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August 25, 1998

HAND-DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

12051

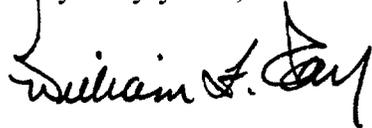
98 AUG 25 PM 5:08
OIL CONSERVATION DIV.

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

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Texaco Exploration and Production Inc. in the above-referenced case as well as a draft of a legal advertisement for this case. Texaco, respectfully requests that this matter be placed on the docket for the September 17, 1998 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: David Sleeper (w/enclosures)
Texaco Exploration and Production Inc.
W. Thomas Kellahin, Esq. (w/enclosures)

**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. 12051

OIL CONSERVATION DIV.
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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:

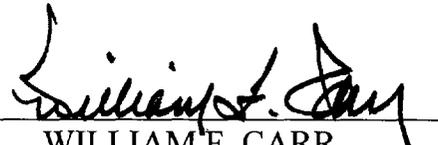
- (1) pooling the subject non-standard spacing and proration units, including provisions designating Texaco operator of the well and spacing units, authorizing Texaco to recover its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the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

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR TEXACO EXPLORATION
AND PRODUCTION INC.

CASE 12051

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. Applicant in the above-styled cause seeks an order pooling all mineral interests in the Upper Pennsylvanian formation and Morrow formation, Catclaw Draw-Morrow Gas Pool, underlying the following described acreage in irregular Section 1, Township 21 South, Range 25 East, in the following manner: Lots 11 through 14 and 17 through 28 to form a 555.74 acre non-standard gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent and, Lots 11 through 14 and Lots 19 through 22 to form a 288.19 acre non-standard spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent. Said units are to be dedicated to the proposed Rocky Arroyo Federal Com Well No. 1 which is proposed at an unorthodox location 3200 feet from the North line and 660 feet from the West line of said Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 3/4 miles East of the Junction of State Highway 137 and U.S. Highway 285, Eddy County, New Mexico.

OIL CONSERVATION DIV.

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