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HAND DELIVERED

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February 14, 1997

David R. Catanach, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Bass Enterprises Production Company and Santa Fe Energy Company for the rescission of Division Administrative Order No. NSL-3745, Eddy County, New Mexico*

Dear Mr. Catanach:

The above referenced case has been set for hearing on February 20, 1997, on the application of Bass Enterprises Production Company and Santa Fe Energy Company to rescind a Division administrative Order NSL-3645. This administrative order approved the application of Mewbourne Oil Company for an unorthodox well location for its Scanlon Draw "35" State Well No. 1 660 feet from the South Line and 1980 feet from the west line of Section 35, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. There has been no request by either Bass or Mewbourne for a hearing on the merits of Mewbourne's application for an unorthodox well location nor is a hearing on the merits of the Mewbourne application included in the legal notice that has been provided for this case. In fact, a request for a hearing on the merits of the Mewbourne application would be inappropriate until such time as the Division determines that its prior approval should be set rescinded.

Following the docketing of the Bass/Santa Fe application, we contacted Bass concerning the production of certain data on wells it operates in this area. Having received no response from Bass to this request, Mewbourne obtained a subpoena from the Division on February 3, 1997 for information on Bass operated wells in the subject area. Bass/Santa Fe moved to quash the subpoena and on February 12, 1997, the Division granted the Motion to Quash and advised Mewbourne that it will have the opportunity on February 20 to show cause why it

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Oil Conservation Division
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needs information from Bass to address the issues in this case. Accordingly, Mewbourne is unable to be prepared to present its technical arguments on the merits of the propriety of the well location at the February 20, 1997 Examiner Hearing.

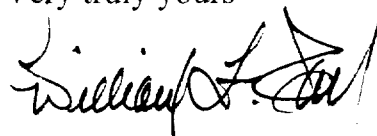
The first issue to be resolved on February 20 is whether Bass and Santa Fe are entitled to have this order set aside when the Division records fail to show that a timely objection to this application was made as required by Division Rule 104 F (2). If timely objection was not filed, the Division should deny the request to rescind the Order. If this issue is resolved against Bass and Santa Fe, there will be no need for a hearing on the merits in this case and, no need for a hearing on the request of Mewbourne for the production of data.

However, instead of seeking a continuance, Mewbourne requests that the hearing scheduled for February 20 in this case proceed and be limited to whether Administrative Order NSL-3745 should be rescinded. This is the only issue presented by the application of Bass/Santa Fe filed on January 2, 1997, and the legal advertisement for this case only presents the issue of whether Administrative Order NSL-3745 be rescinded. If the Division determines that this order should be rescinded then Mewbourne will present argument in support of its request for data from Bass and, if needed, a hearing on the merits of the Mewbourne application can then be scheduled.

The requested bifurcated hearing will afford to Bass/Santa Fe the opportunity to have a full hearing on their January 12, 1997 application and at the same time allow the parties to fully pursue discovery in this case so that they can be fully prepared if the Division determines that there should be a hearing on the proposed unorthodox well location.

Your attention to this request is appreciated.

Very truly yours

A handwritten signature in black ink, appearing to read "William F. Carr", with a stylized flourish at the end.

WILLIAM F. CARR
Attorney for Mewbourne Oil Company

cc: James Haas, Esq. (Via Facsimile)

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February 17, 1997

HAND-DELIVERED

David R. Catanach, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

Re: *Application of Bass Enterprises Production Company and Santa Fe Energy Company for the Rescission of Division Administrative Order No. NSL-3745, Eddy County, New Mexico*

Dear Mr. Catanach:

The purpose of this letter is to clarify Mewbourne Oil Company's understanding of the February 20, 1997 hearing on the above-referenced application of Bass Enterprises Production Company and Santa Fe Energy Company and to confirm how Mewbourne intends to proceed at this hearing.

In this case, Bass and Santa Fe seek the rescission of Administrative Order No. NSL-3745 which approved the application of Mewbourne Oil Company for an unorthodox well location for its Scanlon Draw "35" State Well No. 1 to be drilled 660 feet from the South line and 1980 feet from the West line of Section 35, Township 19 South, Range 28 East, N.M.P.M. Eddy County, New Mexico.

Bass and Santa Fe failed to timely object to this administrative application pursuant to Division Rule 104 F(4) and the application was therefore approved. Following inquiry by Bass, the Division advised Bass and Santa Fe by letter dated December 27, 1996 (a copy of which is attached hereto), that if they desired to pursue this matter further, "an application to rescind this Order through the Examiner's hearing process can be filed with (Bass/Santa Fe) as the applicant."

David R. Catanach, Hearing Examiner
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New Mexico Department of Energy,
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Bass and Santa Fe availed themselves of this opportunity and filed the subject application. At the time of the Examiner hearing, as the applicant, they will have to show that they timely objected to this Order. If they cannot, Mewbourne will then ask the Division to deny their application by enforcing the twenty day objection period provided for in Rule 104.

Nothing in the Bass/Santa Fe application requests a hearing on the merits of the Mewbourne application. In fact, by now contending that they are entitled to a hearing on the merits, Bass and Santa Fe are proceeding as if the Division Order approving the Mewbourne location had already been rescinded.

By letter of February 14, I advised that Mewbourne does not have witnesses available to testify on February 20. If, however, Bass and Santa Fe can show they timely objected and therefore Order NSL-3745 should be set aside, Mewbourne will then prepare its case.

As applicant, Bass and Santa Fe, through their attorneys may present whatever they desire on February 20. I will represent Mewbourne at that hearing.

If the Division rescinds NSL-3745, I will request a hearing on Mewbourne's application for an unorthodox well location during March, 1997. If Bass and Santa Fe desire to proceed with technical evidence, I will participate in the hearing for Mewbourne and preserve its right for a hearing de novo on the application of Bass and Santa Fe.

Very truly yours,

A handwritten signature in dark ink, appearing to read "W. Carr, for".

WILLIAM F. CARR

WFC:mlh

Enc.

cc: James Haas, Esq. (Via Facsimile)
Mr. Steve Cobb (Via Facsimile)



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

December 27, 1996

RECEIVED

DEC 31 1996

Losee, Carson, Haas & Carroll, P.A.
P. O. Box 1720
Artesia, New Mexico 88211-1720

CAMPBELL, CARR, et. al.

Attention: James E. Haas

RE: *Administrative application of Mewbourne Oil Company ("Mewbourne") for an unorthodox gas well location within a standard 320-acre gas spacing and proration unit comprising the W/2 of Section 35, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico in the North Turkey Track-Morrow Gas Pool for its proposed Scanlon Draw "35" State Well No. 1 to be drilled 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 35.*

Dear Mr. Hansen:

The subject application was filed with the Division on December 5, 1996, your letter of objection dated December 20, 1996 (see copy attached) was received by the Division on December 27, 1996, or 22 calendar days after the official filing date of the Mewbourne application. Pursuant to Division General Rule 104.F(4):

"The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application."

Should Williams Production Company wish to pursue this matter further, an application to rescind this order through the Examiner's hearing process can be filed by William Production Company as the applicant.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

WJL/MES/kv