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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 10676

APPLICATION OF MITCHELL ENERGY CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

ESRVATION DIVISION

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MITCHELL ENERGY CORPORATION as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MITCHELL ENERGY CORP.
2001 Timberloch Place
P.O. Box 4000
The Woodlands, TX 77387
ATTN: Mark N. Stephenson

ATTORNEY

W. Thomas Kellahin KELLAHIN AND KELLAHIN P.O. Box 2265 Santa Fe, NM 87504 (505) 982-4285

OPPOSITION OR OTHER PARTY (Name, Address, and Phone)

ATTORNEY

N/A

Pre-Hearing Statement Case No. 10676 Page 2

STATEMENT OF CASE

APPLICANT

Mitchell Energy Corporation has attempted to obtain the voluntary agreement of all interest owners within each of the various spacing units which could be dedicated to its proposed Corral Fly "35" Com #1 Well to be drilled at a standard well location in Unit F of Section 35, Township 24 South, Range 29 East, Eddy County, New Mexico.

Those various spacing units range from 40 acres for oil production and 320 acres for gas production.

Despite Mitchell's efforts, there are still several owners who have not yet executed form agreements committing their respective interests to the well. In addition, there are other owners who have not agreed to voluntary participation.

Mitchell needs a compulsory pooling order to pool all affected interest owners who have not voluntarily agreed to participate.

OPPOSITION OR OTHER PARTY

Pre-Hearing Statement Case No. 10676 Page 3

PROPOSED EVIDENCE

<u>APPLICANT</u>

WITNESSES	EST. TIME	EXHIBITS
Steve Smith Landman	20 Minutes	4 Exhibits
Ken Macho Geologist	20 Minutes	5 Exhibits
Carl Richard Petroleum Engineer	15 Minutes	2 Exhibits
OPPOSITION OR OTHER PARTY		
WITNESSES	EST. TIME	EXHIBITS

PROCEDURAL MATTERS

None applicable at this time.

Respectfully submitted,

KELLAHIN AND KELLAHIN,

BY: W. Thomas Kellahin

Post Office Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

ATTORNEYS FOR MITCHELL ENERGY

CORPORATION

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

Post Office Box 2265

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

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)

SANTA FE, NEW MEXICO 87504-2265

February 8, 1993

FFR 8 1993
OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. William J. LeMay Oil Conservation Division 310 Old Santa Fe Trail, Room 219 Santa Fe, New Mexico 87501

RE: CORRAL FLY "35" FED. COM #1 WELL
Application of Mitchell Energy
Corporation for Compulsory Pooling,

Eddy County, New Mexico

10676

Dear Mr. LeMay:

On behalf of Mitchell Energy Corporation, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for March 4, 1993.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Also enclosed is our proposed notice of publication for this case attached as Enclosure (1).

In accordance with Division Memorandum 2-90, parties who may appear in this case are hereby requested to file a Pre-Hearing Statement with the Division, copy to Applicant's attorney not later than 4:00 PM on Friday, February 26, 1993. A copy of the Pre-Hearing Statement form, attached as Enclosure (2) is being sent to all

Mr. William J. LeMay February 8, 1993 Page Two

those parties entitled to notice as set forth in the application.

W. Thomas Kellahin

WTK/jcl Enclosure

xc: With Application and Enclosure (1)

Mr. Steve J. Smith

Mitchell Energy Corp. - Midland, TX

Mr. Mark Stephenson

Mitchell Energy Corp. - The Woodlands, TX

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed on Exhibit "B" of the Application with Enclosure (2)

appt208.031

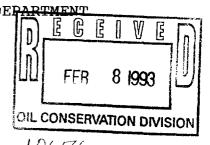
Enclosure (1)

Proposed Advertisement for OCD Hearing Docket

CASE : Application of Mitchell Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the N/2 of Section 35, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the E/2NW/4 forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the SE/4NW/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said appropriate unit is to be dedicated to its Corral Fly "35" Fed. Com #1 Well to be drilled and completed at an standard well location 1980 feet from the West line and 1980 feet from the North line (Unit F) of said Section 35. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 16 miles Southeast from Carlsbad, New Mexico.

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

IN THE MATTER OF THE HEARING CALLED BY THE DIVISION FOR THE PURPOSES OF CONSIDERING:



CASE NO.

APPLICATION OF MITCHELL ENERGY CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

APPLICATION

Comes now MITCHELL ENERGY CORPORATION, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Pennsylvanian underlying the N/2 of Section 35, T24S, R29E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the E/2NW/4 forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the SE/4NW/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said appropriate unit is to be dedicated to its Corral Fly "35" Fed. Com #1 Well to be drilled and completed at a standard well location 1980 feet from the West line and 1980 feet from the North line (Unit F) of said Section 35.

In support of its application, Mitchell Energy Corporation ("Mitchell") states:

- 1. Mitchell has a working interest ownership in the oil and gas minerals underlying the N/2 of Section 35, T24S, R29E, NMPM, Eddy County, New Mexico. The N/2 of said Section 35 is divided into three tracts as shown on Exhibit "A" attached hereto.
- 2. Mitchell has proposed the drilling and completing of its Corral Fly "35" Fed Com #1 Well at a standard well location 1980 feet from the North line and 1980 feet from the West line (Unit F) of said Section 35 to all appropriate working interest owners.

- 3. To the best of Mitchell's knowledge, all of the working interest ownership of the oil & gas minerals from the surface to the base of the Pennsylvanian formation underlying the N/2 of Section 35 are identified on Exhibit "B" attached hereto.
- 4. Mitchell has proposed the subject well to all the appropriate working interest owners but, as of the date of this application, Mitchell has not been able to obtain a voluntary agreement from all of the working interest owners.
- 5. The current status of Mitchell's efforts to obtain voluntary agreements with all appropriate parties for the subject well are set forth on Exhibit "B" as follows:
- (a) Letter "A" indicates those parties who have signed a letter of intent agreeing to farmout their interests to Mitchell under general terms but have not yet signed the necessary agreements to effectively commit their interests;
- (b) Letter "B" indicates those parties who have indicated a verbal willingness to reach an agreement but who have not yet signed the necessary written agreements

to effectively commit their respective interest to the well.

- (c) Letter "C" indicates those parties with whom there is no verbal or written agreement;
- (d) Letter "D" indicates those parties who have signed an AFE for the well but who have not yet signed a Joint Operating Agreement.
- 6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Mitchell needs an order of the Division pooling the identified and described mineral interests of those parties who fail to reach a voluntarily agreement with Mitchell by the date of the hearing in order to protect correlative rights and prevent waste.
- 7. In accordance with the Division's notice requirements, a copy of this application has been sent to all working interests owners who may be affected by this case notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 4, 1993.

WHEREFORE, Mitchell, as applicant, requests that this application be set for hearing on March 4, 1993 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well upon terms and conditions which include:

- (1) Mitchell Energy Corporation be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) For such other and further relief as may be proper.

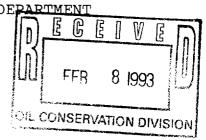
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EXHIBIT "B"

	•	
INTEREST OWNERS	UNIT INTEREST	TRACT #
Mitchell Energy Corporation	31.25000%	1, 2
Maralo, Inc. (B) P. O. Box 832 Midland, Texas 79702	18.75000%	2
Meritnet Partners, L.P. (C) 12221 Merit Drive, Suite 500 Dallas, Texas 75251	15.28125%	3
Merit Energy Partners VII, LP (C) 12221 Merit Drive, Suite 500 Dallas, Texas 75251	13.96875%	3
Merit Energy Partners, L.P. (C) 12221 Merit Drive, Suite 500 Dallas, Texas 75251	2.00000%	3
El Paso Production Company (B) 3300 North "A", Building 6 Midland, Texas 79705	4.16666%	3
Meridian Oil Production, Inc. (B) 3300 North "A", Building 6 Midland, Texas 79705	4.16667%	3
The Allar Co. (A) P. O. Box 630 Graham, Texas 76046-0630	3.54167%	3
B.A.G.A.M., Ltd. (B) P. O. Box 900 Graham, Texas 76046-0900	1.56250%	3
Turnco, Inc. (A) P. O. Box 1240 Graham, Texas 76046-1240	1.04166%	3
Norman D. Stoval, Jr. (A) Box 10 Graham. Texas 76046	1.04166%	3
H. M. Bettis, Inc. (A) Box 1240 Graham, Texas 76046-1240	1.04166%	3
W. T. Boyle (A) Box 1240 Graham, Texas 76046-1240	0.52084%	3
W. T. Boyle & Co. (A) Box 1240 Graham, Texas 76046-1240	0.52084%	3
Edward K. Gaylord, II (D) Box 8, Route 104-B Guthrie, Oklahoma 73044	0.52084%	3
S. B. Street & Co. (A) Box 206 Graham, Texas 76046	0.41666%	3
James R. Guinn Family Trust A (B) 201 East Abram, Suite 650 Arlington, Texas 76010-1885	0.10417%	3
James R. Guinn Family Trust M (B) 201 East Abram, Suite 650 Arlington, Texas 76010-1885	0.10417%	3

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

IN THE MATTER OF THE HEARING CALLED BY THE DIVISION FOR THE PURPOSES OF CONSIDERING:



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- (2) The order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) For such other and further relief as may be proper.

Respectfully Submitted,

KELLAHIN AND KELLAHIN,

BY:

W. THOMAS KELLAHIN

P. O. Box 2265

Santa Fe, New México 87501

(505) 982-4285

ATTORNEYS FOR APPLICANT

appt208.031

	EXHIBIT "A"				
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EXHIBIT "B"

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Mitchell Energy Corporation	31.25000%	1, 2
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Merit Energy Partners VII, LP (C) 12221 Merit Drive, Suite 500 Dallas, Texas 75251	13.96875%	3
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		4
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	1.56250%	3 .
B.A.G.A.M., Ltd. (B) P. O. Box 900 Graham, Texas 76046-0900	1,362304	•
Turnco, Inc. (A) P. O. Box 1240 Graham, Texas 76046-1240	1.04166%	. 3
Norman D. Stoval, Jr. (A) Box 10 Graham, Texas 76046	1.04166%	3
H. M. Bettis, Inc. (A)	1.04166%	. 3
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W. T. Boyle & Co. (A) Box 1240	0.52084%	3
Graham, Texas 76046-1240		
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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE. NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 199)

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

W THOMAS KELLAHIN*

February 8, 1993

FFR 8 1993

OIL CONSERVATION DIVISION

TELEPHONE (505) 982-4285

Mr. William J. LeMay Oil Conservation Division 310 Old Santa Fe Trail, Room 219 Santa Fe, New Mexico 87501

HAND DELIVERED

RE: CORRAL FLY "35" FED. COM #1 WELL
Application of Mitchell Energy
Corporation for Compulsory Pooling,
Eddy County, New Mexico

Case 10676

Dear Mr. LeMay:

On behalf of Mitchell Energy Corporation, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for March 4, 1993.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Also enclosed is our proposed notice of publication for this case attached as Enclosure (1).

In accordance with Division Memorandum 2-90, parties who may appear in this case are hereby requested to file a Pre-Hearing Statement with the Division, copy to Applicant's attorney not later than 4:00 PM on Friday, February 26, 1993. A copy of the Pre-Hearing Statement form, attached as Enclosure (2) is being sent to all

Mr. William J. LeMay February 8, 1993 Page Two

those parties entitled to notice as set forth in the application.

W. Thomas Kellahin

WTK/jcl Enclosure

xc: With Application and Enclosure (1)

Mr. Steve J. Smith

Mitchell Energy Corp. - Midland, TX

Mr. Mark Stephenson

Mitchell Energy Corp. - The Woodlands, TX

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed on Exhibit "B" of the Application with Enclosure (2)

appt208.031

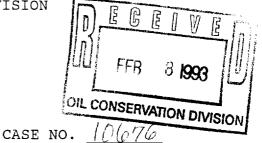
Enclosure (1)

Proposed Advertisement for OCD Hearing Docket

: Application of Mitchell Energy Corporation CASE for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the N/2 of Section 35, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the E/2NW/4 forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the SE/4NW/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said Said appropriate unit is to be vertical extent. dedicated to its Corral Fly "35" Fed. Com #1 Well to be drilled and completed at an standard well location 1980 feet from the West line and 1980 feet from the North line (Unit F) of said Section 35. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 16 miles Southeast from Carlsbad, New Mexico.

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

IN THE MATTER OF THE HEARING CALLED BY THE DIVISION FOR THE PURPOSES OF CONSIDERING:



APPLICATION OF MITCHELL ENERGY CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

APPLICATION

Comes now MITCHELL ENERGY CORPORATION, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Pennsylvanian underlying the N/2 of Section 35, T24S, R29E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the E/2NW/4 forming a standard 80-acre spacing and proration unit for any and

all formations and/or pools developed on 80-acre spacing within said vertical extent; and the SE/4NW/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said appropriate unit is to be dedicated to its Corral Fly "35" Fed. Com #1 Well to be drilled and completed at a standard well location 1980 feet from the West line and 1980 feet from the North line (Unit F) of said Section 35.

In support of its application, Mitchell Energy Corporation ("Mitchell") states:

- 1. Mitchell has a working interest ownership in the oil and gas minerals underlying the N/2 of Section 35, T24S, R29E, NMPM, Eddy County, New Mexico. The N/2 of said Section 35 is divided into three tracts as shown on Exhibit "A" attached hereto.
- 2. Mitchell has proposed the drilling and completing of its Corral Fly "35" Fed Com #1 Well at a standard well location 1980 feet from the North line and 1980 feet from the West line (Unit F) of said Section 35 to all appropriate working interest owners.

- 3. To the best of Mitchell's knowledge, all of the working interest ownership of the oil & gas minerals from the surface to the base of the Pennsylvanian formation underlying the N/2 of Section 35 are identified on Exhibit "B" attached hereto.
- 4. Mitchell has proposed the subject well to all the appropriate working interest owners but, as of the date of this application, Mitchell has not been able to obtain a voluntary agreement from all of the working interest owners.
- 5. The current status of Mitchell's efforts to obtain voluntary agreements with all appropriate parties for the subject well are set forth on Exhibit "B" as follows:
- (a) Letter "A" indicates those parties who have signed a letter of intent agreeing to farmout their interests to Mitchell under general terms but have not yet signed the necessary agreements to effectively commit their interests;
- (b) Letter "B" indicates those parties who have indicated a verbal willingness to reach an agreement but who have not yet signed the necessary written agreements

to effectively commit their respective interest to the well.

- (c) Letter "C" indicates those parties with whom there is no verbal or written agreement;
- (d) Letter "D" indicates those parties who have signed an AFE for the well but who have not yet signed a Joint Operating Agreement.
- 6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Mitchell needs an order of the Division pooling the identified and described mineral interests of those parties who fail to reach a voluntarily agreement with Mitchell by the date of the hearing in order to protect correlative rights and prevent waste.
- 7. In accordance with the Division's notice requirements, a copy of this application has been sent to all working interests owners who may be affected by this case notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 4, 1993.

WHEREFORE, Mitchell, as applicant, requests that this application be set for hearing on March 4, 1993 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well upon terms and conditions which include:

- (1) Mitchell Energy Corporation be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) For such other and further relief as may be proper.

Respectfully Submitted,

KELLAHIN AND KELLAHIN,

BY:

W. THOMAS KELLAHIN

P. O. Box 2265

Santa Fe, New México 87501

(505) 982-4285

ATTORNEYS FOR APPLICANT

appt208.031

EXHIBIT "A"					
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EXHIBIT "B"

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ЕХНТВТТ "В"

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

TELEFAX (505) 982-2047

TELEPHONE (505) 982-4285

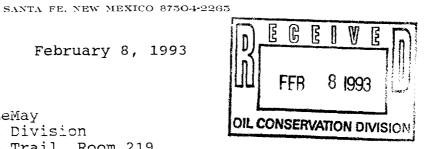
W. THOMAS KELLAHIN*

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

JASON ZELLAPIN RETIPED 1991.

February 8, 1993

Mr. William J. LeMay Oil Conservation Division 310 Old Santa Fe Trail, Room 219 Santa Fe, New Mexico 87501



HAND DELIVERED

CORRAL FLY "35" FED. COM #1 WELL RE: Application of Mitchell Energy Corporation for Compulsory Pooling,

Eddy County, New Mexico

Case 106>6

Dear Mr. LeMay:

On behalf of Mitchell Energy Corporation, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for March 4, 1993.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

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Mr. William J. LeMay February 8, 1993 Page Two

those parties entitled to notice as set forth in the application.

W. Thomas Kellahin

WTK/jcl Enclosure

xc: With Application and Enclosure (1)

Mr. Steve J. Smith

Mitchell Energy Corp. - Midland, TX

Mr. Mark Stephenson

Mitchell Energy Corp. - The Woodlands, TX

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed on Exhibit "B" of the Application with Enclosure (2)

appt208.031

Enclosure (1)

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