



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

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 27, 2000

John H. Hendrix Corporation
P. O. Box 3040
Midland, Texas 79702-3040

11/24/00

Attention: Ronnie H. Westbrook
Vice-President

Re: *Administrative application for the creation of a non-standard 80-acre gas spacing and proration unit within the Undesignated Skaggs-Abo Gas Pool comprising the E/2 SW/4 of Section 11, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, to be dedicated to its proposed Skaggs "B" Acc. 1 Well No. 7 (API No. 30-025-33989) to be drilled at a standard gas well location 1980 feet from the South and West lines (Unit K) of Section 11, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.*

Dear Mr. Westbrook:

The Skaggs-Abo Gas Pool currently comprises the following described area in Lea County, New Mexico and is subject to Division statewide Rule 104.C (3), requiring 160-acre spacing and proration units:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 2:	S/2
Section 3:	E/2
Section 10:	NE/4
Section 11:	E/2
Section 12:	All
Section 13:	NW/4
Section 14:	N/2
Section 15:	NE/4 and S/2.

Further, since the Skaggs-Abo Gas Pool is a "non-prorated" gas pool, Division Rule 104.D (3) applies, which rules limit standard 160-acre gas spacing units to only one producing well therein. To reiterate, this means that only one well will be allowed in any one quarter section at a time within the Skaggs-Abo Gas Pool. The creation of an 80-acre non-standard gas spacing and proration unit in the E/2 SW/4 of Section 11 would therefore: (i) require the drilling of a second well in the SW/4 of Section 11 to assure that all interest owners are adequately compensated; and (ii) would cause inequitable drainage within the surrounding units by doubling the number of wells in the SW/4 of this section. Your administrative application appears to promote waste, does not serve to protect correlative rights, and promotes the drilling of unnecessary wells. Further, your application failed to provide an adequate explanation as to why forced pooling in this instance is not an option.

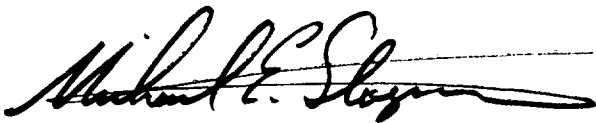
This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for June 1, 2000 and will be advertised in the following manner:

"Application of John H. Hendrix Corporation for a non-standard gas spacing and proration unit or, in the alternative, for compulsory pooling, Lea County, New Mexico. Applicant seeks authority to establish an 80-acre non-standard gas spacing and proration unit comprising the E/2 SW/4 of Section 11, Township 20 South, Range 37 East (which is located approximately three miles southeast of Monument, New Mexico), in the Undesignated Skaggs-Abo Gas Pool. This unit is to be dedicated to the applicants proposed Skaggs "B" Acc. 1 Well No. 7 (API No. 30-025-33989) to be drilled at a standard gas well location 1980 feet from the South and West lines (Unit K) of Section 11. IN THE ALTERNATIVE, the applicant seeks an order pooling all mineral interests in the Undesignated Skaggs-Abo Gas Pool underlying the SW/4 of Section 11, thereby forming a standard 160-acre gas spacing and proration unit for this pool. This standard 160-acre unit is to be dedicated to the above-described Skaggs "B" Acc. 1 Well No. 7. Also to be considered will be the cost of drilling and completing the 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 standard 160-acre unit, and a charge for risk involved in drilling the well.

Please provide adequate notice pursuant to Division Rules 1207.A (1) and (3).

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Roswell
William F. Carr, Legal Counsel for John H. Hendrix Corporation - Santa Fe
Kathy Valdes - NMOCD, Santa Fe
Florene Davidson - NMOCD, Santa Fe