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Attorneys at Law

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Santa Fé, New Mexico 87504-2265

October 17, 1988

RECEIVED

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OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Commission
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87503

Case 9522

Re: Pennzoil Exploration & Production Co.
Application to Vacate Division Order
R-8716 and for an Unorthodox Gas Well
Location, Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Pennzoil Exploration & Production Company,
please set the enclosed application for hearing on the next
available examiner's docket now set for November 9, 1988.

We suggest the following to be used for the
advertisement for this case:

Application of Pennzoil Exploration & Production
Company to vacated Order R-8716 and for an unorthodox
oil well location, Lea County, New Mexico. Applicant
in the above styled cause seeks to vacate Order R-8716
and to substitute therefor the approval of an
unorthodox oil well location 900 feet from the South
line and 1750 feet from the West line of Section 1,
T17S, R37E, Shipp Strawn Oil Pool, with the S/2SW/4 of
said Section being dedicated to its Price Family Trust
#2 Well, forming a standard 80-acre oil spacing and
proration unit for said pool. Said location is
approximately 4.5 miles North by East of Humble City,
New Mexico.

KELLAHIN, KELLAHIN and AUBREY

By copy of this letter and application sent certified mail return-receipt requested to all offset operators, we are notifying each of them of the right to appear at the hearing either in support or in opposition to this application. Should any such party desire more information about this matter or about the procedures for hearing this application, they may call the Division or the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK:sm

cc: Lonnie Whitfield
Pennzoil Company
P. O. Box 2967
Houston, Texas 77252-2967

"Certified-Return Receipt Requested"

All Interested Parties in Application

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF PENNZOIL EXPLORATION &
PRODUCTION COMPANY TO VACATE
ORDER R-8716 FOR APPROVAL OF AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO

CASE: 9522

A P P L I C A T I O N

Comes now PENNZOIL EXPLORATION & PRODUCTION COMPANY, by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division to vacate Order R-8716 and approval of an unorthodox oil well location in the Shipp Strawn Oil Pool for an oil well to be drilled at an unorthodox location 900 feet from the South line and 1750 feet from the West line of Section 1, T17S, R37E, Lea County, New Mexico, to be dedicated to a 80-acre spacing and proration unit consisting of the S/2SW/4 of said Section, and in support thereof would show:

1. Applicant has the right to drill and develop the SW/4 of Section 1, T17S, R37E, Lea County, New Mexico and previously obtained Division Order R-8716 which approved an unorthodox well location 2310 feet FSL and 810 feet FWL of said Section 1. (See Exhibit A attached)

2. Because of new reservoir data not available to the applicant at the time of the hearing in case 9449 which resulted in Order R-8716, the applicant desires to revise its location and spacing unit for this well.

3. Applicant now proposes to drill this Price Family Trust #2 well in the Shipp Strawn Oil Pool at an unorthodox oil well location 900 FSL and 1750 FWL of said Section 1 and to dedicate the S/2SW/4 of said section to the well.

4. Rule 4 of the Special Rules and Regulations for the subject Pool provide that standard well locations shall be within 150 feet of the center of a quarter-quarter section.

5. The subject well is to be drilled to an approximate depth of 12,100 feet sub-surface to test the Strawn formation.

6. Rule 4 of the said pool rules provides a drilling window for a standard well location that will not afford the operator an opportunity to drill at the optimum location in the spacing unit.

7. The subject well requires an exception to Rule 4 of the Special Rules of the pool in order to be at the optimum location to test the Shipp-Strawn Oil Pool in the S/2SW/4 of said section.

8. Applicant requests that this matter be set for hearing on the Examiner's docket of November 9, 1988.

9. Because the well location only encroaches towards the interior quarter-quarter section line of the 80 acre spacing unit for this well, there are no offsetting operators or owners affected by this application.

10. Notice is being sent certified mail to those interested parties shown on Exhibit B.

WHEREFORE, applicant seeks approval of the application as requested.

Kellahin, Kellahin & Aubrey

A handwritten signature in cursive script, appearing to read "W. Thomas Kellahin". The signature is written in black ink and is positioned above the typed name and address.

W. Thomas Kellahin, Esq.
P. O. Box 2265
Santa Fe, New Mexico 87504

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. 9449
ORDER NO. R-8716

APPLICATION OF PENNZOIL EXPLORATION
AND PRODUCTION COMPANY FOR AN
UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 3, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of August, 1988, 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, Pennzoil Exploration and Production Company, seeks approval of an unorthodox oil well location 2310 feet from the South line and 810 feet from the West line (Unit L) of Section 1, Township 17 South, Range 37 East, NMPM, to test the Undesignated Shipp-Strawn Pool, Lea County, New Mexico.

(3) The above-described unorthodox oil well location is within one mile of the Shipp-Strawn Pool and is therefore governed by the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8062-A, which require 80-acre spacing and proration units with wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot.

(4) The W/2 SW/4 of said Section 1 is to be dedicated to the well forming a standard 80-acre oil spacing and proration unit for said pool.

EXHIBIT A

(5) A well at an unorthodox location will better enable the applicant to produce the oil underlying the proration unit.

(6) The applicant presented geological evidence and testimony which indicates that a well at the proposed unorthodox location would penetrate the Strawn formation at a more structurally advantageous position than a well drilled at a standard location thereon, thereby increasing the possibility of obtaining a commercial producing well.

(7) No offset operator and/or interest owner appeared and objected to the proposed unorthodox location.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, 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.

IT IS THEREFORE ORDERED THAT:

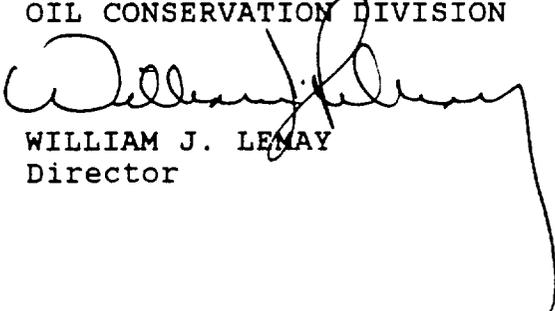
(1) The application of Pennzoil Exploration and Production Company for an unorthodox oil well location for the Undesignated Shipp-Strawn Pool is hereby approved for a well to be located at a point 2310 feet from the South line and 810 feet from the West line (Unit L) of Section 1, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The W/2 SW/4 of said Section 1 shall be dedicated to the above-described well forming a standard 80-acre oil spacing and proration unit for said pool.

(3) Jurisdiction of this cause is 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

S E A L

#2 PRICE FAMILY TRUST OFFSET OPERATORS
S/2SW/4 Section 1-17S-37E Lea County, New Mexico

David Petroleum Corporation
116 West First
Roswell, NM 88201

B & S Enterprises
116 West First
Roswell, NM 88201

Nearburg Petroleum Company
5447 Glen Lakes Drive
Dallas, TX 75231

Colin R. McMillan
116 West First
Roswell, NM 88201

Fred J. Schlicher
116 West First
Roswell, NM 88201

Ed Orr & Associates
201 West 5th, Suite 500
Tulsa, OK 74103

Ashland Exploration, Inc.
14701 St. Mary's, Suite 200
Houston, TX 77079