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September 5, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED INTEREST OWNERS

Re: Application of Manzano Oil Corporation for Pool Creation, Special Pool Rules
and Compulsory Pooling, Lea County, New Mexico

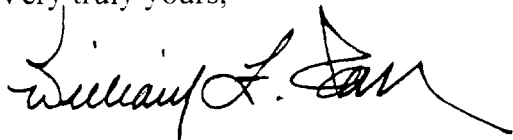
Gentlemen:

This letter is to advise you that Manzano Oil Corporation has filed the enclosed application with the New Mexico Oil Conservation Division. You are the owner of an interest that may be affected by this application.

This matter has been set for hearing before a Division Examiner on September 26, 1996. You are not required to attend this hearing but you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Pre-Hearing Statement substantially in the form prescribed by the Division. Pre-Hearing Statements should be filed by 4:00 p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
Attorney for Manzano Oil Corporation
WFC:mlh
cc: Ken Barbe

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August 27, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

RECEIVED

AUG 27 1996

Oil Conservation Division

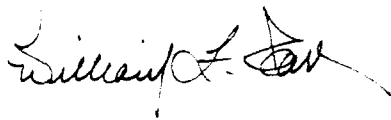
WJC

Re: Application of Manzano Oil Corporation for pool creation, special pool rules
and compulsory pooling, Lea County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Manzano Oil Corporation in the above-referenced case as well as a legal advertisement. Manzano Oil Corporation respectfully requests that this matter be placed on the docket for the September 19, 1996 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Mr. Ken Barbe, (w/enclosures)

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

IN THE MATTER OF THE APPLICATION
OF MANZANO OIL CORPORATION FOR
POOL CREATION, SPECIAL POOL RULES,
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 11617

APPLICATION

MANZANO OIL CORPORATION ("Manzano"), through its undersigned attorneys, hereby makes application for pool creation, the promulgation of special pool rules therefore and, pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 80-acre spacing in the N/2 SW/4 of Section 11, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Manzano owns or represents approximately 75% of the working interest in the SW/4 of said Section 11, and has the right to drill thereon. The ownership of all mineral interests and operating rights is common through out the SW/4 of said Section 11.
2. Division Order R-10602 entered in Case 11513 on May 23, 1996 pooled the NE/4 SW/4 of said Section 11 and approved an unorthodox well location thereon for Manzano's "SV" Chipshot Well No. 1.
3. In case 11533, Manzano sought the pooling of an 80-acre spacing unit for this

well to be comprised of the N/2 SW/4 of said Section 11.

4. Since neither the proposed "SV" Chipshot Well No. 1 nor the proposed 80-acre proration unit comprising the N/2 SW/4 of Section 11 is located within one mile of a Division designated pool spaced on 80-acres, the well was classified a wildcat test, was spaced on 40-acres and the request for compulsory pooling of an 80-acre unit denied.

5. Manzano has drilled and completed the "SV" Chipshot Well No.1 as a commercial producing well in a new pool in the Wolfcamp formation.

6. The initial test data on this well establishes that one well in this new pool can efficiently and effectively drain 80-acres.

7. In order to permit Manzano to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in all formations developed on 80-acre spacing underlying the N/2 SW/4 of Section 11 should be pooled, and Applicant should be designated the operator of the well .

8. The creation of a new pool for the production of oil from the Wolfcamp formation, the adoption of Special Rules and Regulations therefore including provisions for 80-acre spacing and proration units and the pooling of all interests in the N/2 SW/4 of said Section 11 will prevent waste and will protect correlative rights.

WHEREFORE, Manzano Oil Corporation prays that this application be set for hearing before an examiner of the Oil Conservation Division on September 19, 1996 and, after notice and hearing as required by law, the Division enter its order:

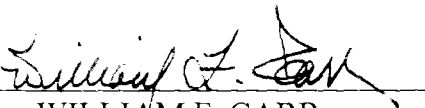
A. Creating a new pool for the production of oil from the Wolfcamp formation comprised of the N/2 SW/4 of Section 11, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico

B. Adopting Special Pool Rules and Regulations for this pool which provide for 80-acre spacing and proration units, and

C. Pooling the N/2 SW/4 of said Section 11, in all formations developed on 80-acre spacing, including provisions for Applicant to recover its costs of supervision of the well, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR MANZANO OIL
CORPORATION

CASE 1007:

Application of Manzano Oil Corporation for pool creation, special pool rules and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks the creation of a new pool for the production of oil from the Wolfcamp formation comprised of the N/2 SW/4 of Section 11, Township 16 South, Range 36 East, NMPM. Applicant also seeks an order pooling all mineral interests in all formations developed on 80-acre spacing from the surface to the base of the Strawn formation underlying the N/2 SW/4 of said Section 11. Said unit is to be dedicated to its "SV" Chipshot Well No. 1 which has been drilled at an unorthodox location 2164 feet from the South line and 1362 feet from the West line of said Section 11. Also to be considered will be the cost of drilling and completing said 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 charge for risk involved in drilling said well. Said area is located approximately 1 mile southeast of Lovington, New Mexico.

RECEIVED

NOV 2 1994

LEA COUNTY, NEW MEXICO