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February 21, 1995

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FEB 21 1995

Oil Conservation Division

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

11218

**Re: *Cooper Well No. 1*
 S/2 Sec. 34, T17S, R29E, NMPM
 Application of Naumann Oil & Gas, Inc.
 for Compulsory Pooling, and an Unorthodox
 *Gas Well location, Eddy County, New Mexico***

Dear Mr. Stogner:

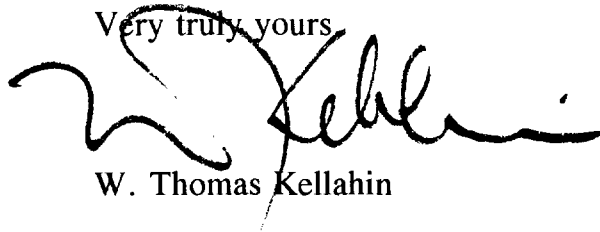
On behalf of Naumann Oil & Gas, Inc., please find enclosed our application for compulsory pooling, including an unorthodox gas well location, which we request be set for hearing on the Examiner's docket now scheduled for March 16, 1995. Also enclosed is our proposed notice of publication for this case.

By copy of this letter and application 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.

Oil Conservation Division
February 20, 1995
Page 2.

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, March 10, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping tail.

W. Thomas Kellahin

Enclosures

cc: Naumann Oil & Gas, Inc.
cc: David Frye

PROPOSED NMOCD NOTICE

CASE 11218: Application of Naumann Oil & Gas, Inc. for compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 Section 34, T17S, R29E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from pools spaced on 320-acre spacing and proration units which currently includes but is not necessarily limited to the Undesignated Grayburg-Morrow Gas Pool, or in the alternative, forming a standard 160-acre gas spacing and proration unit consisting of the SW/4 of said Section 34 for any gas production above the top of the Wolfcamp. Said unit is to be dedicated to the Cooper Well No. 1 which is to be located at an unorthodox gas well location 1980 feet FSL and 1330 feet FWL (Unit K) of said Section 34. Also to be considered will be the costs of drilling and completing said well and the allocation of those 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. Said unit is located approximately 6 miles southwest of Loco Hills, New Mexico.

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Oil Conservation Division

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

IN THE MATTER OF THE APPLICATION
OF NAUMANN OIL & GAS, INC.,
FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

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Oil Conservation Division

CASE NO. 11218

A P P L I C A T I O N

Comes now NAUMANN OIL & GAS, INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 34, T17S, R29E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production based upon 320-acre spacing and proration units which currently includes but is not necessarily limited to the Undesignated Grayburg-Morrow Gas Pool, or in the alternative, forming a standard 160-acre gas spacing and proration unit consisting of the SW/4 of said Section 34 for any gas production above the top of the Wolfcamp. Said unit(s) is to be dedicated to its Cooper Well No. 1 which is to be drilled at an unorthodox gas well location 1980 feet FSL and 1330 feet FWL (Unit K) of said Section 34. Also to be considered will be the costs of drilling and completing said well and the allocation of the 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 application, Naumann Oil & Gas, Inc. ("Naumann") states:

1. Naumann has a working interest ownership in the oil and gas minerals underlying the S/2 of Section 34, T17S, R29E, NMPM, Eddy County, New Mexico. See plat attached as Exhibit "A."

2. Naumann has proposed the drilling of the Cooper Well 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 his/her proportionate share of the drilling and completing said well as a Morrow gas well.

3. All of the appropriate working interest ownership of the oil & gas minerals underlying S/2 of said Section 34 have voluntarily agreed to the formation of this spacing unit and to participation in this well except for the following party:

PARTY	INTEREST
S. P. Yates 104 South Fourth Street Artesia, New Mexico 88210	NW/4SW/4

4. 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.

5. That the proposed unorthodox gas well location is necessary in order to penetrate a Morrow channel sand at its optimum location within the S/2 of Said Section 34.

6. In accordance with the Division's notice requirements, 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 "deep gas" spacing units towards which the subject well encroaches. See Exhibit "B"

7. In accordance with the Division's notice requirements, a summary of this application and notice of this hearing will be sent to the interest parties listed in paragraph (3) above and in Exhibit "B" to this application notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 16, 1995.

WHEREFORE, Naumann Oil & Gas, Inc., as applicant, requests that this application be set for hearing on March 16, 1995 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at the proposed unorthodox well 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 drilling, 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, 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 stylized flourish at the end.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
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Attorneys for Applicant

