

Record in Case 12034

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August 27, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RECEIVED

SEP 01 1998

TO AFFECTED INTEREST OWNERS:

MARATHON OIL COMPANY
MCR LAND DEPARTMENT

Re: Application of Texaco Exploration and Production Inc. for compulsory pooling, an unorthodox gas well location and non-standard spacing and proration units, Eddy County, New Mexico

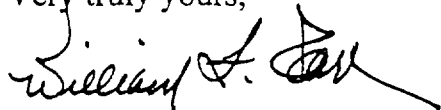
Gentlemen:

This letter is to advise you that Texaco Exploration and Production Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in certain non-standard gas spacing units in irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico. Texaco proposes to dedicate the referenced pooled units to its Rocky Arroyo Federal Com Well No. 1 to be drilled at an unorthodox location 3200 feet from the North line and 660 feet from the West line of said Section 1.

This application has been set for hearing before a Division Examiner on September 17, 1998. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR TEXACO EXPLORATION AND PRODUCTION INC.
Enc.

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

IN THE MATTER OF THE APPLICATION
OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR COMPULSORY
POOLING, AN UNORTHODOX GAS
WELL LOCATION AND NON-STANDARD
SPACING AND PRORATION UNITS,
EDDY COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC. ("Texaco"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following non-standard spacing and proration units in irregular Section 1, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico:

- A. Lots 11 through 14 and Lots 17 through 28 (N 2/3 equivalent) forming a 555.74 non-standard gas spacing and proration unit for all formations developed on 640-acre spacing, and
- B. Lots 11 through 14 and Lots 19 through 22 forming a 288.19 acre non-standard spacing and proration unit for all formations developed on 320-acre spacing underlying, ("the proposed units")

Texaco proposes to dedicate these pooled units to its proposed Rocky Arroyo Federal Com Well No. 1 to be drilled at an unorthodox well location 3200 feet from the North line and 660 feet from the West line of said Section 1. In support of its application, Texaco states:

1. Texaco is a working interest owner in the proposed units and has the right to drill thereon.

2. Texaco proposes to drill its Rocky Arroyo Federal Com Well No. 1 at a standard location 3200 feet from the North line and 660 feet from the West line of said Section 1 to test Upper Pennsylvanian and the Morrow formations, (or: all formations from the surface to the base of the Morrow formation).

3. Texaco has sought and been unable to obtain either a voluntary agreement for pooling or farmout from certain interest owners in the proposed units.

4. Said pooling of interests and the drilling of the proposed well will avoid the drilling of unnecessary wells, will prevent waste and protect correlative rights.

5. In order to permit Texaco to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Texaco should be designated the operator of the proposed well and spacing and proration units.

WHEREFORE, Texaco Exploration and Production Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 17, 1998, and, after notice and hearing as required by law, the Division enter its order:

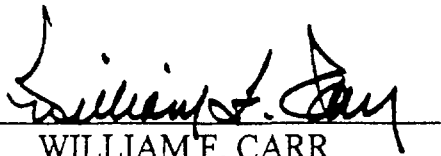
- (1) pooling the subject non-standard spacing and proration units, including provisions designating Texaco operator of the well and spacing units, authorizing Texaco to recover its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk

assumed by Texaco in drilling, completing and equipping the well;

- (2) approving the proposed non-standard spacing and proration units; and
- (3) approving an unorthodox well location for the Rocky Arroyo Federal Com Well No. 1 3200 feet from the North line and 660 feet from the West line of said Section 1.

Respectfully submitted,

CAMPBELL, CARR, BERGE,
& SHERIDAN, P.A.

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