

OIL CONSERVATION DIV.
60 JUL 13 1999

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

IN THE MATTER OF THE APPLICATION OF FUEL PRODUCTS,
INC., FOR COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.

OIL CONSERVATION DIV.
60 JUL 13 1999
CASE NO. 12446

RESPONSE TO MOTION TO DISMISS

Fuel Products, Inc. ("Fuel Products"), Applicant in the above-captioned case, responds to the Motion to Dismiss filed by Phillips Petroleum Company ("Phillips"), on July 11, 2000. This case should not be dismissed because Fuel Products has satisfied the requirements of NMSA 1978, Section 70-2-17(C) (1935), by which the New Mexico Oil Conservation Division ("the Division") has the authority to compulsorily pool Phillips' interest in the spacing unit which is the subject of this action. Moreover, Fuel Products has negotiated in good faith with Phillips for over 9 months, beginning in September, 1999, regarding the terms and conditions by which Phillips might participate in the well which is the subject of this case. Finally, representations made by Phillips in its Motion to Dismiss, that Phillips has not received the Application which is the subject of this case, are simply incorrect. Therefore, Phillips' Motion to Dismiss should be denied.

Phillips' Motion to Dismiss is founded upon its belief that Fuel Products has "violated Section 70-2-17(C) NMSA 1978 (*sic*) by instituting an application for compulsory pooling prior to conducting a good faith effort to reach a voluntary agreement." Phillips misrepresents the requirements of Section 70-2-17. As to compulsory pooling, that statute provides:

When two or more separately owned tracts of land are embraced within a spacing proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners,

who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both . . .

Under the express language of the statute as set forth above, Section 70-2-17(C) sets the following prerequisites to a compulsory pooling proceeding:

1. The Applicant must be an “owner of royalty interests or undivided interests and oil and gas minerals which are separately owned”;
2. The “owner or owners have not agreed to pool their interests”; and,
3. One of the owners “has the right to drill or proposes to drill a well on said unit to a common source of supply.”

On June 20, 2000, Fuel Products filed the Application which is the subject of this action. That Application satisfies the requirements of Section 70-2-17(C):

1. It states that Fuel Products is an owner of mineral interests underlying the E/2 of Section 18, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico. *See* Application, filed May 23, 2000, at ¶ 1;
2. It states that Fuel Products has not reached voluntary agreement for pooling or farmout from certain interest owners in the subject spacing unit, *Id.* at ¶ 3; and,
3. It states that Fuel Products has the right to drill a well on the subject acreage, *id.* at ¶ 1, and that Fuel Products proposes to drill a well on the subject acreage. *Id.* at ¶ 2;

Phillips claims that Fuel Products has violated Section 70-2-17(C). In fact, Fuel Products has expressly satisfied every requirement. Phillips is wrong. Phillips’ Motion to Dismiss must be denied.

The specific “good faith” negotiation requirement of which Phillips complains is not contained in Section 70-2-17(C). In fact, Fuel Products has satisfied the requirements of Section 70-2-17(C). Instead, Phillips points to a number of Division cases for its assertion that the “custom and practice” of the Division requires that Fuel Products make a “good faith” effort to reach voluntary agreement as to the project.

Fuel Products has made a good faith effort to reach voluntary agreement with Phillips concerning Phillips’ interest in this case. Attached to this Response as Exhibit “A” is an affidavit from Tom Beall, president of Fuel Products, Inc., dated July 12, 2000. That affidavit establishes that Fuel Products began in September, 1999, to attempt to reach agreement with Phillips regarding the lands which are the subject of this case. Specific terms and conditions of a business transaction, regarding Phillips’ voluntary joinder in the project which is the subject of this case, have been discussed at least since April, 2000. Fuel Products has made a good faith effort to obtain Phillips’ voluntary joinder.

Moreover, the Division cases to which Phillips points are inapposite to this case. In NMOCD Case 11434, Order R-10545, a case filed by Meridian Oil, Inc. was dismissed. In that case, it appears that there was no effort to obtain the other parties’ voluntary joinder, until eight days before Meridian filed its application for compulsory pooling. (*See* Order No. R-10545 at ¶ 9). Similarly, in Order No. R-10977, a case filed by Redstone Oil and Gas Company was dismissed because no efforts to obtain voluntary joinder were made until two weeks after the application for compulsory pooling was filed. No discussion of the efforts to obtain voluntary joinder is contained in Order No. R-10242. In Orders R-9204, R-10571, R-11118, R-11011, R-11887, and R-10984, the cases were dismissed because the Applicant voluntarily requested dismissal. Finally, in Orders R-9829 and R-9856, the applications for

compulsory pooling were granted.

In contrast, in this case, Fuel Products has negotiated the specific terms and conditions of Phillips' voluntary joinder since at least April, 2000. Furthermore, Fuel Products has discussed trades involving the lands since at least September, 2000. Fuel Products has made a good faith effort to obtain Phillips' voluntary joinder, and Phillips' Motion should be denied.

Finally, Phillips is incorrect in its factual recitation in its Motion to Dismiss. Phillips states that it did not receive Fuel Products letter dated June 14, 2000, proposing the well at issue in this case, until June 22, 2000. In fact, that letter was faxed to Phillips on June 15, 2000. (*See* facsimile transmission sheet, attached to June 14, 2000 letter from Fuel Products, Inc. (attached hereto as Exhibit "B")). Similarly, Phillips states that it has still not received Fuel Products' Application in this case. In fact, a representative of Phillips signed a receipt acknowledging receipt of that application on June 26, 2000 (*See* return receipt, attached to letter from Paul R. Owen, Esq. to Phillips Petroleum Co., June 20, 2000 (attached hereto as Exhibit "C")).

Fuel Products has satisfied the requirements of Section 70-2-17. Fuel Products negotiated in good faith with Phillips for an extended period prior to filing its Application in this case. Phillips' Motion to Dismiss is not well taken, and should be denied.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: 

PAUL R. OWEN

Post Office Box 2307

Santa Fe, New Mexico 87504-2307

Telephone: (505) 982-3873

Facsimile: (505) 982-4289

ATTORNEYS FOR FUEL PRODUCTS, INC.

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of July, 2000, I have caused a copy of Fuel Products Inc.'s Response to Motion to Dismiss in the above-captioned case to be sent by facsimile and by first class U.S. Mail, return receipt requested, to the following named parties:

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
Post Office 1986
Santa Fe, NM 87504-1986
Attorneys for Nearburg Exploration Company, LLC.

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
Attorney for Phillips Petroleum Co.



Paul R. Owen

M:\Attorneys\PRO\Fuel Products Inc\response dismiss.71200.wpd

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

IN THE MATTER OF THE APPLICATION OF FUEL PRODUCTS,
INC., FOR COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.

CASE NO. 12446

AFFIDAVIT OF THOMAS M. BEALL

STATE OF TEXAS }
 } ss.
COUNTY OF MIDLAND }

Thomas M. Beall, being first duly sworn, upon oath states:

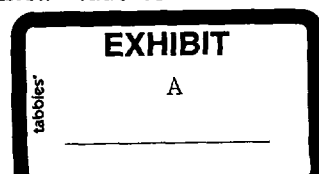
1. I am a resident of Midland, Texas. I am president of and a principal in Fuel Products, Inc.

I am familiar with the subject matter of the above-referenced case which is pending before the New Mexico Oil Division. I have personal knowledge of all statements contained herein.

2. Beginning in September, 1999, I have attempted to work with Phillips Petroleum Co. ("Phillips"), in order to obtain Phillips' voluntary joinder in the project which is the subject of this case, or arrange a trade or other business transaction regarding the property which is the subject of the above-referenced case.

3. Attached to this Affidavit as Exhibit "1" is a telephone log, which I prepared, reflecting the telephone contacts between myself and representatives of Phillips. I am the custodian of records of Fuel Products, Inc. The attached Exhibit 1 is kept in Fuel Products' business records, and is a summary of the type of business record normally kept by Fuel Products in the course of its normal business dealings. I have personal knowledge of the substance of the telephone and other contacts between Fuel Products and Phillips, as reflected on the attached Exhibit 1.

4. As reflected on Exhibit 1, in January, 2000, I discussed with Phillips a general trade of



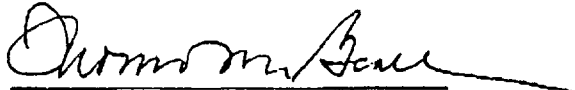
mineral properties owned by Fuel Products and Phillips in the area which is the subject of this case.

5. As reflected on Exhibit 1, on April 11, 2000, I left a message with Phillips, in which I advanced a specific trade proposal concerning the lands which are the subject of this case.


6. As reflected on Exhibit 1, by May 22, 2000, I discussed directly with Phillips a trade proposal, a term assignment, an overriding royalty interest, and other specific terms and conditions of a business transaction whereby Phillips would either join the project which is the subject of this action, or Fuel Products would acquire Phillips' interest in the subject acreage.

7. Based on my 20+ years' experience as a petroleum engineer, it is my opinion that I have made a good faith effort, beginning in September, 1999, and including discussions of specific terms and conditions in at least April, 2000, to obtain Phillips' voluntary joinder in the project which is the subject of this case.

FURTHER AFFIANT SAYETH NAUGHT.


Thomas M. Beall

SUBSCRIBED AND SWORN TO before me this 12th day of July, 2000, by Thomas M. Beall.


Notary Public

My commission expires:

7-6-2002



AFFIDAVIT OF THOMAS M. BEALL

Page 2

MEMO TO FILE

Subject: Illinois Camp Prospect - TMB telephone log

RE: Phillips Petroleum Interest

<u>Date</u>	<u>Contact</u>	<u>Discussion</u>
Sept99	R.Watts	Hired to contact Phillips etal 18-28; called R. Lewicki, did not rtn calls - see R.Watts Memo.
1/18	R.Lewicki	Discussed ownership & possible trade in 18-28.
4/11	R.Lewicki	L/M - I Made specific trade proposal.
4/12	R.Watts	? heard from R. Lewicki? - No
4/17	R.Watts	? any news? - No
5/1	P.Haden	Said he would call Phillips and say that Mewborne was going to support FPI.
5/19	R.Watts	? - No
5/22	R.Lewicki	Well Proposal to join; also proposed term assmt for cash and an ORRI (Same deal I had with another owner in the Unit)
5/23	K.Dixon(Marathon)	Asked to confirm they had a deal with NEC - Yes
	R.Lewicki	Disclosed terms Offered a substitute Term Assignment deal. More \$ and more ORRI
5/24	R.Lewicki	Offer to increase \$ and decrease ORRI (Same trade as another approved trade).
6/12	T.Kellahin	L/M re Join w/ Phillips - co-council?
	R.Lewicki	L/M re Join w/ Phillips - co-council?
	R.Lewicki	I Called again: Discussed co-council and AFE.
	R.Lewicki	Recalled: Restated that I would do either trade that I had already done with other owners in the prospect;Phillips would not commit to deal, Join, or co-council.
6/13	R.Lewicki	L/M: that I would like to negotiate; that I can't wait any longer; told him that I have hired P. Owen and will pursue pooling.
6/15	R.Lewicki	said he would term assign to either FPI or NEC; will not release T.Kellahin to represent me; I re-offered my trade proposals.
7/6	R.Lewicki	He said: he doesn't know where we stand; he can't do anything without D.Tompkins; I need to talk to D. Tompkins; hasn't heard anything from T. Kellahin; He then transferred me to D.Tompkins'extension.....
(cont.)	D.Tompkins	Randy left a msg then I Left lengthy msg on voice mail asking for her to approve a trade or join; was cut off due to time limits on voice mail.

Fasken Tower II, Suite 220
550 West Texas St.
P. O. Box 3098
Midland, TX 79702
(915) 687-0008

Fax: (915) 687-0000

*Fuel Products, Inc.***FAXED**
6-15-00
6:00p**Fax**

To: Phillips Petroleum Company **From:** Thomas M. Beall
Fax: 915-368-1633 **Pages:** 5 (Incl. Cover)
Phone: **Date:** 6/15/00
Re: **CC:**
☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Fasken Tower II, Suite 220
550 West Texas St.
P. O. Box 3098
Midland, TX 79702
(915) 687-0008

Fax: (915) 687-0000

*Fuel Products, Inc.***FAXED**
6-15-00
6:03p**Fax**

To: Nearburg Exploration Co. LLC **From:** Thomas M. Beall
Fax: 915-686-7806 **Pages:** 5 (Incl. Cover)
Phone: **Date:** 6/15/00
Re: **CC:**
☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

EXHIBIT

B

tabbles

Z 208 718 881

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to		Phillips Petroleum Co.
Street & Number		4044 Penbrook
Post Office, State, & ZIP Code		Odessa, TX 79762
Postage		\$
Certified Fee		
Special Delivery Fee		
Restricted Delivery Fee		
Return Receipt Showing to Whom & Date Delivered		
Return Receipt Showing to Whom, Date, & Addressee's Address		
TOTAL Postage & Fees		\$ 3.20
Postmark or Date		
JUN 21 2000		

PS Form 3800, April 1995

our RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Phillips Petroleum Co.
P.O. Box 50020
Midland, TX. 79710

4a. Article Number
Z208 718 881

4b. Service Type
☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery
JUN 16 6-20

5. Received By: (Print Name)
Stacy Nolen

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: Addressee or Agent
x Stacy Nolen

Thank you for using Return Receipt Service.

COPY

FUEL PRODUCTS, INC.

**FASKEN CENTER TOWER II
550 WEST TEXAS, SUITE 220**

**P. O. BOX 3098
MIDLAND, TX 79702
(915) 687-0008**

June 14, 2000

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

**WORKING INTEREST OWNERS
(Distribution List Attached)**

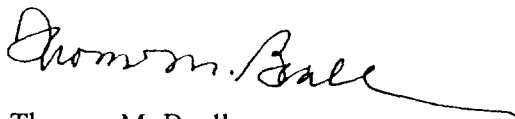
Re: Illinois Camp 18 State #1
990' FSL & 660' FEL (Unit P)
Sec. 18, T-18-S, R-28-E
Eddy County, New Mexico

Gentlemen:

We are enclosing an AFE setting forth Fuel Products, Inc.'s estimated cost to drill and complete a Morrow test well in the captioned area. The AFE is for your review and execution should you elect to participate in the drilling of this test well.

Should you not elect to participate, Fuel Products, Inc. would consider acquiring a term assignment or farmout of your interest on reasonable terms.

Yours very truly,



Thomas M. Beall
President

JMG/kim

Enclosures

COPY

ILLINOIS CAMP 18 STATE #1

990' FSL & 660' FEL (Unit P)

Sec. 18, T-18-S, R-28-E

Eddy County, New Mexico

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

Louis Dreyfus Gas Holdings, Inc.
Quail Springs Corporate Park
14000 Quail Springs Parkway #600
Oklahoma City, OK 73134

Mewbourne Oil Company
P. O. Box 5270
Hobbs, NM 88241

Phillips Petroleum Co.
4044 Penbrook
Odessa, TX 79762

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

APB
WELL COST ESTIMATE

DRILLING & TESTING
Footage Bid

Operator	<u>Fuel Products, Inc.</u>	Well Name	<u>Illinois Camp 18 State</u>	No.	<u>1</u>
Projected Depth	<u>11,000</u>	Objective	<u>Morrow</u>	Expl	<u>X</u>
Location	<u>990' FSL & 660' FEL (Unit P) Sec. 18, T-18-S, R-28-E</u>			Devel	<u>WO</u>
Area	<u>Wildcat</u>	County	<u>Eddy</u>	Elev.	<u>N M</u>

ESTIMATED

INTANGIBLE DRILLING COSTS

Surface Damages	\$	5,500
Roads & Location:		
Survey & Stake		2,000
Roads, Pad & Clearing		21,000
Drilling: Footage	11,000 @ 19.10 /ft.	210,100
Day work w/ pipe	2 Days @ \$ 6,000 /day	12,000
Day work wo/pipe	Days @ \$ /day	0
Rig mob & RD		0
Bits & Drilling tools		0
Cementing:		
Surface Csg Cmt, Services & Hardware		4,000
Intermed. Csg Cmt, Services & Hardware		13,000
Water Hauling		16,000
Mud & Chemicals		35,000
Coring		
Testing _____ DSTs		5,000
Contract Services:		
Casing Crews		8,000
Welding		1,000
Pit Lining		2,000
Equipment Rental		18,000
Hauling		2,000
Logging: Mud Log from _____ to _____		11,000
Electrical Surveys _____ to _____		30,000
Wellsite Geologist		4,000
Engineering Supervision		15,000
Expense in Field: Geological		1,500
Engineering		3,000
Overhead - Drilling Well Rate		6,000
Insurance* - General Liability		6,000
Miscellaneous, Taxes, Contingencies		20,000
TOTAL INTANGIBLE DRILLING COSTS:	\$	451,100

TANGIBLE DRILLING COSTS

Surface Csg	425 feet of 13 3/8" @ 23.50 /ft	\$ 9,988
Intermed. Csg	2,900 feet of 9 5/8" @ 13.60 /ft	39,440
Wellhead		3,000
Miscellaneous		5,000
TOTAL TANGIBLE DRILLING COSTS	\$	57,428

TOTAL DRILLING COSTS

\$ 508,528

INTANGIBLE ABANDONMENT COSTS

Rig Time	\$ 6,000
Cement for Plugging & Cementing Service	4,500
Location Clean-up and Fence Work	3,500
Miscellaneous	1,600

TOTAL INTANGIBLE ABANDONMENT COSTS

\$ 15,600

TOTAL DRY-HOLE COSTS

\$ 524,128

* Optional OEE Insurance \$10,000

COPY

AFE
WELL COST ESTIMATE

COMPLETION & EQUIPMENT
Footage bid - Flowing from Morrow

Operator Fuel Products, Inc. Well Name Illinois Camp 18 State No. 1
Projected Depth 11,000 Objective Morrow Expl X Devel WO
Location 990' FSL & 660' FEL (Unit P) Sec. 18, T-18-S, R-28-E Elev.
Area Wildcat County Eddy Stat NM

ESTIMATED

INTANGIBLE COMPLETION COSTS

Pulling Unit Day Work	<u>10</u> Days @	\$1,500 /day	\$ <u>15,000</u>
Cement, Services & Hardware			<u>19,000</u>
Logging: Electrical Surveys			<u>4,500</u>
Perforating			<u>3,000</u>
Treating: Formation Stimulation			<u>12,000</u>
Engineering Supervision			<u>4,000</u>
Engineering Expense in Field			<u>1,500</u>
Testing			<u>4,000</u>
Equipment Rental:	Surface		<u>2,500</u>
	Subsurface		<u>5,000</u>
Hauling			<u>3,000</u>
Overhead Drilling Well Rate			<u>2,000</u>
Clean-up			<u>5,000</u>
Miscellaneous			<u>12,000</u>
TOTAL INTANGIBLE COMPLETION COSTS			\$ <u>92,500</u>

TANGIBLE COMPLETION COSTS

Production Casing:			
<u>11,000</u>	of <u>5 1/2"</u>	Csg @ \$ <u>10</u> /ft,	\$ <u>110,000</u>
Tubing:			
<u>10,800</u>	of <u>2 7/8"</u>	<u>6.5#</u> J-55 Tbg @ \$ <u>3.25</u> /ft,	\$ <u>35,100</u>
Sucker Rods:			
<u></u>	of <u></u>	@ \$ <u></u> /ft.	\$ <u>0</u>
Subsurface Pump & Accessories Packer			<u>4,000</u>
Xmas Tree			<u>9,000</u>
Pumping Unit, Base, Engine/Motor & Controls			<u>0</u>
Tank Battery (Complete w/ Connections)			<u>15,000</u>
Heater/Treater			<u>12,500</u>
Flow Lines			<u>15,000</u>
Contract Services: Installation Labor			<u>10,000</u>
Miscellaneous & Fencing			<u>6,000</u>
TOTAL TANGIBLE COMPLETION COSTS			\$ <u>216,600</u>
TOTAL COMPLETION COSTS			\$ <u>309,100</u>
TOTAL COMPLETED WELL COSTS			\$ <u>817,628</u>

Interest : %
Share: \$

APPROVED:

COMPANY: Fuel Products, Inc.

BY: Thomas J. Ball

DATE: June 15, 2000

APPROVED:

COMPANY:

BY:

DATE:

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out"

F

OF COUNSEL
William R. Federici
Bruce Herr

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

J.O. Seth (1883-1963)
A.K. Montgomery (1903-1987)
Frank Andrews (1914-1981)
Seth D. Montgomery (1937-1998)

June 20, 2000

Victor R. Ortega
Gary Kilpatrick
Thomas W. Olson
Walter J. Melendres
John B. Draper
Nancy M. King
Sarah M. Singleton
Stephen S. Hamilton
Galen M. Buller
Edmund H. Kendrick
Louis W. Rose

Carolyn A. Wolf
Andrew S. Montgomery
Grace Philips
Jennifer L. Weed
Margaret McNett
Paul R. Owen
Jeffery L. Martin
Brett Olsen
Emma Rodriguez Brittain
Germaine R. Chappelle

325 Paseo de Peralta
Santa Fe, New Mexico 87501

Telephone (505) 982-3873
Fax (505) 982-4289

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

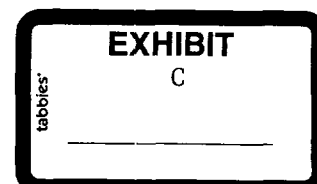
Phillips Petroleum Co.
4044 Penbrook
Odessa, Texas 79762

Re: *Application of Fuel Products, Inc. for Compulsory Pooling, Eddy County, New Mexico*

Ladies and Gentlemen:

This letter is to advise you that Fuel Products, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests underlying the E/2 of Section 18, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, in the following manner: all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated North-Illinois Camp-Morrow Gas Pool; all formations developed on 160-acre spacing underlying the SE/4; and all formations developed on 40-acre spacing underlying the SE/4 SE/4, which includes, but is not necessarily limited to, the undesignated Empire Abo Pool, the undesignated Artesia Queen-Grayburg-San Andres Pool, and the undesignated Red Lake Queen-Grayburg-San Andres Pool. Said spacing and proration units are to be dedicated to Fuel Products' proposed Illinois Camp 18 State #1 Well, to be drilled at standard location in the SE/4 (Unit P) of said Section 18. 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 Fuel Products, Inc. as operator of the well and a charge for risk involved in drilling said well.

This application has been set for hearing before a Division Examiner on July 13, 2000. 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.

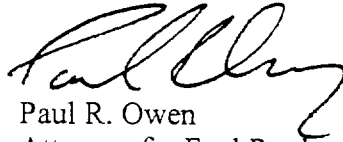


June 20, 2000

Page 2

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,

A handwritten signature in black ink, appearing to read "Paul R. Owen". The signature is fluid and cursive, with a large, stylized "P" and "O".

Paul R. Owen
Attorney for Fuel Products, Inc.

Encl.

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

IN THE MATTER OF THE APPLICATION OF FUEL
PRODUCTS, INC., FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

CASE NO.

APPLICATION

FUEL PRODUCTS, INC., ("Fuel Products"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.S.A. 1978, Section 70-2-17, for an order pooling all mineral interests underlying the E/2 of Section 18, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, in the following manner: all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the undesignated North-Illinois Camp-Morrow Gas Pool; all formations developed on 160-acre spacing underlying the SE/4; and all formations developed on 40-acre spacing underlying the SE/4 SE/4, which includes but is not necessarily limited to the undesignated Empire Abo Pool, the undesignated Artesia Queen-Grayburg-San Andres Pool, and the undesignated Red Lake Queen-Grayburg-San Andres Pool. Said spacing and proration units are to be dedicated to Fuel Products' proposed Illinois Camp 18 State #1 Well, to be drilled at standard location in the SE/4 (Unit P) of said Section 18. In support of its application, Fuel Products states:

1. Fuel Products is a working interest owner in said Section 18 and has the right to drill thereon.
2. Fuel Products proposes to dedicate the above-referenced spacing or proration units to its proposed Illinois Camp 18 State #1 Well, to be drilled at a standard location in the SE/4 of said Section 18, to a depth sufficient to test any and all formations from the surface to the base of the Morrow formation.

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OIL CONSERVATION DIV.

3. Fuel Products has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units from those interest owners identified on Exhibit A to this application.

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

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and the Applicant Fuel Products, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, Fuel Products, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 13, 2000, and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Fuel Products, Inc. operator of these spacing and proration units, and authorizing Fuel Products, Inc. to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by Fuel Products, Inc. in drilling, completing and equipping the well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: 

PAUL R. OWEN
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
Telephone: (505) 982-3873
Facsimile: (505) 982-4289

ATTORNEYS FOR FUEL PRODUCTS, INC.

**EXHIBIT A
NOTIFICATION LIST
APPLICATION OF FUEL PRODUCTS, INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

**SECTION 18, TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM,
EDDY COUNTY, NEW MEXICO**

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Louis Dreyfus Gas Holdings, Inc.
Quail Springs Corporate Park
14000 Quail Springs Parkway #600
Oklahoma City, Oklahoma 73134

Mewbourne Oil Company
P.O. Box 5270
Hobbs, New Mexico 88241

Phillips Petroleum Co.
4044 Penbrook
Odessa, Texas 79762

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Nearburg Exploration Company, L.L.C.
c/o J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702

CASE ____: Application of Fuel Products, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests underlying the E/2 of Section 18, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, in the following manner: all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated North-Illinois Camp-Morrow Gas Pool; all formations developed on 160-acre spacing underlying the SE/4; and all formations developed on 40-acre spacing underlying the SE/4 SE/4, which includes, but is not necessarily limited to, the undesignated Empire Abo Pool, the undesignated Artesia Queen-Grayburg-San Andres Pool, and the undesignated Red Lake Queen-Grayburg-San Andres Pool. Said spacing and proration units are to be dedicated to Fuel Products' proposed Illinois Camp 18 State #1 Well, to be drilled at standard location in the SE/4 (Unit P) of said Section 18. 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 10 miles Southeast of Artesia, New Mexico.

P-573 835 788

Phillips Petroleum Co.
4044 Pembroke
Odessa, TX 79762
JUN 20 2000

Is your RETURN address completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. A Phillips Petroleum Co.
P.O. BOX 50020
Midland, TX 79710

4a. Article Number

P-573 835 788

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

6-26-99

5. Received By: (Print Name)

Stacy Nolen

6. Signature: (Addressee or Agent)

X Stacy Nolen

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.