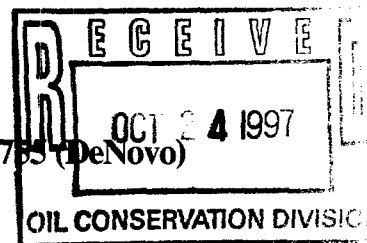


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 11755



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

CASE NO. 11723 (DeNovo)

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

**CONSOLIDATED
PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by FASKEN OIL AND RANCH, LTD. and FASKEN LAND AND MINERALS, LTD. ("Fasken") as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT IN CASE 11755
OPPONENT IN CASE 11723

ATTORNEY

Fasken Oil and Ranch, Ltd.
Fasken Land and Minerals, Ltd.
303 West Wall Street
Midland, Texas 79701
(915) 687-1777
attn: Sally Kvasnicka

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico
(505) 982-4285

APPLICANT IN CASE 11723

ATTORNEY

Mewbourne Oil Company

James Bruce, Esq.
P. O. Box 1056
Santa Fe, NM 87501
(505) 982-2043

OTHER INTERESTED PARTIES:

Texaco, Inc.
Penwell Energy, Inc.

William F. Carr, Esq
P. O. Box 2088
Santa Fe, NM 87501
(505) 988-4421

STATEMENT OF THE CASE

Fasken, is the operator of the southern portion of Irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, as a result of a Joint Operating Agreement dated April 1, 1970 which includes Mewbourne Oil Company ("Mewbourne") Matador Petroleum Corporation, Devon Energy Corporation, and others, as non-operators.

Irregular Section 1 consists of 853.62 acres is divided into thirds with the central portion of this section being "unleased" federal oil and gas minerals the surface of which is subject to a federal environmental study. As a result, applicant requests approval of a non-standard 297.88 acre unit ("NSP") comprising the southern portion of Irregular Section 1 described as Lots 29, 20, 31, 32 and the SW/2 (S/2 equivalent).

Fasken, as operator, proposes to drill the Avalon "1" Federal Com Well No. 2 at an unorthodox gas well location 750 feet from the West line and 2080 from the South line ("the Fasken location") of said Irregular Section 1.

Mewbourne, as a non-operator and working interest owner in this NSP, proposes that the well be at an unorthodox well location 2310 feet from the East line and 660 feet from the south line ("the Mewbourne location") of said Irregular Section 1.

Fasken contends its proposed location is the optimum location in the proposed spacing unit at which to drill to test for Cisco and Morrow gas production while Mewbourne contends its location is better for Morrow gas production.

Texaco has objected to the Mewbourne location which encroaches upon Texaco. The Fasken location does not encroaches on Texaco but does encroach upon Penwell who has waived any objection.

It is not within the Commission's jurisdiction to resolve the contractual dispute between Fasken and Mewbourne over whose location will be drilled which is a matter currently being litigated by these parties in a Texas District Court.

However, it is within the Commission's jurisdiction to address the correlative rights issues raised by these applications regardless of the litigation.

Division Order R-10872 approved the Fasken location and denied the Mewbourne location.

Fasken's requests that the Commission affirm the Division order.

PROPOSED EVIDENCE

APPLICANT in Case 11755:

WITNESSES	EST. TIME	EXHIBITS
Dexter Harmon (geologist)	30 Min.	@ 6 exhibits
Lou Lent (geophysicist)	30 Min.	@ 7 exhibits
Carl Brown (petroleum engineer)	30 Min.	@ 4 exhibits

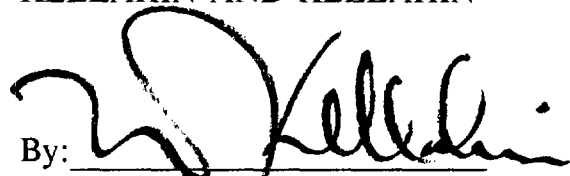
PROCEDURAL MATTERS

Before the Division, Fasken as operator of the spacing unit had filed for approval of both the Fasken location and the Mewbourne location and had also sought to dismiss the Mewbourne application because Mewbourne was not the operator of this spacing unit. Since then, the Division has allowed Mewbourne to pursue its application in Case 11723 and to participate in these hearings as a non-operating working interest owner and Fasken has already withdrawn its motion to dismiss the Mewbourne application in Case 11723. Fasken will ask the Commission to uphold the Division examiner order which denied the Mewbourne application and approved the Fasken location. Accordingly, Fasken now withdraws that portion of its application which had requested that the Division approve the Mewbourne location.

On October 20, 1997, Fasken filed Motion in Limine seeking to preclude Mewbourne from arguing contractual issues which are in litigation. A decision is needed in order to avoid the expense of bring witnesses to Santa Fe to address these contractual issues which are not relevant to the issues of correlative rights and the prevention of waste.

Consolidation of Cases 11755 and 11723 for hearing.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin

JAMES BRUCE

ATTORNEY AT LAW

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November 4, 1997

Hand Delivered

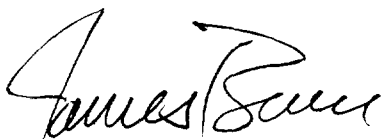
Mr. William J. LeMay
Oil Conservation Commission
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Cases 11723/11755 (de novo) (Fasken/Mewbourne)

Dear Mr. LeMay:

We have received Fasken's proposed order in the above matter. Because the Commission did not ask for a proposed order, Mewbourne did not intend to file one. However, if it would be of assistance to the Commission, Mewbourne could file one by next week. If the Commission does not want proposed orders, Mewbourne requests that Fasken's proposed order be ignored and removed from the case file. Please let me know the Commission's pleasure.

Very truly yours,



James Bruce

Attorney for Mewbourne
Oil Company

*Telephone 11/5/97
11/5/97
11/5/97*

cc: Commissioner Bailey
Commissioner Weiss
William F. Carr
W. Thomas Kellahin