

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

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Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

October 5, 1988

HAND DELIVERED

RECEIVED

OCT 5 1988

OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87503

Re: Foran Oil Company
Application for Administrative
Approval for Two Unorthodox
well locations in the Diamond Mound
Atoka-Morrow Gas Pool, Chaves County,
New Mexico

Dear Mr. LeMay:

On behalf of Foran Oil Company, please accept this letter as our application for approval of the unorthodox locations for the following two wells:

- (1) State "ET" No. 1 well located
990 feet FNL and 1650 feet FWL
of Section 36, T15S, R27E, NMPM,
for a W/2 proration and spacing unit;
- (2) State "ET" Gas Com No. 1 well,
located 1650 feet FSL and 1650 feet
FEL of Section 36, T15S, R27E, NMPM,
for an E/2 proration and spacing unit.

Both wells were originally permitted and drilled as standard well locations for the Buffalo Valley-Pennsylvanian Gas Pool. On August 23, 1985, the Division issued a Nomenclature order R-8021 which reclassified Section 36 to the Diamond Mound Atoka-Morrow Gas Pool and made the subject wells unorthodox well locations.

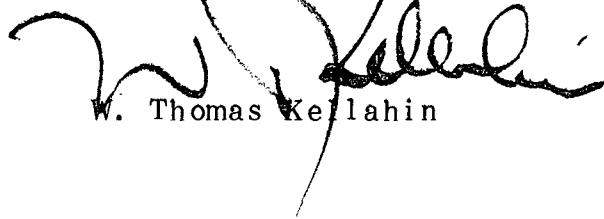
KELLAHIN, KELLAHIN & AUBREY

Both of these wells were discussed in the recent Division Case 9491 heard on September 28, 1988.

In accordance with Division Rule 104(F), we have obtained and enclosed copies of waivers from Read & Stevens, Dekalb Energy Company (formerly a Toles interest) and Mesa Operating Limited Partnership, the offset operators to these wells.

I have enclosed a copy of Exhibit 4 from the Case 9491 for your reference which shows the offset operators and justification for these locations. Please call me if you need anything further in order to process our application.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping underline.

W. Thomas Kellahin

WTK:sm

cc: Foran Oil Company

FORAN OIL COMPANY

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231
(214) 373-8792

September 30, 1988

Reed and Stevens
P.O. Box 1518
Roswell, NM 88202
Attn: Mr. John Maxey

Re: Waiver of Unorthodox Location
State 'ET' No. 1 and
State 'ET' Gas Com No.1
Section 36, T15S-R27E
Chaves County, New Mexico

Gentlemen:

As we discussed by telephone today, the captioned wells were originally drilled at orthodox locations in the Buffalo Valley-Pennsylvanian Gas Pool. On August 23, 1985, the Oil Conservation Division issued Order No. R-8021 which reclassified Section 36, T15S-R27E from the Buffalo Valley-Pennsylvanian Gas Pool to the Diamond Mound Atoka-Morrow Gas Pool. Upon the issuance of the order, the captioned wells' locations became unorthodox. The New Mexico Oil Conservation Division has requested Foran Oil Company to obtain waivers from the offset operators allowing the unorthodox locations for the captioned wells. If you are agreeable to the unorthodox locations, please so signify by executing this waiver in the space provided and returning it to the undersigned at the letterhead address as well as by fax machine at (214) 691-1415. Should you require additional information, please call the undersigned at (214) 373-8793.

Very truly yours,


David N. Frye, CPL
Land Manager

DNF/mow

AGREED AND ACCEPTED THIS 30
DAY OF SEPTEMBER, 1988.

READ
REED AND STEVENS

BY: John C Maxey

FILE: A C:\WS4\waiver.ltr

September 30, 1988

Dekalb Energy Company
118 Sixteenth Street
Suite 1000
Denver, Colorado 80202
Attn: Mr. Jerry Reeger

Re: Waiver of Unorthodox Location
State 'ET' No. 1 and
State 'ET' Gas Com No. 1
Section 36, T15S-R27E
Chaves County, New Mexico

Gentlemen:

As we discussed by telephone today, the captioned wells were originally drilled at orthodox locations in the Buffalo Valley-Pennsylvanian Gas Pool. On August 23, 1985, the Oil Conservation Division issued Order No. R-8021 which reclassified Section 36, T15S-R27E from the Buffalo Valley-Pennsylvanian Gas Pool to the Diamond Mound Atoka-Morrow Gas Pool. Upon the issuance of the order, the captioned wells' locations became unorthodox. The New Mexico Oil Conservation Division has requested Foran Oil Company to obtain waivers from the offset operators allowing the unorthodox locations for the captioned wells. If you are agreeable to the unorthodox locations, please so signify by executing this waiver in the space provided and returning it to the undersigned at the letterhead address as well as by fax machine at (214) 691-1415. Should you require additional information, please call the undersigned at (214) 373-8793.

Very truly yours,


David N. Frye, CPL
Land Manager

DNF/mcw

AGREED AND ACCEPTED THIS
DAY OF SEPTEMBER, 1988.

DEKALB ENERGY COMPANY

BY: 

FORAN OIL COMPANY

SUITE 158, PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231
(214) 373-8792

September 30, 1988

Mesa Operating Limited Partnership
P.O. Box 2009
Amarillo, Texas 79189-2009
Attn: Mr. Larry Hemmingway

Re: Waiver of Unorthodox Location
State 'ET' No. 1 and
State 'ET' Gas Com No.1
Section 36, T15S-R27E
Chaves County, New Mexico

Gentlemen:

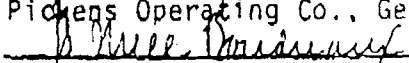
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Very truly yours,


David N. Frye, CPL
Land Manager

DNF/mow

AGREED AND ACCEPTED THIS 30th
DAY OF SEPTEMBER, 1988.

MESA OPERATING LIMITED PARTNERSHIP
By:  General Partner
BY: G. Shell Boudreaux
G. Shell Boudreaux, Vice President
Exploration & Acquisitions

LMH
RWP

FILE:A C:\WS4\waiver.ltr

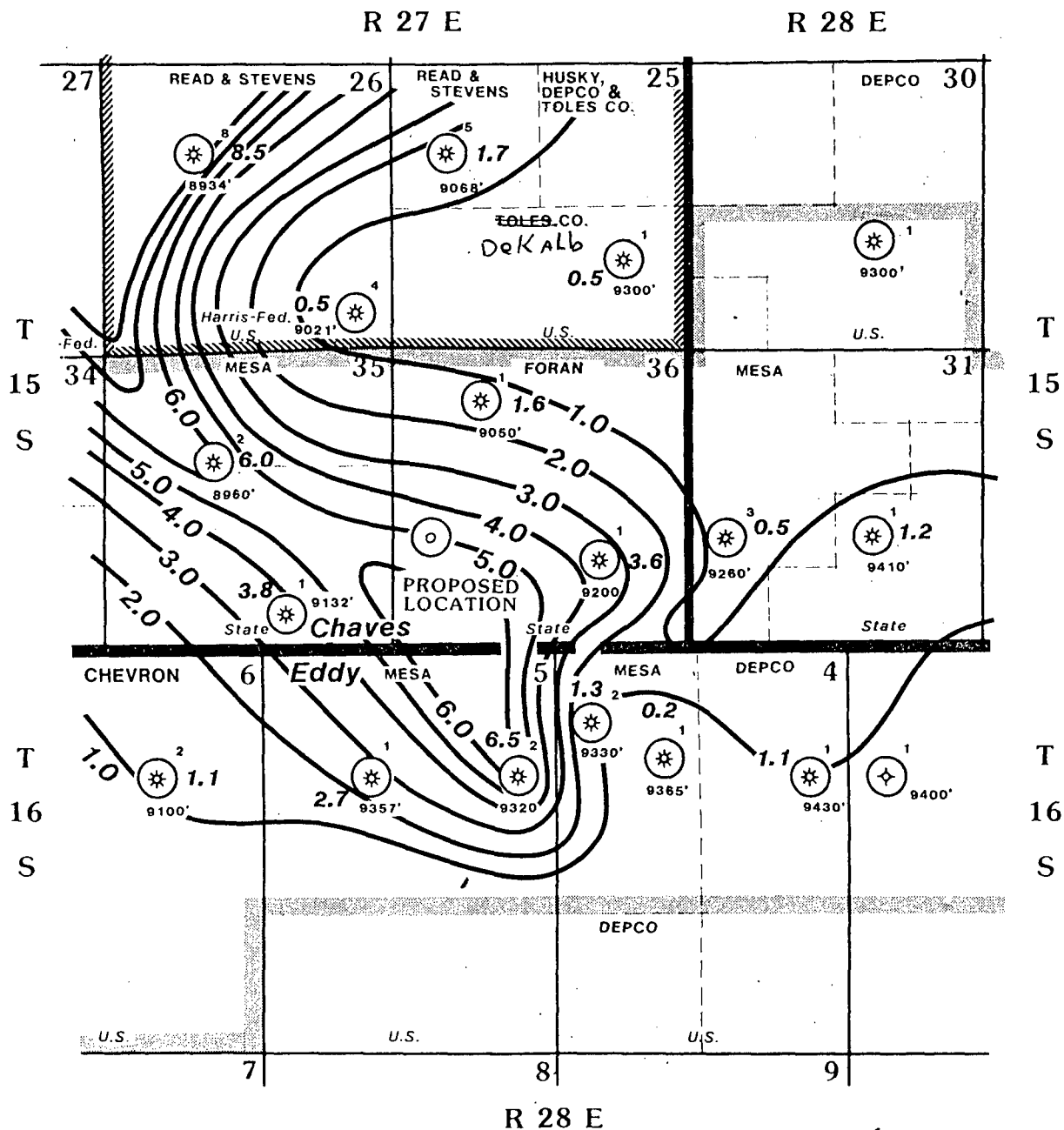


EXHIBIT NO. 

DATE: _____



**DIAMOND MOUND
FIELD**
CHAVES & EDDY CO., NEW MEXICO

**ESTIMATED
ULTIMATE RECOVERIES**

C.I. = 1 BCFG

Buffalo Valley
Penn Gas Pool

Diamond Mound
Atoka-Morrow Gas Pool



Scale 1" = 2000'

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)

2. Each oil well, or gas well to which no more than 40 acres is dedicated, shall be located no nearer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

RULE 4(b) 1. The Director may grant an exception to Rule 2(a) 1 above and Rule 4(b) (1) of the General Rules if a completion, recompletion, or reclassification of a Blinebry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produces for the unit.

2. The Director may grant an exception to Rule 2(a) 1 above and Rule 4(b) (2) of the General Rules when the non-standard proration unit consists of not more than 164 acres and lies wholly within a single governmental section.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Blinebry Oil and Gas Pool.

G. REPORTING OF PRODUCTION

RULE 17(b). In submitting Form C-115 on wells producing from the Blinebry Oil and Gas Pool in which condensate is commingled and/or low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

I. MISCELLANEOUS SPECIAL POOL RULES

RULE 26. Oil wells in the Blinebry Oil and Gas Pool shall receive oil and casinghead gas allowables as provided in Rules 503, 505, and 506 of the Division Rules and Regulations.

RULE 27. Gas-liquid ratio tests shall be conducted annually during the months of July, August, and September on all wells located in and producing from the Blinebry Oil and Gas pool. Results of such tests shall be reported to the Division on Form C-116 on or before the 10th day of October of each calendar year.

RULE 28(a). The District Supervisor, on or before November 15 of each year shall review the production data, gas-oil ratio tests, and other pertinent data and reclassify a well if evidence reflects the need for such reclassification. In such event the District Supervisor will notify the operator of the reclassification at least 30 days before the effective date thereof. Any operator so notified may request that the District Supervisor reconsider the reclassification if he has evidence to support such request and the request has been filed within 10 days after receipt of the notification of reclassification. The District Supervisor shall approve or disapprove the request within 10 days after receipt thereof or in the alternative, with the consent of the applicant; set the request for hearing.

(b) In the event an oil well in the Blinebry Oil and Gas Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided however, that, until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event of two or more gas wells producing from the Blinebry Oil and Gas Pool within a single proration unit, the allowable assigned to the unit may be produced from any well on the unit in any proportion.

RULE 29(a). Condensate from any gas well in the Blinebry Oil and Gas Pool may be commingled with other condensate produced by any other gas well or wells producing from the pool or the Tubb Oil and Gas Pool following its separation from the gas in a separator, provided approval therefor has been obtained in accordance with Division Rule 303-B and/or Rule 309-B, whichever is applicable.

(b) If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from the other low-pressure gas produced on the lease, provided that certain test facilities are available and periodic tests made in accordance with Rule 27 above.

SPECIAL RULES AND REGULATIONS FOR THE BUFFALO VALLEY-PENNSYLVANIAN GAS POOL

The Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico, was created November 1, 1962 and gas proration in this pool became effective May 1, 1969.

A. DEFINITIONS

THE VERTICAL LIMITS of the Buffalo Valley-Pennsylvanian Gas Pool shall be the Pennsylvanian formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Buffalo Valley-Pennsylvanian Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Buffalo Valley-Pennsylvanian Gas Pool shall be located in the northwest quarter or the southeast quarter of the section and shall be located no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line; provided, however, that any well drilling to or completed in said pool on or before October 31, 1962, is hereby excepted from the requirements of this rule.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Buffalo Valley-Pennsylvanian Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE BURTON FLAT-MORROW GAS POOL

The Burton Flat-Morrow Gas Pool, Eddy County, New Mexico was created March 1, 1973 and gas proration in this pool became effective April 1, 1974.

A. DEFINITIONS

THE VERTICAL LIMITS of the Burton Flat-Morrow Gas Pool shall be the Morrow formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Burton Flat-Morrow Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Burton Flat-Morrow Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Burton Flat-Morrow Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE BURTON FLAT-STRAWN GAS POOL

The Burton Flat-Strawn Gas Pool, Eddy County, New Mexico was created September 1, 1973 and gas proration in this pool became effective April 1, 1974.

A. DEFINITIONS

THE VERTICAL LIMITS of the Burton Flat-Strawn Gas Pool shall be the Strawn formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(A). A standard GPU in the Burton Flat-Strawn Gas Pool shall be 320 acres.

RULE 2(B). Each well completed or recompleted in the Burton Flat-Strawn Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8679
Order No. R-8021

THE APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION FOR AN
ORDER CONTRACTING AND EXTENDING CERTAIN
POOLS IN CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on August 14, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of August, 1985, 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) There is need for the contraction of the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, in order to place the deleted acreage in the Diamond Mound Atoka-Morrow Gas Pool.

(3) There is need for the extension of the Diamond Mound Atoka-Morrow Gas Pool in Chaves County, New Mexico.

IT IS-THEREFORE ORDERED THAT:

(a) The Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 36: All

(b) The Diamond Mound Atoka-Morrow Gas Pool in Chaves County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 36: All


IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well, which by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well, or to obtain a non-standard unit approved by the Division. Pending such compliance the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all contractions and extensions included herein shall be September 1, 1985.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS
Director

S E A L

fd/

County Chaves Pool Diamond Mound Atoka-Morrow Gas

TOWNSHIP 15 South

Range 20 East

NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext: $\frac{1}{2}$ Sec 34 (R-6623, 4-7-81)

Ext: Sec. 34 n/2 (R-7114-10-19-82)

Extend vertical limits to include Morrow formation and redesignate as
Diamond Mound Atoka-Morrow Gas Pool and All Sec. 35 (R-6994, 5-28-82)

Ext: All Sec. 33 (R-7562, 4-20-84) Ext: All Sec. 36 (R-8021, 8-22-85)

No Special Pool Rules