



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

January 30, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Texaco Exploration & Production, Inc.
500 N. Loraine
Midland, Texas 79702
Attention: Denise Wann

RE: NMOCD Correspondence Reference No. SD-01-01: *Justis Tubb-Drinkard Pool development within a proposed 80-acre horizontal/high angle directional drilling project area comprising the E/2 NW/4 of Section 35, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico.*

Dear Ms. Wann:

Reference is made to your letter dated June 7, 2000 notifying the New Mexico Oil Conservation Division's ("Division") office in Santa Fe of Texaco Exploration and Production, Inc.'s ("Texaco") plans for the further development of the Justis Tubb-Drinkard Pool underlying two existing standard 40-acre oil spacing and proration units, comprising both the NE/4 NW/4 and the SE/4 NW/4 of Section 35, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, by combining these two units in order to create a horizontal/high angle directional drilling project area pursuant to Division Rules 111.A (9) and 111.C (1).

The rules currently governing spacing, well locations, and allowables for this recovery technique in the Southwest Teague-Glorieta Upper Paddock Pool include, but are not necessarily limited to:

- (a) Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; and
- (b) Division Rules 111.C (3), 505 and 506.

It is our understanding from the Division's records in Santa Fe that both of these 40-acre units are currently dedicated to the following wells:

- (1) C. C. Fristoe "B" Federal NCT-2 Well No. 15 (**API No. 30-025-33145**), located at a standard oil well location within the 40-acre unit comprising the NE/4 NW/4 (Unit C) of Section 35, 330 feet from the North line and 2200 feet from the West line of Section 35; and

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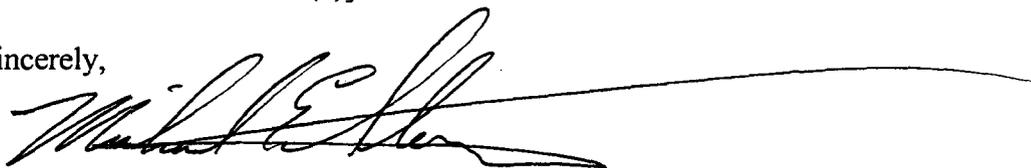
- (2) C. C. Fristoe "B" Federal NCT-2 Well No. 17 (**API No. 30-025-33383**), located at a standard oil well location within the 40-acre unit comprising the SE/4 NW/4 (Unit F) of Section 35, 2310 feet from the North line and 1650 feet from the West line of Section 35.

It is further understood the wellbore to be utilized as the project well for this horizontal drilling project is Texaco's above-described C. C. Fristoe "B" Federal NCT-2 Well No. 17.

Furthermore, the producing area, as defined by Division Rule 111.A (7), for the proposed project area as proposed by Texaco will conform with this pools standard set back requirements of 330 feet.

Under Division rules pertaining to this project area, once entirely completed and with approval by the supervisor of the Division's Hobbs district office, Texaco will be permitted to produce the allowable assigned the subject 80-acre project are from both wells in any proportion [see Division Rule 111.C (3)].

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/mes

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad