

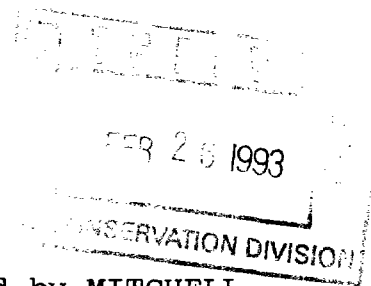
case file

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**



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

APPLICANT

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

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

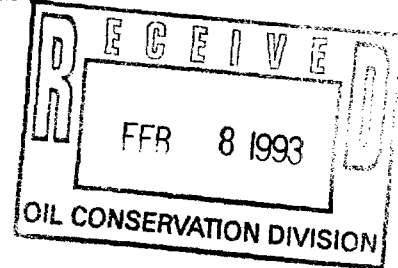
TELEFAX (505) 982-2047

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)

February 8, 1993



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.

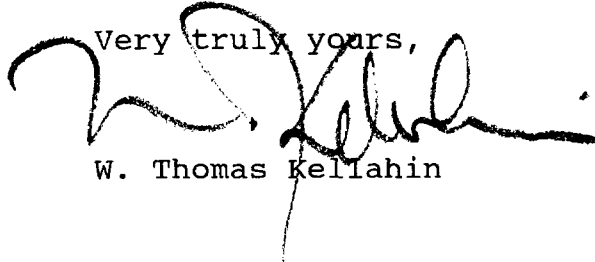
By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or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

Very truly yours,

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)

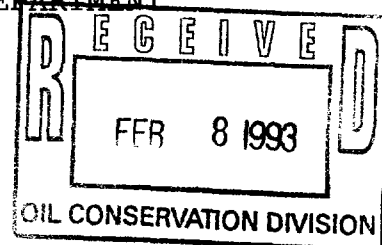
Enclosure (1)

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. 10676

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

A P P L I C A T I O N

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.

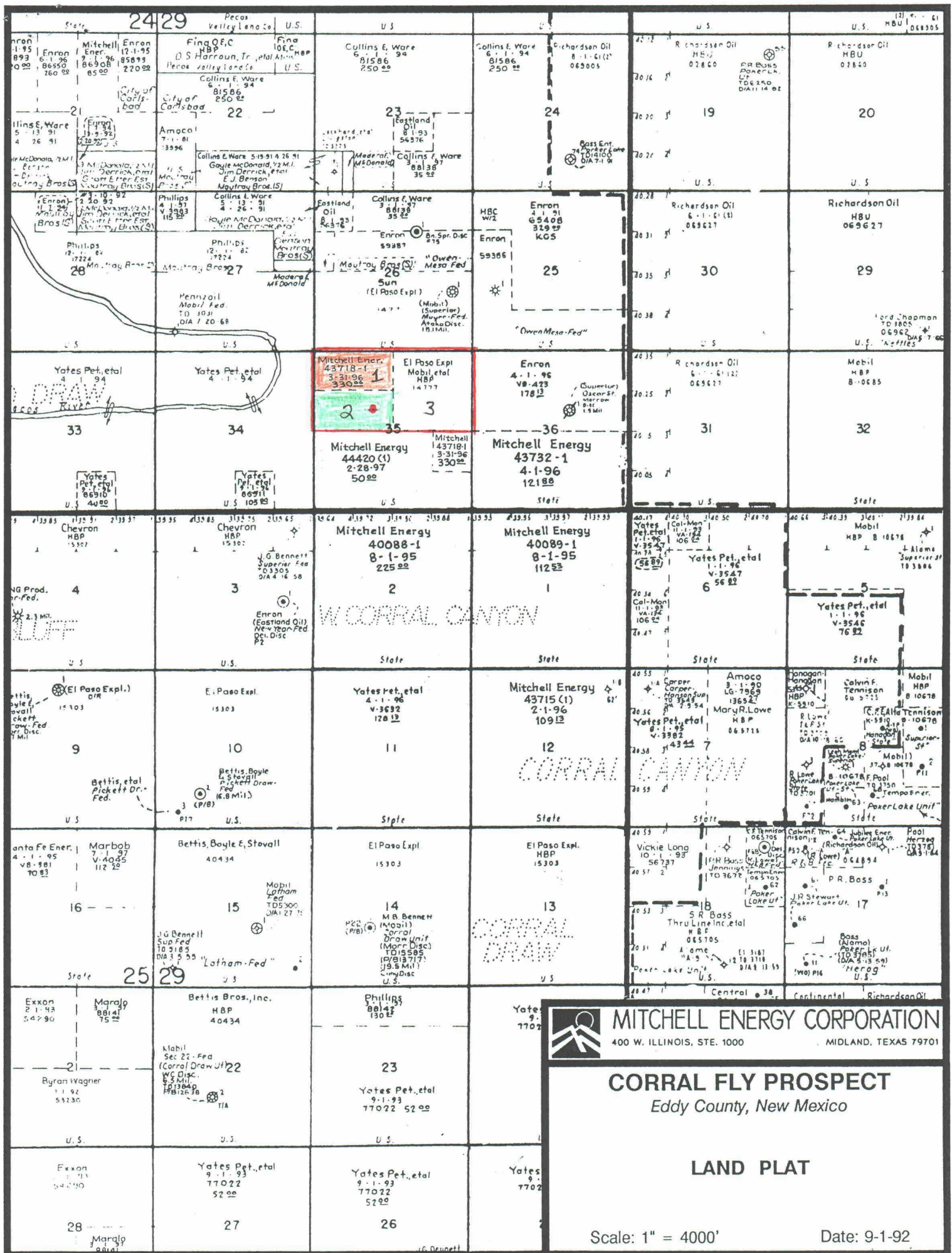
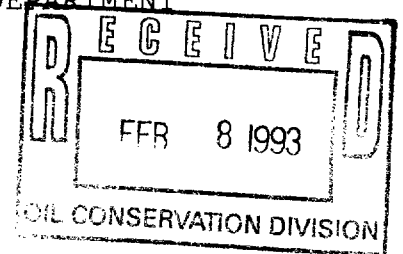


EXHIBIT "B"

<u>INTEREST OWNERS</u>	<u>UNIT INTEREST</u>	<u>TRACT #</u>
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:



CASE NO. 10676

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

A P P L I C A T I O N

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.

Application of Mitchell Energy Corporation
Page 6

Respectfully Submitted,

KELLAHIN AND KELLAHIN,

BY: 

W. THOMAS KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
ATTORNEYS FOR APPLICANT

EXHIBIT "A"

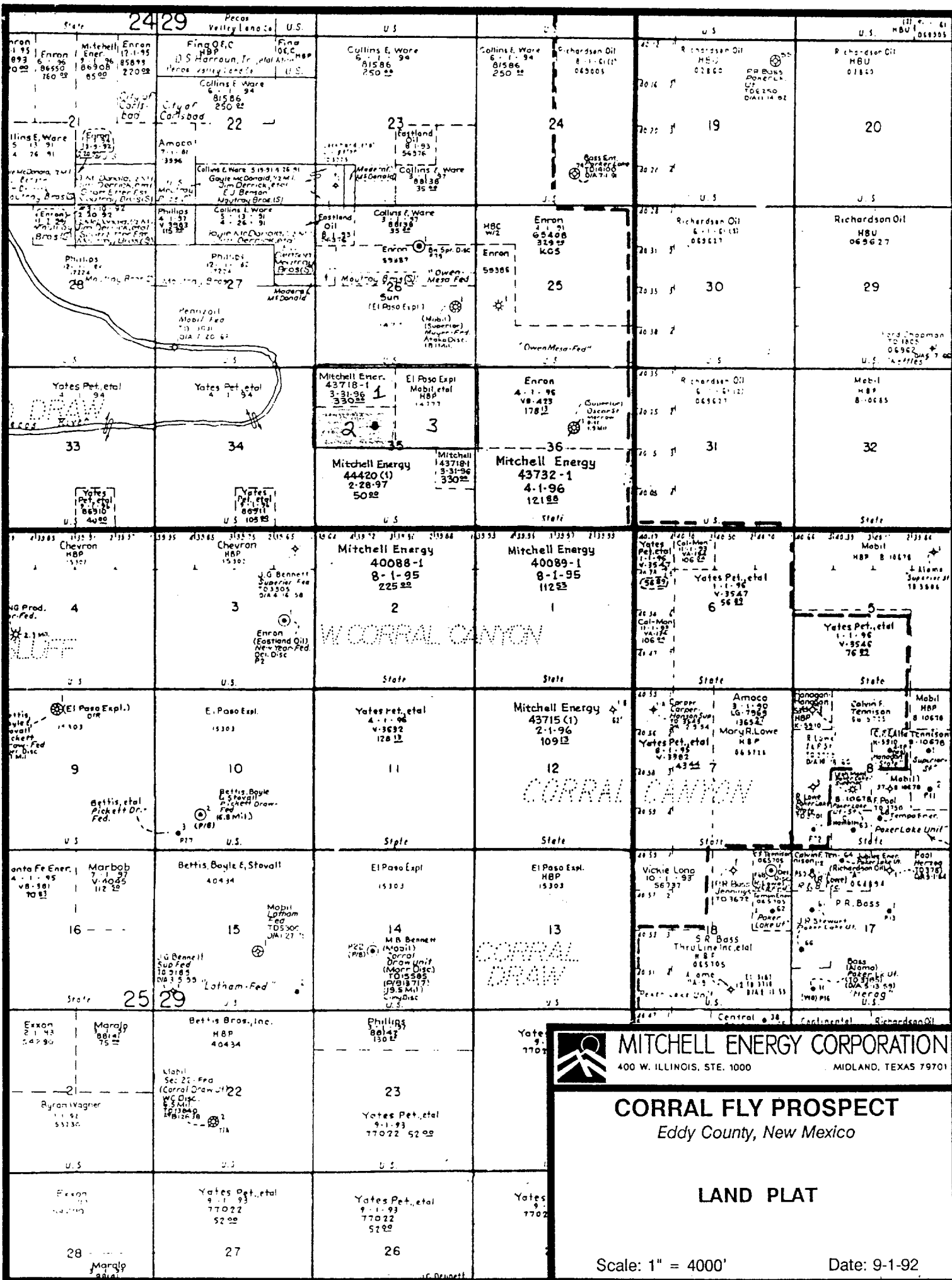


EXHIBIT "B"

<u>INTEREST OWNERS</u>	<u>UNIT INTEREST</u>	<u>TRACT #</u>
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

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W THOMAS KELLAHIN*

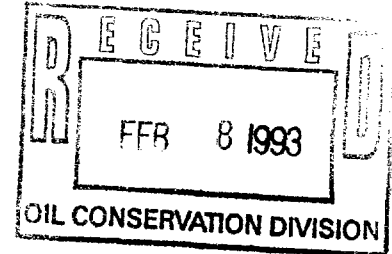
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

February 8, 1993



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.

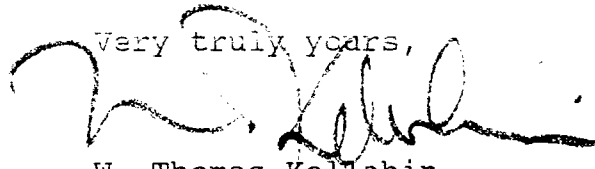
Also enclosed is our proposed notice of publication for this case attached as Enclosure (1).

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.

Very truly yours,



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)

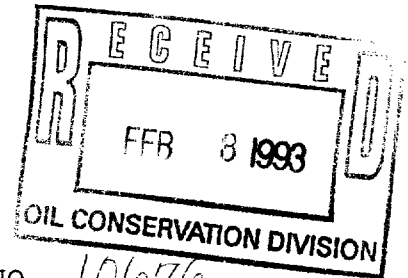
Enclosure (1)

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. 10676

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

A P P L I C A T I O N

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.

Application of Mitchell Energy Corporation
Page 6

Respectfully Submitted,

KELLAHIN AND KELLAHIN,

BY:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. THOMAS KELLAHIN

P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
ATTORNEYS FOR APPLICANT

Date: 9-1-92

EXHIBIT "B"

<u>INTEREST OWNERS</u>	<u>UNIT INTEREST</u>	<u>TRACT #</u>
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

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

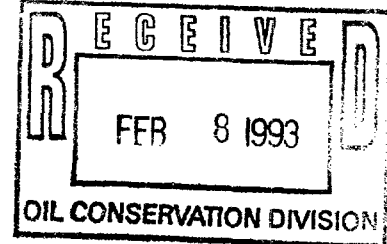
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

JASON KELLAHIN, RETIRED 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

**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.

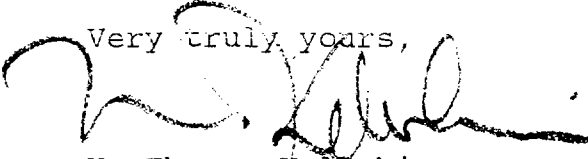
By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or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

Very truly yours,

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)

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.