

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

November 4, 1997

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

VIA FACSIMILE

Mr. Michael E. Stogner
Mr. David R. Catanach
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

Re: *NMOCD Case 11878*
Application of Fasken Oil & Ranch, Ltd
for an unorthodox gas well location and simultaneous dedication
Eddy County, New Mexico

Dave -
we need to
call Tom re:
Thursday (notify
witnesses not
to come).

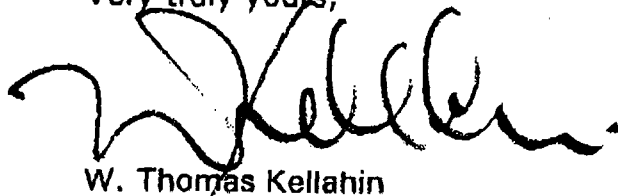
Gentlemen:

The referenced case was originally filed for administrative approval and as a result of an objection by Yates Petroleum Corporation, Mr. Stogner placed this case on the November 6th docket. (enclosed).

Yesterday, Yates Petroleum Corporation signed a waiver of objection. (enclosed). There is no other objection filed.

On behalf of Fasken Oil & Ranch, Ltd, I am requesting permission to have this case removed from the examiner docket and returned to Mr. Stogner for administrative processing. This will avoid the expense of bring witnesses to the hearing on Thursday.

Very truly yours,



W. Thomas Kellahin

cfx: Fasken Oil & Ranch, Ltd.
Attn: Sally Kvasnicka

ILLEGIBLE

FASKEN OIL AND RANCH, LTD.
303 West Wall, Suite 1900
Midland, Texas 79701
915/687.1777
fax 915/687-0669

October 23, 1997

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Janet Richardson

RE: Indian Hills Unit #15 Well, 1300'
FSL and 330' FWL of
Section 17, T21S, R24E, NMPM
Eddy County, New Mexico
Indian Basin-Morrow Gas Pool

Gentlemen:

Fasken Oil and Ranch, Ltd. ("Fasken") plans to drill its Indian Hills Unit #15 Well (hereinafter referred to as the Test Well) at the location of 1300' FSL and 330' FWL of Section 17, T21S, R24E, NMPM, Eddy County, New Mexico. Fasken and Yates Petroleum Corporation ("Yates") have reached an agreement with respect to Yates granting to Fasken a waiver as an offset operator to Fasken's Test Well in exchange for the following:

1. Both Fasken and Yates shall provide the other with well information (which includes drilling reports and logs) from the drilling of the first wells drilled by either Fasken or Yates from and after the date of this agreement. Said information shall be provided to the other party in a timely manner.
2. Fasken will grant to Yates a like waiver for Yates' well in Section 18, T21S, R24E, Eddy County, New Mexico, if requested.

If you are in agreement with the above please signify your approval by signing one copy of this letter in the space provided below and returning it to me. Should you have any questions, please feel free to call.

Very truly yours,

Sally M. Kvasnicka
Sally M. Kvasnicka
Land Manager

Post-It Fax Note	7671	Date	11-3-97	Page	2
To	Sally	From	Janet		
Co./Dept.		Co.			
Phone #		Phone #			
Fax #	915-687-7467	Fax #			

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Yates Petroleum Corporation
October 23, 1997

The parties hereto agree to WAIVE OBJECTION to the New Mexico Oil Conservation Division granting approval to drill this requested unorthodox well location without penalty and provide the well information specified above.

Company: Yates Petroleum Corporation

BY:

Title:

Date:

SMK:me

Yates-INTUIS



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(805) 827-7131

October 10, 1997

**Fasken Oil and Ranch, Ltd.
303 West Wall Avenue - Suite 1900
Midland, Texas 79701-5116**

**Attention: Tommy E. Taylor
Drilling and Production Engineer**

Re: Administrative application for Fasken Oil and Ranch, Ltd. ("Fasken") to drill its Indian Hills Unit Well No. 15 (API No. 30-015-29870) at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Lot 5/Unit M) of Section 17, Township 21 South, Range 24 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico and to dedicate to said well a non-standard 326.14-acre gas spacing and proration unit comprising Lots 3, 4, 5, and 6 and the NW/4 (W/2 equivalent) of said Section 17.

Dear Mr. Taylor:

On October 2, 1997 the Division received an objection from Yates Petroleum Corporation to the subject application, see copy of letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for November 6, 1997. Further review of this application and OCD records of wells within said Section 17 indicate that the additional matter of acreage reduction and the concomitant formation of a 337.72-acre gas spacing and proration unit comprising Lots 1, 2, 7, and 8 and the NE/4 (E/2 equivalent) of said Section 17 for Fasken's existing Indian Hills Unit Gas Com "A" Well No. 6 (API No. 30-015-20006), located at a previously approved unorthodox gas well location (see Division Administrative Order NSL-393, dated February 13, 1967) 1440 feet from the South and East lines (Lot 2/Unit J) of said Section 17 will need to be addressed at that time. This matter will therefore be advertised in the following manner:

"Application of Fasken Oil and Ranch, Ltd. for two non-standard gas spacing and proration units and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to divide the existing standard 663.86-acre gas spacing and proration unit comprising all of Section 17, Township 21 South, Range 24 East (which is located approximately 3 miles east-northeast of the Marathon Oil Company Indian Basin Gas Plant), in the Indian Basin-Morrow Gas Pool currently operated by Fasken Oil and Ranch Ltd. and dedicated to its

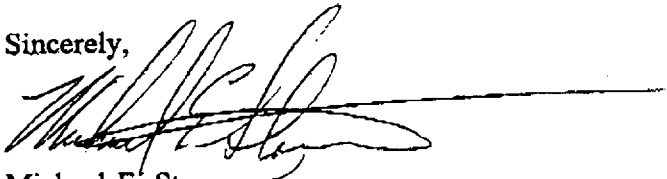
Fasken Oil and Ranch, Ltd.
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existing Indian Hills Unit Gas Com. "A" Well No. 6 (API No. 30-015-20006), located at a previously approved (see Division Administrative Order NSL-393, dated February 13, 1967) unorthodox gas well location 1440 feet from the South and East lines (Lot 2/Unit J) of said Section 17 into two separate non-standard gas spacing and proration units each comprising approximately 320 acres. Lots 1, 2, 7, and 8 and the NE/4 (the E/2 equivalent) of said Section 17, comprising 337.72 acres, is to be dedicated to the above-described Indian Hills Unit Gas Com "A" Well No. 6 and Lots 3, 4, 5, and 6 and the NW/4 (W/2 equivalent) of said Section 17, comprising 337.72 acres, is to be dedicated to the proposed Indian Hills Unit Well No. 15 (API No. 30-015-29870) to be drilled at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Lot 5/Unit M) of Section 17."

Please provide adequate notice pursuant to Rule 1207.A(5) and (6) of the Division's General Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Hobbs
Yates Petroleum Corporation, c/o William F. Carr - Santa Fe
W. Thomas Kellahin - Santa Fe
William J. LeMay, Director - OCD, Santa Fe
Kathy Valdes - OCD, Santa Fe