

PADILLA & SNYDER
ATTORNEYS AT LAW
200 W. MARCY, SUITE 216
P.O. BOX 2523
SANTA FE, NEW MEXICO 87504-2523

FACSIMILE: (505) 988-7592
TELEPHONE: (505) 988-7577

September 2, 1993

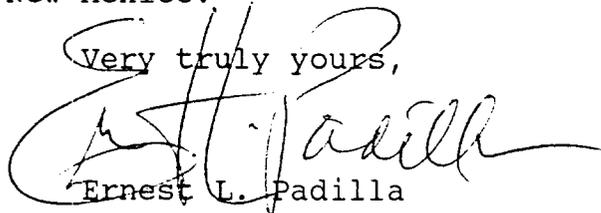
CERTIFIED MAIL - RETURN RECEIPT REQUESTED

TO: LEASE OWNERS, OPERATORS (See attached list)

RE: Notice of Application of Barbara T. Fasken for
directional drilling and unorthodox location

PURSUANT to the Rules and Regulations of the Oil Conservation Division of New Mexico, notice is hereby given of the above-referenced application. You may protest the enclosed application by appearing at the hearing of this application which will be heard on September 23, 1993, beginning at the hour of 8:15 a.m., at the office of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico.

Very truly yours,



Ernest L. Padilla

ELP/mg

Enclosure: Copy of Application
List of Lease Owners, Operators
xc: Barbara T. Fasken (w/encl)

OFFSET OPERATORS OR LEASE OWNERS

Yates Petroleum Corporation
105 S Fourth Street
Artesia, NM 88210

Kaiser-Francis Oil Company
P. O. Box 21468
Tulsa, OK 74136

Devon Energy Corporation
1500 Mid-America Tower
Oklahoma City, OK 73102

Chi Energy, Inc.
P. O. Box 1799
Midland, TX 79702

Louisiana Land and Exploration Company
P. O. Box 60350
New Orleans, LA 70160

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- 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. Article Addressed to:

Chi Energy, Inc.
P.O. Box 1799
Midland, TX 79702

4a. Article Number

221-173940

4b. Service Type

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

7. Date of Delivery

SEP - 7 1993

5. Signature (Addressee)

6. Signature (Agent)

[Handwritten Signature]

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

PS Form 3811, December 1991 *U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

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Devon Energy Corp.
1500 Mid-America Tower
Oklahoma City, OK 73102

4a. Article Number

221-173938

4b. Service Type

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

7. Date of Delivery

9-7-93

5. Signature (Addressee)

6. Signature (Agent)

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 105 S. Fourth St.
 Artesia, NM
 Erma Vazquez 88210

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 P.O. Box 21468
 Tulsa, OK
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 New Orleans, LA
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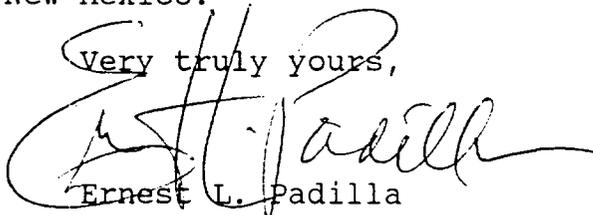
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FACSIMILE: (505) 988-7592
TELEPHONE: (505) 988-7577

October 19, 1993

Hand-delivered

Michael Stogner
Hearing Examiner
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

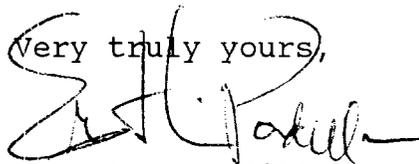
19 1993
OIL CONSERVATION DIVISION

Re: Application of Barbara T. Fasken
Case No. 10826

Dear Mr. Stogner:

Enclosed please find a proposed order for the above-referenced case. Also enclosed is a floppy diskette containing the proposed order. Although we use Microsoft Work software, it is my understanding that Anna from your office can transfer the order into your software program, Word Perfect.

Should you require anything further or if I can be of further assistance please let me know.

Very truly yours,

Ernest L. Padilla

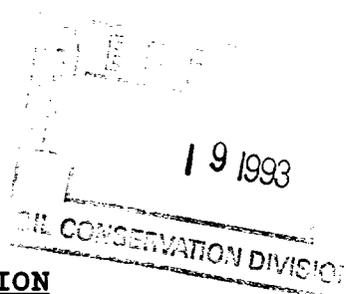
ELP/mg
Encl.
cc: Tommy Taylor (w/encl.)

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. 10826
ORDER NO.

APPLICATION OF BARBARA T. FASKEN
FOR DIRECTIONAL DRILLING,
UNORTHODOX GAS WELL LOCATION
AND SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO.



ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23, 1993 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of _____, 1993, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Barbara T. Fasken, seeks authority to directionally drill its proposed Inexco Federal "17" Well No. 2 from an orthodox surface location 2300 feet from the South line and 1800 feet from the East line (Unit G) of Section 17, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, in such a manner so as to bottom said wellbore in the Catclaw Draw Morrow Gas Pool at an unorthodox bottomhole location 800 feet from the North line

and 1400 feet from the East line (Unit B) of said Section 17. Section 17 is to be simultaneously dedicated to the subject well and applicant's Inexco Federal "17" Well No. 1 forming a standard 640-acre gas spacing and proration unit for said pool.

(3) The subject well has been staked at the proposed surface location due to surface obstructions, namely the presence of a housing subdivision in the vicinity of the City of Carlsbad, New Mexico, however, the applicant proposes to directionally drill the subject well to the proposed unorthodox bottomhole location for geologic reasons.

(4) The applicant presented testimony that Section 17 is bounded on the north, northeast, and east by the Avalon Morrow Gas Pool which has been developed on 320-acre spacing which has allowed wells to be drilled in the Morrow formation closer than 1650 feet to the north and east lines of Section 17. One offsetting well, The Kaiser Francis AM Federal Well No. 1, drilled and completed in 1975 and now abandoned after producing 3.05 BCFG, was located 660 feet from the South line and 1980 from the East line of Section 8, Township 21 South, Range 26 East, NMPM Eddy County, New Mexico.

(5) The technical evidence presented by applicant demonstrates that by drilling the proposed well in said Section 17 at an unorthodox bottom hole location gas production that might otherwise be left behind could be produced, is geologically justified, demonstrates good conservation practices, gains no competitive advantage on the adjoining oil and gas leases being operated on 320-acre spacing, and will enable applicant to recover her just and equitable share of the gas reserves.

(6) The owners and operators offsetting the proposed well were notified of this application but did not file any objection.

(7) Applicant requested that no production penalty be imposed on the proposed well and that to protect its correlative rights, she should be permitted to produce her proposed well at an unrestricted rate, subject only to its simultaneous dedication with applicant's Inexco Federal "17" Well No. 1, and the proration rules of the Catclaw Draw Morrow Gas Pool.

(8) Approval of the proposed directional drilling and unorthodox bottomhole location, and simultaneous dedication, will afford the applicant the opportunity to recover her just and equitable share of the gas in the Catclaw Draw Morrow Pool underlying the Section 17, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(9) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should be required to conduct a directional survey during or upon completion of directional drilling operations in order to determine the bottomhole location.

(10) The applicant should be required to submit copies of the directional surveys conducted on the subject well to the Santa Fe and Artesia offices of the Division.

(11) The applicant should notify the supervisor of the Artesia district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the subject well in order that these operations may be witnessed.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Barbara T. Fasken, is hereby authorized to directionally drill its Inexco Federal "17" Well No. 2 from a surface location 2300 feet from the South line and 1800 feet from the East line (Unit G) of Section 17, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, in such a manner so as to bottom said wellbore in the Catclaw Draw Morrow Gas Pool at an unorthodox bottomhole location 800 feet from the North line and 1400 from the East line (Unit B) of said Section 17.

(2) Section 17 shall be simultaneously dedicated to the subject well and applicant's Inexco Federal "17" Well No. 1 forming a standard 640-acre gas spacing and proration unit for said pool.

(3) The applicant shall determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and shall conduct a directional survey during or upon completion of directional drilling operations in order to determine the bottomhole location.

(4) The applicant shall submit copies of the directional surveys conducted on the subject well to the Santa Fe and Artesia offices of the Division.

(5) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the subject well in order that these operations may be witnessed.

(6) Subsequent to completing directional drilling operations, the applicant shall submit a Division Form C-102 (Acreage Dedication Plat) to the Artesia office of the Division showing the surface and bottomhole location of the Inexco Federal "17" Well No. 2.

(7) The Inexco Federal "17" Well No. 2 shall receive no production penalty and shall be allowed to produce at an unrestricted rate, subject only its simultaneous dedication with applicant's Inexco Federal "17" Well No. 1 and the proration rules of the Catclaw Draw Morrow Gas Pool.

(8) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 27, 1993

PADILLA & SYNDER
Attorneys at Law
P. O. Box 2523
Santa Fe, New Mexico 87504

RE: CASE NO. 10826
ORDER NO. R-10004

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM Carlsbad Office