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October 1, 1997

Via Fax and U.S. Mail

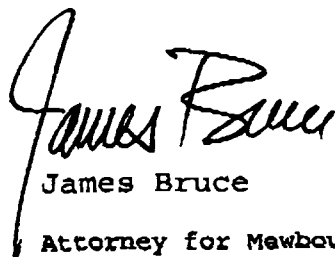
Mr. William J. LeMay
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Cases 11723/11755 (de novo)

Dear Mr. LeMay:

Enclosed is Mewbourne's reply regarding its motion to have an existing well shut-in.

Very truly yours,



James Bruce

Attorney for Mewbourne
Oil Company

cc: Counsel of record w/encl. (via fax)

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

APPLICATION OF MEWBOURNE OIL
COMPANY FOR AN UNORTHODOX GAS
WELL LOCATION AND A NON-STANDARD
GAS PRORATION UNIT, EDDY COUNTY,
NEW MEXICO.

Case No. 11723 (de novo)

APPLICATION OF FASKEN OIL AND
RANCH, LTD. FOR A NON-STANDARD
GAS PRORATION AND SPACING UNIT
AND TWO ALTERNATE UNORTHODOX GAS
WELL LOCATIONS, EDDY COUNTY,
NEW MEXICO.

Case No. 11755 (de novo)

Order No. R-10872

REPLY OF MEWBOURNE OIL COMPANY
IN SUPPORT OF ITS MOTION TO SHUT-IN AN EXISTING WELL

Mewbourne Oil Company ("Mewbourne") filed its motion requesting that the Texaco Exploration and Production Inc. ("Texaco") E.J. Levers Fed. "NCT-1" Well No. 2, in Unit F of S12-21S-25E be shut-in, because it was illegally drilled. Texaco filed its response, and Mewbourne submits this reply in support of its motion:

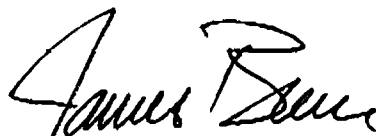
Texaco asserts that it has done nothing wrong, and that it should not be required to shut-in its well pending de novo review of this matter. Texaco's primary argument is that the Catclaw Draw-Morrow Gas Pool ("the Pool") was developed on 320 acre spacing, and thus the E.J. Levers "NCT-1" Well No. 2 was properly drilled and completed.¹ Texaco's assertion highlights the unfairness to Mewbourne and other interest owners in the S¼ S1-21S-

¹Texaco claims that the APD for the well was properly approved. However, Exhibit B attached to its response reflects an unapproved APD.

25E by allowing the Texaco well to produce: **Mewbourne's proposed well in the S½ of Section 1 is at an orthodox location for a laydown 320 acre gas spacing unit under statewide rules.** Yet, at the hearing, Texaco used the special rules for the Pool to claim that Mewbourne's proposed well was extremely unorthodox, and further used 640 acre spacing as the basis for asserting that an 81% production penalty be assessed against the well. Texaco cannot have it both ways. If 320 acre spacing is the correct basis for developing the Pool, then Mewbourne's proposed location has no adverse effect on Texaco, and it should be approved. If not, then Texaco's well should be shut-in because it does not comply with Division rules.

WHEREFORE, Mewbourne requests that Texaco's E.J. Levers Fed. "NCT-1" Well No. 2 be shut-in pending a proper application to and decision by the Division.

Respectfully submitted,



James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

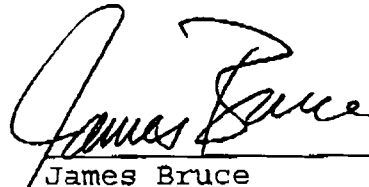
CERTIFICATE OF SERVICE

I hereby certify that a copy of the forgoing pleading was served upon the following counsel of record this 1st day of October, 1997, by facsimile transmission:

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FAX COVER SHEET

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CITY: Santa Fe, New Mexico

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DATE SENT: 10/1/97

MEMO: Florene: Enclosed is Mewbourne's reply in Cases
11723/11755.

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September 30, 1997

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

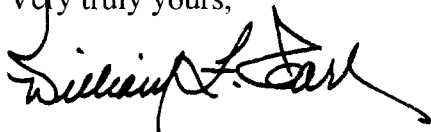
Re: *Shut-in Request: Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico*

Dear Mr. LeMay:

This letter confirms that, pursuant to the Division's request, Texaco Exploration and Production Inc. has shut-in its E. J. Levers Federal "NCT-1" Well No. 1 (API No. 30-015-20683) located 660 feet from the South line and 1980 feet from the West line in Unit N/Lot 14 of Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico.

On this date, Texaco filed an application seeking clarification of the Division's "one well rule" as it applies to the current status of the Special Pool Rules and Regulations for the Catclaw Draw-Morrow Gas Pool. In the alternative, Texaco is seeking an exception to these Special Pool Rules to permit a second well on said Section 12. Texaco has requested that its application be set on the Oil Conservation Commission's October 30, 1997 hearing docket so it can be consolidated with the other cases set for hearing on that date concerning the Catclaw Draw-Morrow Gas Pool.

Very truly yours,



WILLIAM F. CARR

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cc: D. Bruce Pope, Esq.
Texaco Exploration and Production, Inc.
4601 DTC Boulevard
Denver, Colorado 80237