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September 30, 1997

HAND-DELIVERED

11868

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

FILED
SEP 30 1997
Oil Conservation Division

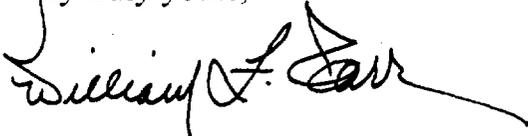
Re: *Application of Texaco Exploration and Production Inc., for Clarification, or in the Alternative, an Exception to the Special Pool Rules and Regulations for the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico*

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Texaco Exploration and Production Inc., in the above-referenced case as well as a copy of a legal advertisement. Texaco Exploration and Production Inc., respectfully requests that this matter be included on the Commission's October 30, 1997 hearing docket.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: D. Bruce Pope, Esq. (w/enclosures)
Texaco Exploration and Production Inc.
4601 DTC Boulevard
Denver, CO 80237

247

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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. 11868

APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC. ("Texaco") hereby makes application to the Division for an order clarifying the Division Rules which govern the development of the Catclaw Draw-Morrow Gas Pool as these rules apply to second wells on spacing units within this pool or, in the alternative, for an exception to these rules for its E. J. Levers Federal "NCT-1" Well Nos 1 and 2 located on Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, and in support of this application states:

1. Texaco is the operator of a standard 632.36-acre spacing and proration unit in the Catclaw Draw-Morrow Gas Pool comprised of Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico.
2. The Catclaw Draw-Morrow Gas Pool was created on June 21, 1971 by Division Order No. R-4157.
3. In 1971, Texaco drilled its E. J. Levers Federal "NCT-1" Well No. 1 (API No.

30-015-20683) at an unorthodox gas well location 660 feet from the South line and 1980 feet from the West line in Unit N/Lot 14 of Section 12 (approved by Decretory Paragraph No. (6) of Division Order No. R- 4157-D, dated June 21, 1971) and dedicated all of Section 12 thereto in the Catclaw Draw-Morrow Gas Pool.

4. Special Pool Rules and Regulations for the Catclaw Draw-Morrow Gas Pool were amended from time to time and the pool was prorated on January 15, 1974. (Order No. R-4704).

5. Pursuant to these rules, the Catclaw Draw-Morrow Gas Pool has been developed on an effective 320-acre spacing pattern.

6. In 1988 and again in 1990, William J. LeMay, Director of the Division, issued memoranda to the industry which prohibited continuous and concurrent production of two wells on a single spacing unit in unprorated pools unless exception to the pool rules was obtained after notice and hearing.

7. The Special Pool Rules for the Catclaw Draw-Morrow Gas Pool (Order No. R-4704) were incorporated into the General Rules and Regulations for the Prorated Gas Pools of New Mexico (Order No. R-1670-O).

8. New General Rules and Regulations for the Prorated Gas Pool of New Mexico were adopted by Division Order No. R-8170 on March 28, 1986. This order repealed Order No. R-1670 and promulgated Special Pool Rules for many of the prorated pools including the Catclaw Draw-Morrow Gas Pool. The special pool rules for the Catclaw Draw-Morrow

Gas Pool provide for 640-acre spacing and 1650 foot well set backs but is silent on authorization of second wells on spacing units.

9. By Order No. R-10328 dated March 27, 1995, the Oil Conservation Commission "suspended" prorationing in certain pools including the Catclaw Draw-Morrow Gas Pool.

10. On July 31, 1995, Texaco filed an Application for Permit to Drill (Form C-101), seeking Division approval of its proposed E. J. Levers Federal "NCT-1" Well No. 2. The Division approved this Application for Permit to Drill.

11. In October 1995, Texaco drilled its E. J. Levers Federal "NCT-1" Well No. 2 (API No. 30-015-28644) located at a standard gas well location 2448 feet from the North line and 1980 feet from the West line in Unit F Lot 6 of said Section 12.

12. On September 10, 1997, Texaco was advised by the Division that the Catclaw Draw-Morrow Gas Pool is governed by the General Rules and Regulations for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Catclaw Draw-Morrow Gas Pool, as promulgated by Order No. R-8170 and Division Rule 104.D(3) of the General Rules and Regulations of the Oil Conservation Division as revised by Division Order No. R-10533. Those Rules and Orders restrict to one the number of producing wells on a single spacing unit in a non-prorated pool. The Division requested that Texaco shut-in one well in Section 12 until Division approval for a second Morrow well on Section 12 is obtained from the Division and pursuant to this request, Texaco has shut-in the E. J. Levers Federal "NCT-1"

APPLICATION,

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Well No. 1.

13. Texaco requests clarification from the Commission as to the rules which govern the Catclaw Draw-Morrow Gas Pool as they relate to the drilling of a second well on each standard spacing unit in the pool.

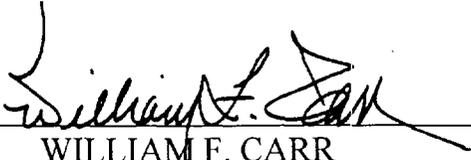
14. If the Rules which govern the Catclaw Draw-Morrow Gas Pool authorize only one well per 640-acre spacing unit, Texaco seeks an exception to these rules to permit the simultaneous dedication of Section 12, Township 21 South, Range 25 East, NMPM, to its E. J. Levers Federal ("NCT-1") Well Nos 1 and 2.

15. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, TEXACO EXPLORATION AND PRODUCTION INC. hereby requests that this application be set for hearing and consolidated with the *de novo* appeal in Cases 11755 and 11723 and which are scheduled on October 30, 1997, and after notice and hearing, the Division enter its order clarifying the rules for the Catclaw Draw-Morrow Gas Pool and, if needed, authorizing the simultaneous dedication of Section 12, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico to its E. J. Levers Federal ("NCT-1") Well Nos. 1 and 2.

Respectfully submitted,

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By: 
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ATTORNEYS FOR TEXACO
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was mailed this 30th day of September, 1997 to the following counsel of record:

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