a trailing flourish.

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