

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
ANTHONY F. MEDEIROS  
PAUL R. OWEN

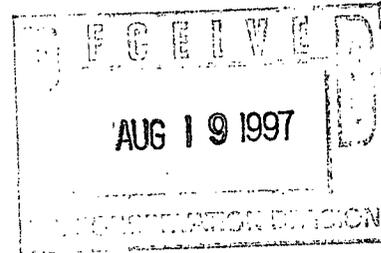
JACK M. CAMPBELL  
OF COUNSEL

August 19, 1997

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: ccbspa@ix.netcom.com

**HAND-DELIVERED**

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



Re: *Application of David Petroleum Corp. for Administrative Approval of an Unorthodox Well Location for its Conoco State Well No. 1 to be drilled 1250 feet from the South line and 1200 feet from the East line of Section 36, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico*

Dear Mr. LeMay:

David Petroleum Corp. hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Conoco State Well No. 1 to be drilled at an unorthodox well location 1250 feet from the South line and 1200 feet from the East line Section 36, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico. A standard spacing unit comprised of the E/2 SE/4 of said Section 36 will be dedicated to the well.

The well will be drilled to a depth sufficient to test the Strawn formation, Shipp-Strawn Pool which is governed by Special Pool Rules and Regulations (Order No. R-8062-A) that provide for 80-acre spacing units (Rule 2) with wells to be drilled within 150 feet of the center of a governmental quarter-quarter Section (Rule 4).

This location in the Strawn formation is unorthodox because it is governed by the Division's statewide rules which provide for wells on 40-spacing units to be located no closer than 330 feet to the outer boundary of the dedicated tract.

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources

August 19, 1997

Page 2

This unorthodox location is required by geological conditions in the Strawn formation. Attached hereto as Exhibit A is a Strawn Isopach Map of Section 36 which shows that this proposed well location is at the top of a small anomaly and that drilling at a standard location results in the well being located where it would be unable to produce the Strawn reserves under this tract.

Attached hereto as Exhibit B is a plat as required by Rule 104.F (3) showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units.

The proposed location is unorthodox because it has been moved from the nearest standard locations toward the center of the SE/4 of Section 36. The ownership in the SE/4 of Said Section 36 is common and this acreage is operated by David Petroleum Corporation. Attached hereto as Exhibit C is a list of the parties in said Section 36 who could be affected by this application. Attached to Exhibit C is a waiver letter from each affected party. Even though all affected parties have executed waiver letters, we have provided notice of this application to all of the parties on Exhibit C in accordance with Rule 104.F(4).

Also enclosed is a draft of a proposed order approving this application.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr", followed by the word "for" written in a smaller, simpler font.

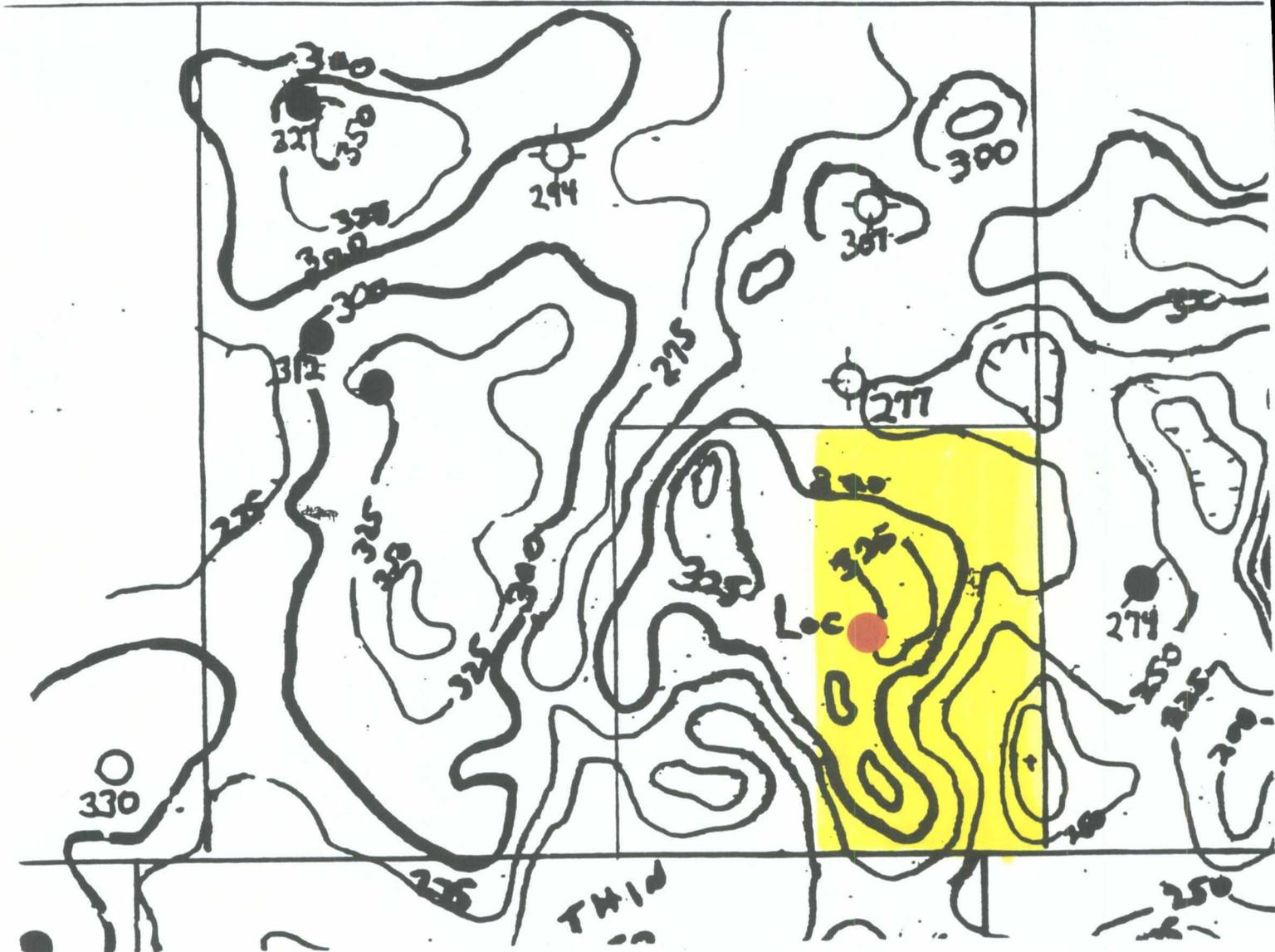
WILLIAM F. CARR  
Attorney for David Petroleum Corp.  
Enclosures

cc: Oil Conservation Division  
District I  
Box 1980  
Hobbs, New Mexico 88240

Mr. Bill Owen

# STRAWN - ATOKA ISOPACH

CONTOUR INTERVAL 25'



Section 36

Township 16 South, Range 37 East

Lea County, New Mexico

EXHIBIT A

AFFECTED PARTIES

Application of David Petroleum Corp., for  
administrative approval of an unorthodox well location  
Conoco State Well No. 1  
1250 feet from the South line and 1200 feet from the East line  
Section 36, Township 16 South, Range 37 East, N.M.P.M.  
Lea County, New Mexico

Section 36, Township 16 South, Range 37 East, NMPM

NE/4:

Nearburg Exploration Company, L.L.C.  
3300 North A Street, Building 2, Suite 120  
Midland, Texas 79705

W/2 :

GECKO Booty 1994 Limited Partnership  
2121 San Jacinto, Suite 2950, LB 50  
Dallas, Texas 75201

TMBR/ Sharp Drilling, Inc.  
Post Office Drawer 10970  
Midland, Texas 79702-7970

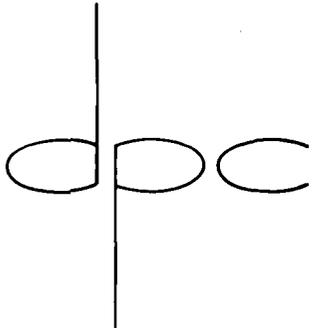
Walsh & Watts, Inc.  
500 W. Seventh, Suite 1007  
Ft. Worth, Texas 76102-4782

Rachel Lyman  
Post Office Box 3726  
Midland, Texas 79702-3726

F. Howard Walsh, Jr.  
500 W. Seventh, Suite 1007  
Ft. Worth, Texas 76102-4782

Working Interest Owners  
Sec. 36: T-16-S, R-37-E  
Lea County, New Mexico

<u>OWNER</u>	<u>%WI/NRI</u>	<u>FAX #</u>
GECKO Booty 1994 I Limited Partnership 2121 San Jacinto, Suite 2950, LB 50 Dallas, TX 75201 Attn: Susan Draper	33.3333334% 29.16667%	972-473-6465
Nearburg Exploration Company, L.L.C. 3300 North A Street, Bldg. 2, #120 Midland, TX 79705 Attn: Robert G. Shelton	33.3333333% 29.16667%	915-686-7806
TMBR/Sharp Drilling, Inc. P. O. Drawer 10970 Midland, TX 79702-7970 Attn: Debbie Wallace	13.3333333% 11.66667%	915-699-5828
Walsh & Watts, Inc. 500 W. Seventh, Suite 1007 Ft. Worth, TX 76102-4782	11.9999999% 10.50000%	817-338-4844
Rachel Lyman P. O. Box 3726 Midland, TX 79702-3726	6.6666667% 5.83333%	915-682-0534
F. Howard Walsh, Jr. 500 W. Seventh, Suite 1007 Ft. Worth, TX 76102-4782	1.3333334% 1.16666%	817-338-4844



August 1, 1997

**VIA FACSIMILE 915-686-8235**  
**AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Nearburg Exploration Company, L.L.C.  
3300 North A Street, Building 2, Suite 120  
Midland, TX 79705

Attention: Robert G. Shelton

Re: Application of David Petroleum Corp.  
for Unorthodox Location,  
Strawn Test Well  
Lea County, New Mexico

Dear Bob:

This letter is to advise you that David Petroleum Corp. (DPC) has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving an unorthodox location of a Strawn test well which David proposes to drill 1250' from the south line and 1200 feet from the east line of Section 36: T-16-S, R-37-E, NMPM, Lea County, NM.

This application has been set for hearing before a Division Examiner August 7, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by the Order entered in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. If you do not object to this application, please so indicate by signing the waiver provided below and return a copy of this letter to me in the enclosed envelope and by facsimile.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 pm on the Friday before a scheduled hearing.

Sincerely,

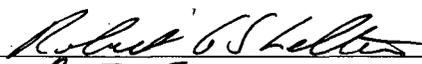
  
Bill Owen  
Land Manager

cc: William F. Carr  
Attorney for DPC

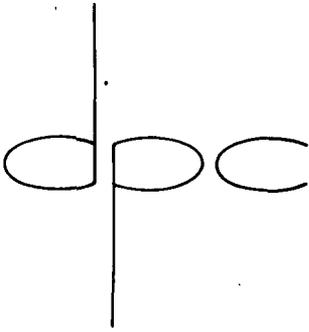
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**WAIVER OF OBJECTION:**

**NEARBURG EXPLORATION COMPANY, L.L.C.**

By   
Title *R. G. Shelton*  
Date *8/1/97*

**DAVID PETROLEUM CORP.**  
EDWARD N. DAVID, VICE PRESIDENT  
Professional Landman  
Off. 505/622-8850  
Fax: 505/623-1801  
Res. 505/624-0558  
116 West First  
Roswell, New Mexico 88201



July 15, 1997

**VIA FACSIMILE 915-699-5828**  
**AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

TMBR/Sharp Drilling, Inc.  
P. O. Drawer 10970  
Midland, TX 79702

Attention: Debbie Wallace

Re: Application of David Petroleum Corp.  
for Unorthodox Location,  
Strawn Test Well  
Lea County, New Mexico

Dear Ms. Wallace:

This letter is to advise you that David Petroleum Corp. (DPC) has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving an unorthodox location of a Strawn test well which David proposes to drill 1250' from the south line and 1200 feet from the east line of Section 36: T-16-S, R-37-E, NMPM, Lea County, NM.

This application has been set for hearing before a Division Examiner August 7, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by the Order entered in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. If you do not object to this application, please so indicate by signing the waiver provided below and return a copy of this letter to me in the enclosed envelope and by facsimile.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 pm on the Friday before a scheduled hearing.

Sincerely,

Bill Owen  
Land Manager

cc: William F. Carr  
Attorney for DPC

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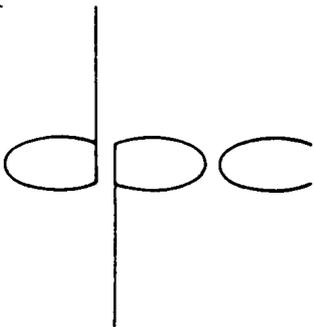
**WAIVER OF OBJECTION:**

**TMBR/SHARP DRILLING, INC.**

By Thomas C. Brown  
Title Chairman of the Board  
Date 7/17/97

**DAVID PETROLEUM CORP.**  
EDWARD K. DAVID, PRESIDENT  
Certified Petroleum Geologist  
Off. 505/622-8850  
Fax: 505/623-1801  
Res. 505/622-5267  
116 West First  
Roswell, New Mexico 88201





July 15, 1997

VIA FACSIMILE 972-473-6465  
AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED

GECKO Booty 1994 I Limited Partnership  
2121 San Jacinto, Suite 2950, LB 50  
Dallas, Texas 75201

Attention: Susan Draper

Re: Application of David Petroleum Corp.  
for Unorthodox Location,  
Strawn Test Well  
Lea County, New Mexico

Dear Ms. Draper:

This letter is to advise you that David Petroleum Corp. (DPC) has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving an unorthodox location of a Strawn test well which David proposes to drill 1250' from the south line and 1200 feet from the east line of Section 36: T-16-S, R-37-E, NMPM, Lea County, NM.

This application has been set for hearing before a Division Examiner August 7, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by the Order entered in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. If you do not object to this application, please so indicate by signing the waiver provided below and return a copy of this letter to me in the enclosed envelope and by facsimile.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 pm on the Friday before a scheduled hearing.

Sincerely,

Bill Owen  
Land Manager

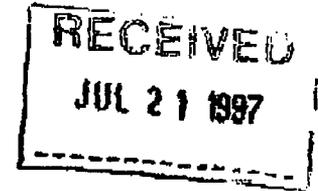
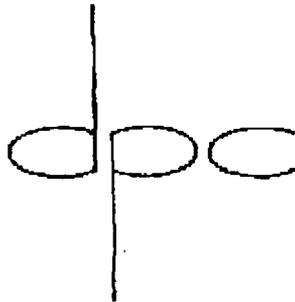
cc: William F. Carr  
Attorney for DPC

**WAIVER OF OBJECTION:**

**GECKO BOOTY, 1994 I LIMITED PARTNERSHIP**

By   
Title Attorney for Gecko  
Date August 8/19/97

**DAVID PETROLEUM CORP.**  
EDWARD K. DAVID, PRESIDENT  
Certified Petroleum Geologist  
Off. 505/622-8850  
Fax: 505/623-1801  
Res. 505/622-5267  
116 West First  
Roswell, New Mexico 88201



July 15, 1997

**VIA FACSIMILE 817-338-4844  
AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Walsh & Watts, Inc.  
500 W. Seventh, Suite 1007  
Ft. Worth, TX 76102-4782

Attention: F. Howard Walsh, Jr.

Re: Application of David Petroleum Corp.  
for Unorthodox Location,  
Strawn Test Well  
Lea County, New Mexico

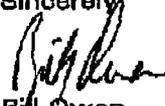
Dear Mr. Walsh:

This letter is to advise you that David Petroleum Corp. (DPC) has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving an unorthodox location of a Strawn test well which David proposes to drill 1250' from the south line and 1200 feet from the east line of Section 36: T-16-S, R-37-E, NMPM, Lea County, NM.

This application has been set for hearing before a Division Examiner August 7, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by the Order entered in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. If you do not object to this application, please so indicate by signing the waiver provided below and return a copy of this letter to me in the enclosed envelope and by facsimile.

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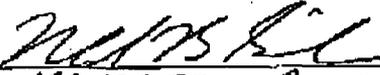
Sincerely,

  
Bill Owen  
Land Manager

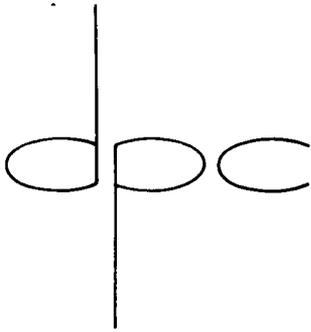
cc: William F. Carr  
Attorney for DPC

**WAIVER OF OBJECTION:**

**WALSH & WATTS, INC.**

By   
Title MANAGER, RONALD B. SNIDER  
Date 8/4/97

**DAVID PETROLEUM CORP.**  
EDWARD K. DAVID, PRESIDENT  
Certified Petroleum Geologist  
Off. 505/622-8850  
Fax: 505/623-1801  
Res. 505/622-5267  
116 West First  
Roswell, New Mexico 88201



July 15, 1997

**VIA FACSIMILE 915-682-0534  
AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Ms. Rachel Lyman  
P. O. Box 3726  
Midland, TX 79702-3726

Re: Application of David Petroleum Corp.  
for Unorthodox Location,  
Strawn Test Well  
Lea County, New Mexico

Dear Ms. Lyman:

This letter is to advise you that David Petroleum Corp. (DPC) has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving an unorthodox location of a Strawn test well which David proposes to drill 1250' from the south line and 1200 feet from the east line of Section 36: T-16-S, R-37-E, NMPM, Lea County, NM.

This application has been set for hearing before a Division Examiner August 7, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by the Order entered in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. If you do not object to this application, please so indicate by signing the waiver provided below and return a copy of this letter to me in the enclosed envelope and by facsimile.

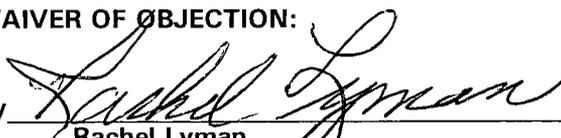
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Sincerely,

Bill Owen  
Land Manager

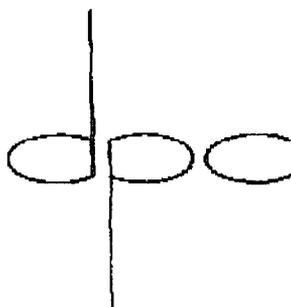
cc: William F. Carr  
Attorney for DPC

**WAIVER OF OBJECTION:**

By   
Rachel Lyman

Date 7/16/97

**DAVID PETROLEUM CORP.**  
EDWARD K. DAVID, PRESIDENT  
Certified Petroleum Geologist  
Off. 505/622-8850  
Fax: 505/623-1801  
Res. 505/622-5267  
116 West First  
Roswell, New Mexico 88201



July 15, 1997

VIA FACSIMILE 817-338-4844  
AND CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Howard Walsh, Jr.  
 500 W. Seventh, Suite 1007  
 Ft. Worth, TX 76102-4782

Re: Application of David Petroleum Corp.  
 for Unorthodox Location,  
 Strawn Test Well  
 Lea County, New Mexico

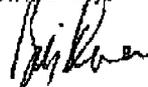
Dear Mr. Walsh:

This letter is to advise you that David Petroleum Corp. (DPC) has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving an unorthodox location of a Strawn test well which David proposes to drill 1250' from the south line and 1200 feet from the east line of Section 36: T-16-S, R-37-E, NMPM, Lea County, NM.

This application has been set for hearing before a Division Examiner August 7, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by the Order entered in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. If you do not object to this application, please so indicate by signing the waiver provided below and return a copy of this letter to me in the enclosed envelope and by facsimile.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 pm on the Friday before a scheduled hearing.

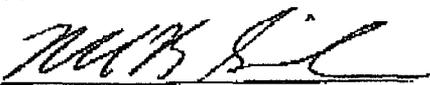
Sincerely,

  
 Bill Owen  
 Land Manager

cc: William F. Carr  
 Attorney for DPC

**WAIVER OF OBJECTION:**

By

  
 F. Howard Walsh, Jr. BY: RONALD B. SNIDER

Date

8/4/97

DAVID PETROLEUM CORP.  
 EDWARD K. DAVID, PRESIDENT  
 Certified Petroleum Geologist  
 Oil: 505/622-8850  
 Fax: 505/623-1801  
 Res: 505/622-5267  
 116 West First  
 Roswell, New Mexico 88201

\_\_\_\_\_  
(DATE)

**DRAFT ADMINISTRATIVE ORDER**

David Petroleum Corp.  
116 West First  
Roswell, New Mexico 88201

Attention: Bill Owen

*Administrative Order NSL-\_\_\_\_\_*

Dear Mr. Owen:

Reference is made to your application dated August 18, 1997 for an unorthodox well location for the Shipp-Strawn Pool for the proposed Conoco State Well No. 1. Said well to be drilled 1250 feet from the South line and 1200 feet from the East line (Unit P) of Section 36, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

A standard 80-acre oil spacing and proration unit in the Shipp-Strawn Pool comprising the E/2 SE/4 of said Section 36 is to be dedicated to the well.

By authority granted me under the provisions Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox oil well location is hereby approved.

Sincerely,

William J. LeMay  
Director

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

**CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS**

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
PAUL R. OWEN  
ANTHONY F. MEDEIROS

JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1-110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

**TELECOPIER COVER SHEET**

August 19, 1997

To: Michael E. Stogner  
Oil Conservation Division

Fax: (827-8177)

Re: *Administrative Approval for David Petroleum Corp.*

FROM: Paul R. Owen  
TOTAL PAGES (including this cover sheet): 3  
DOCUMENT: Waiver Letter from Nearburg.

OPERATOR: Martha CLIENT/MATTER #  
PLEASE CALL: [ ] TO CONFIRM RECEIPT [ ] AFTER REVIEW  
MESSAGE:

IF THERE ARE ANY PROBLEMS WITH OUR TRANSMISSION,  
PLEASE CALL OPERATOR AT (505) 988-4421.

THIS DOCUMENT IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM IT IS  
ADDRESSED, AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED AND CONFIDENTIAL, OR THAT  
CONSTITUTES WORK PRODUCT AND IS EXEMPT FROM DISCLOSURES UNDER APPLICABLE LAW.

IF YOU ARE NOT THE INTENDED RECIPIENT OR THE EMPLOYEE OR AGENT OF THE INTENDED  
RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY USE, DISSEMINATION, DISTRIBUTION OR COPYING  
OF THE COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION  
IN ERROR, PLEASE NOTIFY US BY TELEPHONE AND DESTROY THE DOCUMENT.  
THANK YOU.

**L O M ASSOCIATES**  
116 W. FIRST STREET  
ROSWELL, NEW MEXICO 88201

**W. E. BILL OWEN**  
PETROLEUM LANDMAN

808 625-8800

August 14, 1987

Nearburg Exploration Company, L. L. C.  
3300 N. "A" Street, Building 2, Suite 120  
Midland, TX 79705

Attention: Robert G. Shelton, Jr.

Re: Conoco State #1 Well  
1250' FBL, 1200' FEL  
Section 36, T-16-S, R-37-E  
State of New Mexico  
Lease #B-1534-3  
Lee County, New Mexico

Dear Bob:

Pursuant to our recent conversation, David Petroleum Corp., (DPC) and McMillan Production Company, Inc. (MPCI), along with Manzano Oil Corporation as Operator, plan to spud the referenced well in 3-4 weeks.

As you recall, DPC proposed this well to you in our letter dated June 20, 1987. Nearburg Exploration Company L.L.C. (Nearburg), through your letter dated July 8, 1987, elected not to participate in our well, thereby, giving up any rights and interest it has in the referenced lease.

DPC and MPCI hereby request the SE/4 of Section 36, T-16-S, R-37-E, NMPM, Lee County, New Mexico be deleted from our Joint Operating Agreement and our Area of Mutual Interest described in our Exploration Agreement both dated December 2, 1986.

Subsequent to our group spudding the Conoco State #1 well, DPC and MPCI hereby request Nearburg to convey its 60% interest in the aforementioned lease to them in the following percentages:

David Petroleum Corp.	27.1856%
McMillan Production Company, Inc.	32.8044%
	60.0000%

The effective date for these amendments to our J.O.A. and Exploration Agreement and the effective date of the Assignment from Nearburg should be the date the referenced well is spudded.

AUG-19-1997 15:13 FROM PXC LDM

TO

17009836043 P.03

Nearburg Exploration Company, L.L.C.  
August 14, 1997  
Page 2

After your review of this Letter Agreement, please give me a call if you have any questions. If this properly represents your understanding of our agreements, please indicate so by signing and returning one copy of this Letter Agreement.

Sincerely,



Bill Owen  
Land Manager for  
David Petroleum Corp. and  
McMillan Production Company, Inc.

AGREED AND ACCEPTED THIS 18th DAY OF AUGUST, 1997.

NEARBURG EXPLORATION COMPANY, L.L.C.

BY Robert G. Shelton, Jr.  
Robert G. Shelton, Jr., Land Manager  
R-G-S

CMD  
06C101

ONGARD  
C101-APPLICATION FOR PERMIT TO DRILL

08/19/97 14:18:25  
OGOMES -EMGF

OGRID Idn : 15742 API Well No: 30 25 33503 APD Status(A/C/P): A  
Opr Name, Addr: NEARBURG PRODUCING CO Aprvl/Cncl Date : 07-10-1996  
PO BOX 823085  
DALLAS, TX 75382

Prop Idn: 19122 OCHO STATE 36 Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
Surface Locn	:	I	36	16S	37E		FTG 2310 F S	FTG 660 F E
OCD U/L	:	I	API	County	:	25		

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): O Cable/Rotary (C/R) : R  
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 3747

State Lease No: Multiple Comp (Y/N) : S  
Prpsd Depth : 12300 Prpsd Frmtn : STRAWN

**E0009: Enter data to modify record**

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

Sec : 36 Twp : 16S Rng : 37E Section Type : NORMAL

<b>L</b> 40.00 CS VA0903 5 05/98 TMBR/SHARP DRILLI	<b>K</b> 40.00 CS VA0903 5 05/98 TMBR/SHARP DRILLI	<b>J</b> 40.00 CS B01534 09/38 CONOCO INC	<b>I</b> 40.00 CS B01534 09/38 CONOCO INC  A
<b>M</b> 40.00 CS VA0903 5 05/98 TMBR/SHARP DRILLI	<b>N</b> 40.00 CS VA0903 5 05/98 TMBR/SHARP DRILLI	<b>O</b> 40.00 CS B01534 09/38 CONOCO INC	<b>P</b> 40.00 CS B01534 09/38 CONOCO INC

PF01 HELP      PF02              PF03 EXIT      PF04 GoTo      PF05              PF06  
PF07 BKWD      PF08 FWD          PF09 PRINT      PF10 SDIV      PF11              PF12

**(SAN LUIS-MESAVERDE POOL - Cont'd.)**

(2) That for allowable purposes, the 40-acre proportional factor for pools in the 0-5000 foot depth range shall apply to the said San Luis-Mesaverde Oil Pool.

(3) That special rules and regulations for the said San Luis-Mesaverde Oil Pool be and the same are hereby promulgated as hereinafter set forth.

**SPECIAL RULES AND REGULATIONS FOR THE  
SAN LUIS-MESAVERDE OIL POOL**

**RULE 1.** Each well drilled in the San Luis-Mesaverde Oil Pool shall be located no nearer than 150 feet to the outer boundary of the quarter-quarter section on which it is located and shall be located no nearer than 300 feet to the nearest well producing from the same common source of supply; provided, however, that offset wells to the discovery well which are drilled in the NW/4 SE/4 of Section 21 may be located nearer than 300 feet to the discovery well.

**RULE 2.** No 40-acre proration unit in said San Luis-Mesaverde Oil Pool shall produce in excess of the 40-acre top unit allowable for wells in the 0-5000 foot depth in Northwest New Mexico, regardless of the number of wells drilled on such 40-acre proration unit.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

**SHIPP-STRAWN POOL  
Lea County, New Mexico**

Order No. R-8062-A, Creating and Adopting Temporary Operating Rules for the Shipp-Strawn Pool, Lea County, New Mexico, January 21, 1986.

Application of the Oil Conservation Division on its Own Motion to Amend Division Order No. R-8062 and to Contract the Horizontal Limits of the East Lovington-Pennsylvanian Pool, Lea County, New Mexico.

CASE NO. 8790  
Order No. R-8062-A

**ORDER OF THE DIVISION**

BY THE DIVISION: This cause came on for hearing at 8 a.m. on December 18, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of January, 1986, 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) Division Order No. R-8062 issued on October 31, 1985, in Case No. 8696 classified, created and designated the Shipp-Strawn Pool, promulgated temporary special rules and regulations therefor, and assigned an oil discovery allowable to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line (Unit I) of Section 4, Township 17 South, Range 37 East, NMPM, all in Lea County, New Mexico.

(3) In the present case, the New Mexico Oil Conservation Division (Division) on its own motion seeks the following amendments to Division Order No. R-8062:

(a) correction of the oil discovery allowable assigned to Pennzoil Company Viersen Well No. 1;

(b) amendment of the horizontal limits of the pool;

(c) revision of the well location provisions of the Special Pool Rules to require well locations to be no further than 150 feet from the center of a governmental quarter-quarter section or lot; and

(d) deletion of the limitation imposed on the pool restricting the applicability of the Special Pool Rules to the area within the pool boundaries.

(4) The Division further seeks to contract the horizontal limits of the East Lovington-Pennsylvanian Pool by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) The evidence presented in this case indicated that:

(a) The NW/4 NW/4 of said Section 4 is more properly classified as being in the Shipp-Strawn Pool than the East Lovington-Pennsylvanian Pool;

(b) there is insufficient evidence at this time to include more than the N/2 and SE/4 of said Section 4 within the boundaries of said Shipp-Strawn Pool;

(c) the special rules for the Shipp-Strawn Pool should not be limited to that area only within the boundaries of said pool but should apply also within one mile thereof; and,

(d) rules requiring well locations within 150 feet of the center of the quarter-quarter section would better serve to protect the correlative rights of the owners within said pool.

(6) The evidence presented at this hearing also demonstrated that the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1, located 2130 feet from the South line and 660 feet from the East line of said Section 4, was improperly calculated and should be reduced to 55,595 barrels of oil total.

(7) An order entered amending said discovery allowable, revising said pool boundaries as described above, and incorporating the above described changes in special pool rules will better protect correlative rights and will not result in waste.

(8) The effective date of this order should be January 21, 1986.

**IT IS THEREFORE ORDERED THAT:**

(1) The East Lovington-Pennsylvanian Pool as heretofore defined and described is hereby contracted by the deletion therefrom of the NW/4 NW/4 of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The horizontal limits of the Shipp-Strawn Pool, as heretofore defined and described in Lea County, New Mexico, are hereby amended to include therein the following described area only:

**TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM  
Section 4: N/2 and SE/4**

## (SHIPP-STRAWN POOL - Cont'd.)

(3) The temporary Special Rules and Regulations for the Shipp-Strawn Pool are hereby amended to read in their entirety as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
SHIPP-STRAWN POOL

**RULE 1.** Each well completed or recompleted in the Shipp-Strawn Pool or in the Strawn formation within one mile of the Shipp-Strawn Pool, and not nearer to or within the limits of another designated Strawn pool shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

**RULE 2.** Each well completed or recompleted in the Shipp-Strawn Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2, or W/2 of a single governmental quarter section; provided, however, nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

**RULE 3.** For good cause shown, the Director may grant an exception to the requirements of Rule 2 without notice and hearing when the application is for a non-standard unit comprising a single quarter-quarter section or lot. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application if, after a period of 30 days, no offset operator has entered an objection to the formation of such non-standard unit.

The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the Shipp-Strawn Pool as the acreage in such non-standard unit bears to 80 acres.

**RULE 4.** Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

**RULE 5.** The Division Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proration unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

**RULE 6.** Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 445 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres."

IT IS FURTHER ORDERED THAT:

(4) The location of any well permitted, in drilling to, or completed in the Strawn formation within the boundaries of the Shipp-Strawn Pool prior to January 21, 1986, which location was orthodox under pool rules existing prior to that time and which location is now unorthodox, is hereby approved.

(5) The locations of any other wells presently permitted in, drilling to, or completed in the currently defined Shipp-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District office of the Division in writing of the name and location of the well on or before April 1, 1986.

(6) The amount of the discovery allowable assigned to the Pennzoil Company Viersen Well No. 1 located 2130 feet from the South line and 660 feet from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, as set out in Division Order No. R-8062 is hereby amended to a total of 55,595 barrels of oil to be produced at a rate not to exceed 76 barrels per day in accordance with Division General Rule 509.

(7) The effective date of this order and of the pool and pool rule changes included herein shall be January 21, 1986.

(8) Pursuant to Paragraph A. of Section 70-2-18, NMSA (1978), existing wells in the Shipp-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Shipp-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

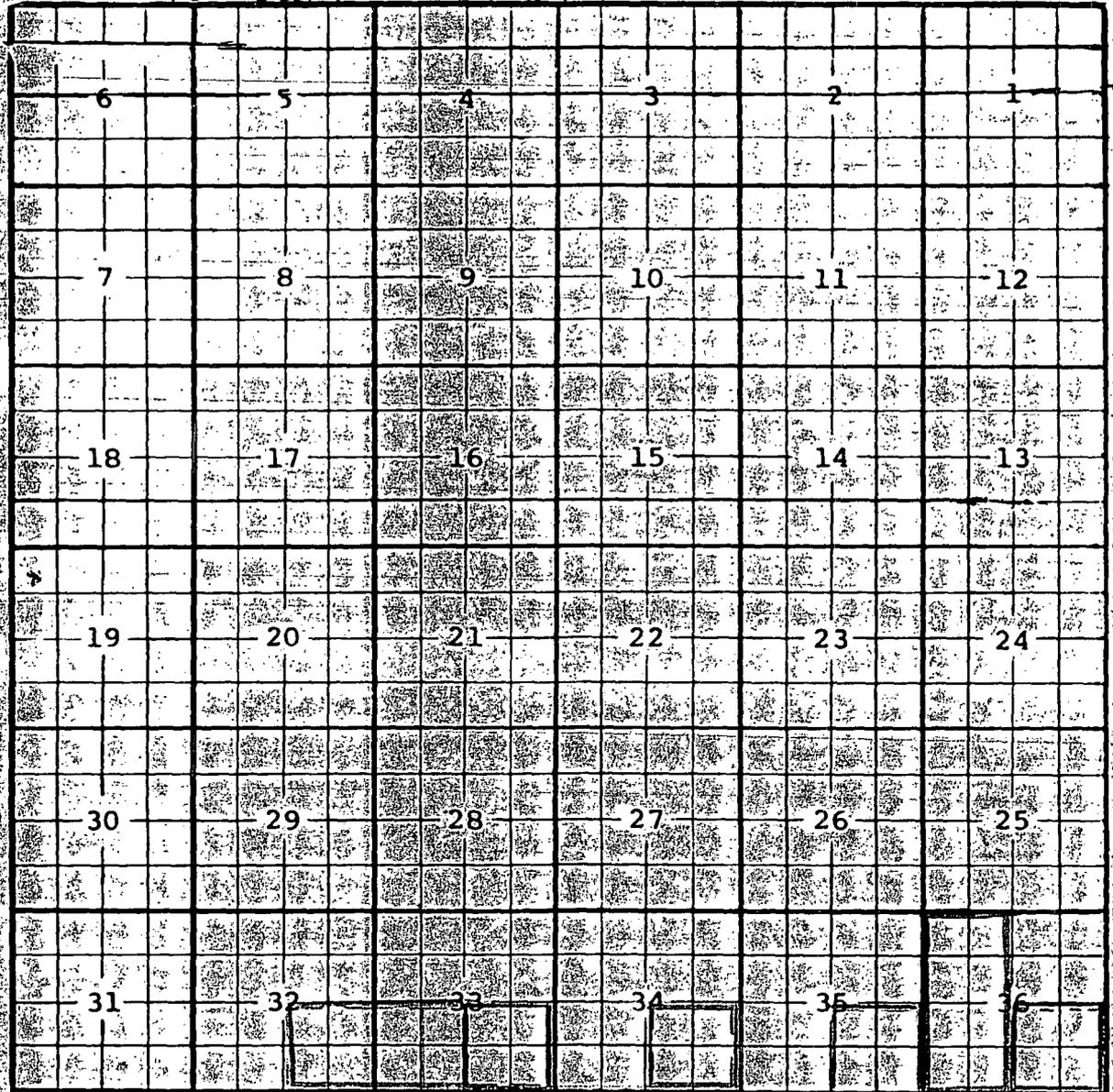
(9) This case shall be reopened at an examiner hearing in November, 1986, at which time the operators in the subject pool may appear and show cause why the Shipp-Strawn Pool should not be developed on 40-acre proration units.

(10) 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.

county Lea Pool Shipp-Strawn

TOWNSHIP 16 South Range 37 East NMPM



Description:  $\frac{SE}{4}$  and  $\frac{E}{2}$   $\frac{SW}{4}$  Sec. 33,  $\frac{S}{2}$  Sec 34 (R-8062, 10-31-85)  
 Amend horizontal limits to include  $\frac{N}{2}$  and  $\frac{SE}{4}$  Sec 4 only, T12S,  
 R37E (R-8062-A, 1-21-86) EXT:  $\frac{SE}{4}$  Sec. 33 (R-8513, 9-18-87)  
 EXT:  $\frac{SE}{4}$  SEC 32,  $\frac{SW}{4}$  SEC 33 (R-8603, 7/19/88) EXT:  $\frac{SE}{4}$  SEC 35 (R-8668, 6/10/88)  
 EXT:  $\frac{SE}{4}$  sec 36 (R-9741, 9-1-89) EXT:  $\frac{SE}{4}$  SEC 34 (R-9120, 3-1-90)  
 EXT:  $\frac{W}{2}$  SEC 36 (R-8772, 11-1-88)

DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 21, 1997

8:15 AM - 2040 South Pacheco  
Santa Fe, New Mexico

Dockets Nos 27-97 and 28-97 are tentatively set for September 4, 1997 and September 18, 1997. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11675: (Reopened - Continued from July 24, 1997, Examiner Hearing.)

In the matter of Case No. 11675 being reopened pursuant to the provisions of Division Order No. R-107355, which promulgated Temporary Special Rules and Regulations for the North Lovington-Wolfcamp Pool in Lea County, New Mexico. Operators in the subject pool may appear and show cause why said Temporary Special Rules and Regulations for the North Lovington-Wolfcamp Pool should not be rescinded.

CASE 11805: (Continued from August 7, 1997, Examiner Hearing.)

Application of Penwell Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 for all formations developed on 160-acre spacing; the NW/4 for all formations developed on 160-acre spacing; the N/2 NW/4 for all formations developed on 80-acre spacing; and the NE/4 NW/4 for all formations developed on 40-acre spacing, all in Section 28, Township 23 South, Range 26 East. Said units are to be dedicated to its Frontier Hills "28" State Com Well No. 1 to be drilled as a wildcat well at a standard location 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28 to test any and all formations to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 10 miles southwest of Carlsbad, New Mexico.

CASE 11726: (Continued from August 7, 1997, Examiner Hearing.)

Application of ARCO Permian, a unit of Atlantic Richfield for compulsory pooling, directional drilling and unorthodox well locations, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2, in all formations developed on 160-acre spacing underlying the SW/4, in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SW/4, from below 3300 feet to the base of the Upper Mississippian formation, of Section 8, Township 18 South, Range 28 East. Said units are to be dedicated to its Mimosa 8 State Com Well No. 1 which will be directionally drilled from an unorthodox well location 350 feet from the South line and 2003 feet from the West line (Unit N) to an unorthodox bottomhole location in the Mississippian and Morrow formations, within 55 feet of a point 404 feet from the South line and 1749 feet from the West line of said Section 36. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 14 miles southeast of Artesia, New Mexico.

CASE 11824: (Continued from August 7, 1997, Examiner Hearing.)

Application of David Petroleum Corporation for an unorthodox well location, Lea County, New Mexico. Applicant seeks authorization to drill its Conoco State Well No. 1 as a wildcat well to the Strawn formation at an unorthodox well location 1200 feet from the South line and 1200 feet from the East line (Unit P) of Section 36, Township 16 South, Range 37 East. The SE/4 of said Section 36 is to be dedicated to said well forming a standard 40-acre spacing and proration unit. Said unit is located approximately 8 miles southeast of Lovington, New Mexico.

CASE 11649: (Continued from August 7, 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 in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation and Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morrow Well No. 1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 4 1/2 miles west of Lakewood, New Mexico.