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NATURAL RESOURCES-OIL AND GAS LAW

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February 25, 1997

HAND DELIVERED

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

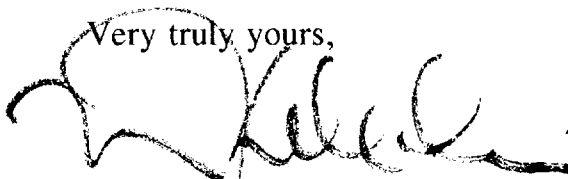
*File 11755*

Re: Avalon "1" Federal Com Well No. 2  
southern portion of Irregular Section 1, T21S, R25E, NMPM  
Application of Fasken Oil and Ranch, Ltd. for an Unorthodox  
Gas Well Location and a Non-Standard Gas Proration and Spacing  
Unit, Catclaw Draw-Morrow Gas Pool,  
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Fasken Oil and Ranch, Ltd., please find enclosed our application for an unorthodox gas well location and a non-standard proration and spacing unit which we request be set for hearing on the next available Examiner's docket now scheduled for March 20, 1997. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Fasken Oil and Ranch, Ltd.  
Attn: Sally M. Kvasnicka

Proposed notification/advertisement for OCD docket

Case 1755: Application of Fasken Oil and Ranch, Ltd. for an unorthodox gas well location and non-standard gas proration and spacing unit, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Avalon "1" Federal Com Well No. 2 at an unorthodox gas well location 750 feet from the West line and 2080 feet from the South line of Irregular Section 1, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Catclaw Draw-Morrow Gas Pool, and, if productive, to be dedicated to a non standard 297.88-acre gas spacing unit consisting of Lots 29, 30, 31, 32, and SW/4 (S/2 equivalent) of said Section 1. Said location is located approximately 9 miles northwest from Carlsbad, New Mexico.

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

IN THE MATTER OF THE APPLICATION OF  
FASKEN OIL AND RANCH, LTD. FOR AN  
UNORTHODOX GAS WELL LOCATION AND A  
NON-STANDARD GAS PRORATION AND SPACING UNIT,  
EDDY COUNTY, NEW MEXICO

CASE: 11755

**APPLICATION**

Comes now FASKEN OIL AND RANCH, LTD. ("Fasken") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for an unorthodox gas well location 750 feet from the West line and 2080 feet from the South line of Irregular Section 1, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, for its proposed Avalon "1" Federal Com Well No. 2, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Catclaw Draw-Morrow Gas Pool, and, if productive, to be dedicated to a non standard 297.88-acre gas spacing unit consisting of Lots 29, 30, 31, 32, and SW/4 (S/2 equivalent) of said Section 1.

In support thereof, Applicant states:

1. Applicant, Fasken, is the operator of the southern portion of Irregular Section 1 as a result of a Joint Operating Agreement dated April 1, 1970 which includes Mewbourne Oil Company and Matador Petroleum Corporation as non-operators.

2. Fasken, as operator, proposes to drill the Avalon "1" Federal Com Well No. 2 to be located 1650 feet from the West line and 1650 South line of Irregular Section 1, T21S, R25E, Eddy County, New Mexico. **See Exhibit 1.**

3. Fasken proposes to drill this well to a total depth of 10,650 feet to test for gas production from the Morrow formation and shallower formations.

4. The well location is within one mile of the current boundary of the Catclaw Draw-Morrow Gas Pool which is subject to the Division's Special Rules and Regulations (Order R-4157-D) which include:

"Rule: 2...shall be located no closer than 1650 feet to the outer boundary of the section nor closer than 330 feet to any governmental quarter-quarter section line."

"Rule 5: A standard gas proration unit...shall be 640-acres."

5. While the Catclaw Draw-Morrow Gas Pool is still officially "prorated", prorationing has been suspended and the wells in the pool are allowed to produce at capacity.

6. Fasken proposes to dedicate the southern 297.88 acres of Irregular Section 1 to the well if it is capable of gas production from the top of the Wolfcamp to the base of the Morrow formation.

7. 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 comprising the southern portion of Irregular Section 1 described as Lots 29, 20, 31, 32 and the SW/2 (S/2 equivalent).

8. This proposed location is the optimum location in the proposed spacing unit at which to drill to test for Morrow gas production.

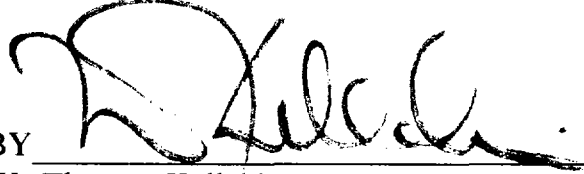
9. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

NMOCD Application  
Fasken Oil and Ranch, Ltd.  
Page 3.

10. Notification of this application has been sent to all adjoining and offsetting operators and all interest owners within Irregular Section 1, as set forth on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

BY

W. Thomas Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

**EXHIBIT "A"**

Mewbourne Oil Company  
500 W. Texas, Suite 1020  
Midland, Texas 79701  
Attn: Steve Cobb

Matador Petroleum Corporation  
415 Wall Street, Suite 101  
Midland, Texas 79701  
Attn: Mona Ables

Roy L. McKay  
P. O. Box 2014  
Roswell, New Mexico 88202

McKay Oil Corporation  
P. O. Box 2014  
Roswell, New Mexico 88202

Abode Resources 12-1  
P. O. Box 118  
Santa Barbara, CA 93102

Devon Energy Corporation (Nevada)  
Suite 1500  
20 North Broadway  
Oklahoma City, OK 73102

Bureau of Land Management  
1717 West Second Street  
Roswell, New Mexico 88201

Commissioner of Public Lands  
P. O. Box 1148  
Santa Fe, New Mexico 87504-1148

Greenwade Oil, Ltd.  
P. O. Box 1675  
Roswell, New Mexico 88202

Ralph Nix, a Partnership  
P. O. Box 440  
Artesia, New Mexico 88211

Texaco Exploration & Production, Inc.  
500 North Loraine  
Midland, Texas 79701  
Attn: Ron Lanning

Penwell Energy, Inc.  
Suite 1100  
600 North Marienfeld  
Midland, Texas 79701  
Attn: Mark Wheeler