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February 19, 1997

HANDDELIVERY

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

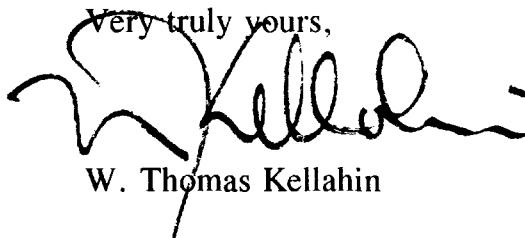
Re: **STIPULATED SETTLEMENT**
NMOCD Case 11736
Application of John H. Hendrix Corporation
for a non-standard proration unit and unorthodox
well location, Eumont Gas Pool, Lea County, New Mexico.

Dear Mr. Catanach:

On behalf of Lewis B. Burleson, Inc. I filed an objection to the administrative application of John H. Hendrix Corporation for a non-standard proration unit and unorthodox well location. Because of our protest, this case was placed on the Examiner's docket for February 20, 1997. Since then, we have negotiated a stipulated settlement with Hendrix which, if adopted and approved by the Division and incorporated in an order issued by the Division, satisfies Burleson's objections. Please find enclosed the signed original of the stipulation which we request be incorporated into the record in this case.

I have been advised that Hendrix does not have an attorney representing them in this matter and apparently does not plan to have any witnesses available at tomorrow's hearing. Therefore, I recommend that this case be decided administratively in a manner which incorporates the stipulated settlement. Unless you direct otherwise, I do not plan to be at the hearing tomorrow in this case. Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

ccx: Lewis B. Burleson, Inc.
John H. Hendrix Corporation

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

CASE NO. 11736

**APPLICATION OF JOHN H. HENDRIX CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT
AND AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO**

STIPULATED SETTLEMENT

Comes now John H. Hendrix Corporation ("Hendrix"), the applicant in this case, and Lewis B. Burleson, Inc. ("Burleson"), an adversely affected offset operator, and stipulate as follows:

(1) That Hendrix is the applicant before the New Mexico Oil Conservation Division in the referenced case and seeks approval of an unorthodox gas well location for its New Mexico "B" State Well No. 6 (API No. 30-025-33352) which has been drilled 990 feet FNL and 2310 feet FEL (Unit B) of Section 29, T21S, R36E, NMPM, Lea County, New Mexico, to be dedicated to a non-standard 40-acre gas spacing unit consisting of the NW/4NE/4 of said Section 29 for production from the Eumont Gas Pool.

(2) Hendrix has recently recompleted the referenced well which has resulted in the reclassifying of the well from an oil well to a gas well.

(3) Burleson is the operator of an adjoining spacing unit consisting of the NE/4NW/4 of said Section 29 which is currently dedicated to a producing gas well in the Eumont Gas Pool.

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(4) In order to protect the correlative rights of Burleson and the interest owners in the NE/4NW/4 Section 29 and at the same time to provide for the reasonable production of Hendrix's well, the parties stipulate and agree that:

(a) the gas proration and spacing unit for Hendrix's New Mexico "B" State Well No. 6 shall be limited to a 40-acre tract consisting of the NW/4NE/4 of said Section 29;

(b) the producing allowable for Hendrix's New Mexico "B" State Well No. 6 shall be limited to that volume of gas assigned by the New Mexico Oil Conservation Division pursuant to its gas prorationing system for a 40-acre GPU for the Eumont Gas Pool;

(c) production from Hendrix's New Mexico "B" State Well No. 6 shall be metered by a purchaser's meter, properly installed and maintained to only measure production from this well and this well shall not be commingled with production from any other formation or any other well;

(d) if and when this well overproduces its Division assigned monthly gas allowable by more than six times, then Hendrix shall immediately shut in this well until that overproduction is "made up" by subtracting said over production from the allowable assigned to this well; and

(e) Hendrix shall timely send to each offset operator, including Burleson, Hendrix's monthly volume statement (C-115) for this well so that production can be monitored.

(5) If Hendrix fails to comply with any of items 4 (a) through (e), for any reason, then and in that event, Hendrix hereby consents that, without prior notice, the Oil Conservation Division shall cancel the well's allowable, the well shall be shut-in and the administrative order entered herein shall be set aside and this matter set for hearing.

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(6) Based upon the foregoing, Burleson shall withdraw its protest in Case 11736 provided that the Division order entered in that case shall adopt and incorporate the terms and conditions of this Stipulation.

(7) The individual signing this Stipulation hereby warrants and represents to the other party and to the Division that he has been duly authorized by his respective company to sign this stipulation and to bind said company to all the terms and conditions of this stipulation.

(8) This stipulation shall be made a part of the record in the Examiner's hearing of Case 11736.

This stipulation is executed this 17 day of February, 1997 by the respective attorneys of record for the parties indicated on behalf of said parties.

LEWIS B. BURLESON, INC.

BY 

Steven L. Burleson
P. O. Box 2479
Midland, Texas 79702

JOHN H. HENDRIX CORPORATION

BY 

Daniel L. Veirs
P. O. Box 3040
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