

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

November 4, 1997

TELEPHONE (505) 962-4285
TELEFAX (505) 962-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

VIA FACSIMILE

Mr. Michael E. Stogner
Mr. David R. Catanach
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

Re: *NMOCD Case 11878*
Application of Fasken Oil & Ranch, Ltd
for an unorthodox gas well location and simultaneous dedication
Eddy County, New Mexico

Dave -
we need to
call Tom re:
Thursday (notify
witnesses not
to come).

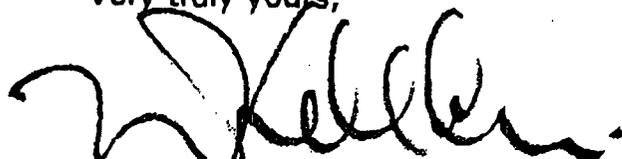
Gentlemen:

The referenced case was originally filed for administrative approval and as a result of an objection by Yates Petroleum Corporation, Mr. Stogner placed this case on the November 6th docket. (enclosed).

Yesterday, Yates Petroleum Corporation signed a waiver of objection. (enclosed). There is no other objection filed.

On behalf of Fasken Oil & Ranch, Ltd, I am requesting permission to have this case removed from the examiner docket and returned to Mr. Stogner for administrative processing. This will avoid the expense of bring witnesses to the hearing on Thursday.

Very truly yours,



W. Thomas Kellahin

cfx: Fasken Oil & Ranch, Ltd.
Attn: Sally Kvasnicka

FASKEN OIL AND RANCH, LTD.
303 West Wall, Suite 1900
Midland, Texas 79701
915/687-1777
fax 915/687-0669

October 23, 1997

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Janet Richardson

**RE: Indian Hills Unit #15 Well, 1300'
FSL and 330' FWL of
Section 17, T21S, R24E, NMPM
Eddy County, New Mexico
Indian Basin-Morrow Gas Pool**

Gentlemen:

Fasken Oil and Ranch, Ltd. ("Fasken") plans to drill its Indian Hills Unit #15 Well (hereinafter referred to as the Test Well) at the location of 1300' FSL and 330' FWL of Section 17, T21S, R24E, NMPM, Eddy County, New Mexico. Fasken and Yates Petroleum Corporation ("Yates") have reached an agreement with respect to Yates granting to Fasken a waiver as an offset operator to Fasken's Test Well in exchange for the following:

- Both Fasken and Yates shall provide the other with well information (which includes drilling reports and logs) from the drilling of the first wells drilled by either Fasken or Yates from and after the date of this agreement. Said information shall be provided to the other party in a timely manner.
- Fasken will grant to Yates a like waiver for Yates' well in Section 18, T21S, R24E, Eddy County, New Mexico, if requested.

If you are in agreement with the above please signify your approval by signing one copy of this letter in the space provided below and returning it to me. Should you have any questions, please feel free to call.

Very truly yours,

Sally M. Kvaamicka
Sally M. Kvaamicka
Land Manager

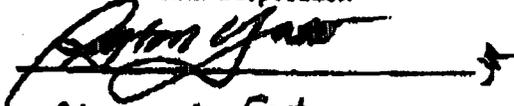
Post-It® Fax Note	7671	Call 11-3-97	# of pages 2
To <i>Sally</i>		From <i>Janet</i>	
Co./Dept.		Co.	
Phone #		Phone #	
Fax # <i>915-687-7469</i>		Fax #	

Page 2
Yates Petroleum Corporation
October 23, 1997

The parties hereto agree to WAIVE OBJECTION to the New Mexico Oil Conservation Division granting approval to drill this requested unorthodox well location without penalty and provide the well information specified above.

Company: Yates Petroleum Corporation

BY:



Title:

Attorney-in-Fact

Date:

11-2-97

SMK:me



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 10, 1997

**Fasken Oil and Ranch, Ltd.
303 West Wall Avenue - Suite 1900
Midland, Texas 79701-5116**

**Attention: Tommy E. Taylor
Drilling and Production Engineer**

Re: *Administrative application for Fasken Oil and Ranch, Ltd. ("Fasken") to drill its Indian Hills Unit Well No. 15 (API No. 30-015-29870) at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Lot 5/Unit M) of Section 17, Township 21 South, Range 24 East, NMPM, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico and to dedicate to said well a non-standard 326.14-acre gas spacing and proration unit comprising Lots 3, 4, 5, and 6 and the NW/4 (W/2 equivalent) of said Section 17.*

Dear Mr. Taylor:

On October 2, 1997 the Division received an objection from Yates Petroleum Corporation to the subject application, see copy of letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for November 6, 1997. Further review of this application and OCD records of wells within said Section 17 indicate that the additional matter of acreage reduction and the concomitant formation of a 337.72-acre gas spacing and proration unit comprising Lots 1, 2, 7, and 8 and the NE/4 (E/2 equivalent) of said Section 17 for Fasken's existing Indian Hills Unit Gas Com "A" Well No. 6 (API No. 30-015-20006), located at a previously approved unorthodox gas well location (see Division Administrative Order NSL-393, dated February 13, 1967) 1440 feet from the South and East lines (Lot 2/Unit J) of said Section 17 will need to be addressed at that time. This matter will therefore be advertised in the following manner:

"Application of Fasken Oil and Ranch, Ltd. for two non-standard gas spacing and proration units and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to divide the existing standard 663.86-acre gas spacing and proration unit comprising all of Section 17, Township 21 South, Range 24 East (which is located approximately 3 miles east-northeast of the Marathon Oil Company Indian Basin Gas Plant), in the Indian Basin-Morrow Gas Pool currently operated by Fasken Oil and Ranch Ltd. and dedicated to its

Fasken Oil and Ranch, Ltd.

October 10, 1997

Page 2

existing Indian Hills Unit Gas Com. "A" Well No. 6 (API No. 30-015-20006), located at a previously approved (see Division Administrative Order NSL-393, dated February 13, 1967) unorthodox gas well location 1440 feet from the South and East lines (Lot 2/Unit J) of said Section 17 into two separate non-standard gas spacing and proration units each comprising approximately 320 acres. Lots 1, 2, 7, and 8 and the NE/4 (the E/2 equivalent) of said Section 17, comprising 337.72 acres, is to be dedicated to the above-described Indian Hills Unit Gas Com "A" Well No. 6 and Lots 3, 4, 5, and 6 and the NW/4 (W/2 equivalent) of said Section 17, comprising 337.72 acres, is to be dedicated to the proposed Indian Hills Unit Well No. 15 (API No. 30-015-29870) to be drilled at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Lot 5/Unit M) of Section 17."

Please provide adequate notice pursuant to Rule 1207.A(5) and (6) of the Division's General Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Hobbs
Yates Petroleum Corporation, c/o William F. Carr - Santa Fe
W. Thomas Kellahin - Santa Fe
William J. LeMay, Director - OCD, Santa Fe
Kathy Valdes - OCD, Santa Fe

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

October 14, 1997

RECEIVED

OCT 14 1997

HAND DELIVERED

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

Oil Conservation Division

11878

Re: **Indian Hills Unit Well No. 15**
S/2 of Section 17, T21S, R24E, NMPM
Application of Fasken Oil and Ranch, Ltd.
for an Unorthodox Gas Well Location and Simultaneous Dedication,
Indian Basin-Morrow Gas Pool, Eddy County, New Mexico

Dear Mr. LeMay:

By letter dated October 10, 1997, Mr. Michael E. Stogner advised that because of an objection by an offset operator, he was docketing Fasken's administrative application for hearing on the November 6, 1997 docket.

Please note that his letter contains a proposed advertisement which includes a request to divide Section 17 into two non-standard gas proration and spacing unit. I have determined that the subdivision of this section is no longer needed. Accordingly, I would appreciate you substituting my proposed advertisement for the one suggested by Mr. Stogner.

On behalf of Fasken Oil and Ranch, Ltd., please find enclosed our application for an unorthodox gas well location and simultaneous which we request be set for hearing on the next available Examiner's docket now scheduled for November 6, 1997.

Very truly yours,



W. Thomas Kellahin

cc: Fasken Oil and Ranch, Ltd.
Attn: Sally M. Kvasnicka

DEC 1 1997

OCT 14 1997

Oil & Gas Division

Proposed notification/advertisement for OCD docket

11878

(Unit M)

Case _____: Application of Fasken Oil and Ranch, Ltd. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow Gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines of said Irregular Section 17. Said location is located approximately 9 miles northwest from Carlsbad, New Mexico.

Unit

(Unit J)

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

IN THE MATTER OF THE APPLICATION OF
FASKEN OIL AND RANCH, LTD. FOR AN
UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO

RECORDED

OCT 14 1987

Oil Conservation Division

CASE: 118 78

APPLICATION

Comes now FASKEN OIL AND RANCH, LTD. ("Fasken") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow Gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines of said Irregular Section 17.

In support thereof, Applicant states:

1. Marathon Oil Company is the operator of the Indian Hills Unit and Applicant, Fasken, is the sub-operator of the Lower Pennsylvanian formations underlying all of Irregular Section 17, T21S, R25E, NMPM

2. Fasken proposes to drill the Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 West line of Section 17, T21S, R25E, Eddy County, New Mexico. **See Exhibit A.**

3. Fasken proposes to drill this well to a total depth of approximately 9,700 feet to test for gas production from the Morrow formation and shallower formations.

4. The well location is within the current boundary of the Indian Basin-Morrow Gas Pool which is subject to the Division's Special Rules and Regulations (Order R-8170-O-1 and R-2441-B) which include:

"RULE 2. Each well shall be located on a standard unit consisting of 640-acres...."

"RULE 5(a). The initial well within a spacing unit shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line...."

RULE 5(b). The infill well or second well within a spacing unit shall be located in a quarter section of the existing spacing unit not containing a Morrow gas well...."

5. The Indian Basin-Morrow Gas Pool is no longer "prorated" and the wells in the pool are allowed to produce at capacity.

6. Fasken proposes to simultaneously dedicate this well to an existing non-standard 663.86 acre gas spacing unit of all of Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 (API-30-015-20006) located at a previously approved (NSL-393 dated February 13, 1967) unorthodox gas well location 1440 feet from the South and East lines of said Section 17.

7. This proposed location is the optimum location in the proposed spacing unit at which to drill to test for Morrow gas production and is necessary for a combination of topographical and geological reasons.

8. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, 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.

NMOCD Application
Fasken Oil and Ranch, Ltd.
Page 3

9. Notification of this application has been sent to all the offsetting operators and/or interest owners towards whom the well encroaches as set forth on Exhibit "B" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line. The signature is stylized and cursive.

BY
W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

NMOCD Application
Fasken Oil and Ranch, Ltd.
Page 4

EXHIBIT "A"

Devon Energy Corporation (Nevada)
Suite 1500
20 North Broadway
Oklahoma City, OK 73102

Eland Energy, Inc.
3 Lincoln Centre
5430 LBJ Freeway, Ste. 900
Dallas, Texas 75240-2699

Marathon Oil Company
P. O. Box 554
Midland, Texas 79701
Attn: Thomas C. Lowry, Esq.

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

CASE 11810: (Continued from October 9, 1997, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the S/2 of Section 13, Township 22 South, Range 24 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the McKittrick Hills-Upper Pennsylvanian Gas Pool; forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 13 for any and all formations/pools developed on 160-acre gas spacing; and forming a 40-acre spacing unit underlying the SW/4 SE/4 of said Section 13 for any and all formations and/or pools spaced on 40-acre spacing. Said units are to be dedicated to its M-H 13 Federal Com Well No. 2 to be drilled and completed at a standard well location in Unit O of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 12 miles west of Carlsbad, New Mexico.

CASE 11877: Application of Fasken Land and Minerals, Ltd. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying all of Section 12, Township 23 South, Range 24 East, forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Rock Tank-Upper Morrow Gas Pool and the Rock Tank-Lower Morrow Gas Pool. Said unit is to be dedicated to its Carnero "12" Federal Com Well No. 1 to be drilled and completed at an unorthodox gas well location 500 feet from the North line and 2265 feet from the West line (Unit E) of said Section 12. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Fasken Oil and Ranch, Ltd. as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles southwest of Carlsbad, New Mexico.

CASE 11878: Application of Fasken Oil and Ranch, Ltd. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Unit M) of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing and proration unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines (Unit J) of said Irregular Section 17. Said unit is located approximately 9 miles northwest from Carlsbad, New Mexico.

CASE 11850: (Continued from September 18, 1997, Examiner Hearing.)

Application of Diamond Head Properties, L. P., et al, for clarification of Division Order No. R-10731-B, Eddy County, New Mexico. Applicants, Diamond Head Properties, L. P. and its joint interest owners, Grover Family, L.P., Dugan Production Corp., Pennant Petroleum Inc. and Glenn S. Brant, (collectively the "Diamond Head Group") seek clarification of Order No. R-10731-B, issued February 2, 1997, and request that the Division order KCS Medallion Resources, Inc. ("KCS") to distribute to Diamond Head Properties and its joint owners their proportionate share of any nonconsenting working interest owner's share of production plus the 200% risk factor penalty. Said pooled unit is located approximately 10 miles north of Carlsbad, New Mexico.

CASE 11879: Application of Burlington Resources Oil & Gas Company for approval of a pilot project including an exception from Rule 2(b) of the special rules and regulations for the Blanco-Mesaverde Gas Pool for purposes of establishing a pilot infill drilling program within its San Juan 27-5 Unit whereby up to four wells may be drilled on a standard gas proration unit to determine proper well density and well location requirements for Mesaverde wells, Rio Arriba County, New Mexico. Applicant seeks approval for a pilot program including an exception for the San Juan 27-5 Unit from Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool and authorization to drill wells at unorthodox locations anywhere in the proration unit provided such wells are located no closer than 10 feet from any section, quarter-section or quarter-quarter section line and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order No. R-1670-T to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Blanco Mesaverde Gas Pool within the San Juan 27-5 unit. Said unit is located approximately 10 miles south of Gobernador, New Mexico.