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RECEIVED
OCT 29 1997

October 28, 1997

Via Fax and U.S. Mail

Mr. William J. LeMay
Oil Conservation Commission
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Cases 11723/11755 (*de novo*) (Fasken/Mewbourne)

Dear Mr. LeMay:

Enclosed is Mewbourne's pre-hearing statement in the above matter.

Very truly yours,



James Bruce

Attorney for Mewbourne
Oil Company

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

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

APPLICATION OF MEWBOURNE OIL
COMPANY FOR AN UNORTHODOX GAS
WELL LOCATION AND A NON-STANDARD
GAS PRORATION UNIT, EDDY COUNTY,
NEW MEXICO.

Case No. 11,723
(de novo)

APPLICATION OF FASKEN OIL AND
RANCH, LTD. FOR A NON-STANDARD
GAS PRORATION AND SPACING UNIT
AND TWO ALTERNATE UNORTHODOX GAS
WELL LOCATIONS, EDDY COUNTY,
NEW MEXICO.

Case No. 11,755
(de novo)

APPLICATION OF TEXACO EXPLORATION
AND PRODUCTION INC. FOR CLARIFICATION,
OR IN THE ALTERNATIVE, AN EXCEPTION
TO, THE SPECIAL POOL RULES AND
REGULATIONS FOR THE CATCLAW DRAW-MORROW
GAS POOL, EDDY COUNTY, NEW MEXICO.

Case No. 11,808

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mewbourne Oil
Company as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701
Attn: Steve Cobb
(915) 682-3715

APPLICANT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

Fasken Oil and Ranch, Ltd.
Fasken Land and Minerals, Ltd.

Texaco Exploration and
Production Inc.

OPPONENT'S ATTORNEY

W. Thomas Kellahin

William F. Carr

STATEMENT OF THE CASE

APPLICANT

Mewbourne filed an application for a non-standard Morrow well unit comprised of the S½ of irregular Section 1, Township 21 South, Range 25 East, for a well to be located at an unorthodox location 660 feet FSL and 2310 feet FEL. The well is in the Catclaw Draw Morrow-Gas Pool, which has special pool rules requiring 640 acre spacing, with wells to be located no closer than 1650 feet to the outer boundaries of the well unit. The middle one-third of Section 1 is unleased federal minerals, and thus cannot be dedicated to the well. As a result, the non-standard unit is required in order to drill the well.

The S½ of Section 1 is subject to an Operating Agreement dated April 1, 1970. Pursuant to the Operating Agreement, Mewbourne proposed a well at the above-described location in January 1997. All working interest owners have either joined in the well or elected to be non-consenting parties. In February 1997, subsequent to Mewbourne's proposal, Fasken proposed a well at an unorthodox location 2080 feet FSL and 750 feet FWL of Section 1.

The Operating Agreement provides that once a well is proposed, a timeline is commenced to implement the drilling of that well. The Operating Agreement states that, after the 30 day election period ends:

[The consenting parties] **shall**...actually commence work on the proposed operation and complete it with due diligence.

Mewbourne proposed the first Morrow well under the Operating Agreement. As a result, the parties must proceed to drill that well, and Mewbourne's application is the only application properly before the Commission.

Mewbourne requests that the Commission reverse the Division, and approve its proposed unorthodox location. Mewbourne requests that no penalty, or a reasonable penalty, be assessed against its well because (i) the pool is developed on 320 acre spacing, and (ii) Mewbourne's well is at a standard location for a 320 acre well unit.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

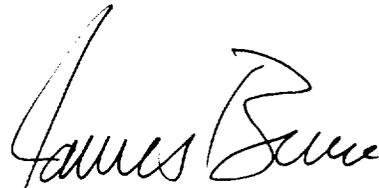
| <u>WITNESSES</u> | <u>EST. TIME</u> | <u>EXHIBITS</u> |
|--------------------------------|------------------|---|
| Steve Cobb (landman) | 10 min. | 1. Land plat 2. Interest listing 3. Correspondence 4. Operating Agreement 5. Notice affidavit |
| Keith Williams (geologist) | 20 min. | 1. Structure/isopach map 2. Production map 3. Cross-section |
| Brian Montgomery (engineer) | 25 min. | 1. Approx. 5 |

OPPONENT

| <u>WITNESSES</u> | <u>EST. TIME</u> | <u>EXHIBITS</u> |
|------------------|------------------|-----------------|
|------------------|------------------|-----------------|

PROCEDURAL MATTERS

1. Mewbourne requests that Cases 11723 and 11755 be consolidated for hearing.
2. Mewbourne requests that Fasken's motion in limine be denied.
3. Mewbourne requests that Case 11755 be dismissed because of failure to comply with Division Rules 1203 and 1205.



James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

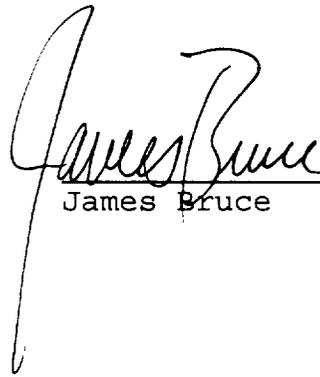
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was served upon the following counsel of record via facsimile transmission this 28th day of October, 1997:

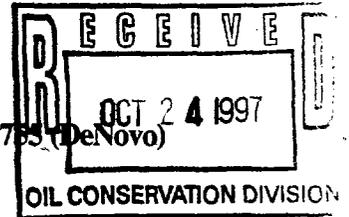
William F. Carr
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James Bruce

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



CASE NO. 11755 (DeNovo)

**APPLICATION OF FASKEN OIL AND RANCH, LTD.
FOR TWO ALTERNATIVE UNORTHODOX WELL
LOCATIONS AND A NON-STANDARD PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11723 (DeNovo)

**APPLICATION OF MEWBOURNE OIL COMPANY
CORPORATION FOR AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

**CONSOLIDATED
PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by FASKEN OIL AND RANCH, LTD. and FASKEN LAND AND MINERALS, LTD. ("Fasken") as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

**APPLICANT IN CASE 11755
OPPONENT IN CASE 11723**

ATTORNEY

Fasken Oil and Ranch, Ltd.
Fasken Land and Minerals, Ltd.
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Midland, Texas 79701
(915) 687-1777
attn: Sally Kvasnicka

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico
(505) 982-4285

APPLICANT IN CASE 11723

ATTORNEY

Mewbourne Oil Company

James Bruce, Esq.
P. O. Box 1056
Santa Fe, NM 87501
(505) 982-2043

OTHER INTERESTED PARTIES:

Texaco, Inc.
Penwell Energy, Inc.

William F. Carr, Esq.
P. O. Box 2088
Santa Fe, NM 87501
(505) 988-4421

STATEMENT OF THE CASE

Fasken, is the operator of the southern portion of Irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, as a result of a Joint Operating Agreement dated April 1, 1970 which includes Mewbourne Oil Company ("Mewbourne") Matador Petroleum Corporation, Devon Energy Corporation, and others, as non-operators.

Irregular Section 1 consists of 853.62 acres is divided into thirds with the central portion of this section being "unleased" federal oil and gas minerals the surface of which is subject to a federal environmental study. As a result, applicant requests approval of a non-standard 297.88 acre unit ("NSP") comprising the southern portion of Irregular Section 1 described as Lots 29, 20, 31, 32 and the SW/2 (S/2 equivalent).

Fasken, as operator, proposes to drill the Avalon "1" Federal Com Well No. 2 at an unorthodox gas well location 750 feet from the West line and 2080 from the South line ("the Fasken location") of said Irregular Section 1.

Mewbourne, as a non-operator and working interest owner in this NSP, proposes that the well be at an unorthodox well location 2310 feet from the East line and 660 feet from the south line ("the Mewbourne location") of said Irregular Section 1.

Fasken contends its proposed location is the optimum location in the proposed spacing unit at which to drill to test for Cisco and Morrow gas production while Mewbourne contends its location is better for Morrow gas production.

Texaco has objected to the Mewbourne location which encroaches upon Texaco. The Fasken location does not encroaches on Texaco but does encroach upon Penwell who has waived any objection.

It is not within the Commission's jurisdiction to resolve the contractual dispute between Fasken and Mewbourne over whose location will be drilled which is a matter currently being litigated by these parties in a Texas District Court.

However, it is within the Commission's jurisdiction to address the correlative rights issues raised by these applications regardless of the litigation.

Division Order R-10872 approved the Fasken location and denied the Mewbourne location.

Fasken's requests that the Commission affirm the Division order.

PROPOSED EVIDENCE

APPLICANT in Case 11755:

| WITNESSES | EST. TIME | EXHIBITS |
|---------------------------------|-----------|--------------|
| Dexter Harmon (geologist) | 30 Min. | @ 6 exhibits |
| Lou Lent (geophysicist) | 30 Min. | @ 7 exhibits |
| Carl Brown (petroleum engineer) | 30 Min. | @ 4 exhibits |

PROCEDURAL MATTERS

Before the Division, Fasken as operator of the spacing unit had filed for approval of both the Fasken location and the Mewbourne location and had also sought to dismiss the Mewbourne application because Mewbourne was not the operator of this spacing unit. Since then, the Division has allowed Mewbourne to pursue its application in Case 11723 and to participate in these hearings as a non-operating working interest owner and Fasken has already withdrawn its motion to dismiss the Mewbourne application in Case 11723. Fasken will ask the Commission to uphold the Division examiner order which denied the Mewbourne application and approved the Fasken location. Accordingly, Fasken now withdraws that portion of its application which had requested that the Division approve the Mewbourne location.

On October 20, 1997, Fasken filed Motion in Limine seeking to preclude Mewbourne from arguing contractual issues which are in litigation. A decision is needed in order to avoid the expense of bring witnesses to Santa Fe to address these contractual issues which are not relevant to the issues of correlative rights and the prevention of waste.

Consolidation of Cases 11755 and 11723 for hearing.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin

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:

APPLICATION OF MEWBOURNE OIL
COMPANY FOR AN UNORTHODOX
GAS WELL LOCATION AND
NON-STANDARD GAS PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11723

APPLICATION OF FASKEN OIL
AND RANCH, LTD. FOR A NON-
STANDARD GAS PRORATION AND
SPACING UNIT AND TWO ALTERNATE
UNORTHODOX GAS WELL LOCATIONS,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11755

APPLICATION OF TEXACO EXPLORATION
& PRODUCTION INC. FOR CLARIFICATION,
OR IN THE ALTERNATIVE, AN EXCEPTION
TO THE SPECIAL POOL RULE AND REGULATIONS
FOR THE CATCLAW-DRAW MORROW GAS POOL,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11808

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr & Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Mewbourne Oil Company

name, address, phone and
contact person

Jim Bruce, Esq.
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504-1056
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Fasken Oil and Ranch, Ltd.

name, address, phone and
contact person

W. Thomas Kellahin, Esq.
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INTERESTED PARTY

ATTORNEY

Texaco Exploration & Production Inc.
c/o David Uhl
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name, address, phone and
contact person

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Campbell, Carr, Berge & Sheridan, P.A.
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STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Texaco Exploration & Production Inc., will request that a well at the unorthodox location proposed by Mewbourne be denied or penalized to restrict the production therefrom and thereby offset the advantage Mewbourne will gain by virtue of this location.

Texaco will also seek clarification of the Special Pool Rules and Regulations for the Catclaw Draw-Morrow Gas Pool or, in the alternative, an exception to these rules to permit two wells on Section 12, Township 21 South, Range 25 East to concurrently produce from the Morrow formation.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

TEXACO EXPLORATION & PRODUCTION INC.

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

David Uhl, Geology

20Min.

Approximately 7

Kevin Bittel, Engineer

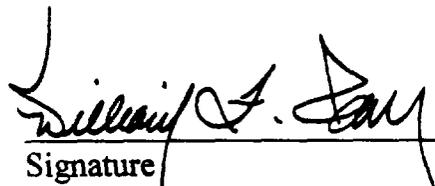
10 Min.

Approximately 2

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)

Texaco Exploration & Production Inc. will request that Cases 11723, 11755 and 11808 be consolidated for purposes of hearing.


Signature

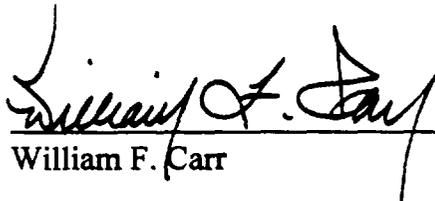
CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing Pre-Hearing Statement to be hand-delivered on this 23rd day of October, 1997 to the following counsel of record:

Lyn Hebert, Esq.
Oil Conservation Division
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Santa Fe, New Mexico 87501



William F. Carr