

MYCO INDUSTRIES INC.
 BEFORE EXAMINER CATANACH
 NMCD CASE NO. 1190
 DATE: 03/02/95
 EXHIBIT NO.

13 Marol Collins & Ware, H.B.P. 5885
 14 Marol Collins & Ware, H.B.P. 5885
 15 Marol Collins & Ware, H.B.P. 5885
 16 Marol Collins & Ware, H.B.P. 5885
 17 Marol Collins & Ware, H.B.P. 5885
 18 Marol Collins & Ware, H.B.P. 5885
 19 Marol Collins & Ware, H.B.P. 5885

MYCO Industries, Inc.
 Reflex Federal #1 Well
 E/2 of Section 22, T18S-R29E
 Eddy County, New Mexico

	<u>Leasehold Ownership</u>	<u>Working Interest In Well</u>
MYCO INDUSTRIES, INC.	30.000000%	33.705894%
SHARBRO OIL, LTD. CO.	5.452920%	5.550872%
LILLIE M. YATES ESTATE	5.452920%	5.550872%
YATES PETROLEUM CORPORATION	19.996670%	26.689873%
S. P. YATES	3.957500%	4.028589%
JOHN A. YATES, INDIVIDUALLY, AND AS PERSONAL REPRESENTATIVE OF THE ESTATE OF PEGGY A. YATES	1.978750%	2.014295%
YATES DRILLING COMPANY	5.278330%	8.540145%
ABO PETROLEUM CORPORATION 105 South Fourth Street Artesia, NM 88210 Attention: Douglas W. Hurlbut	5.278330%	8.540145%
SOUTHLAND ROYALTY COMPANY 3300 N. "A" Street, Bldg. 6 Midland, TX 79705 Attention: James B. Shepherd III	15.835000%	Non Consent to Yates Group
HARVEY E. YATES COMPANY P. O. Box 1933 Roswell, NM 88202 Attention: Melissa Randle	2.259142%	2.259142%
JALAPENO CORPORATION P. O. Box 1608 Albuquerque, NM 87103 Attention: Mindy Young	.357087%	.357087%
YATES ENERGY CORPORATION P. O. Box 2323 Roswell, NM 88201 Attention: Shari Hamilton	.748791%	.748791%
CIBOLA ENERGY CORPORATION P. O. Box 1668 Albuquerque, NM 87103	.592480%	Farmout to Yates Group
WILLIAM P. DOOLEY ESTATE 1006 South 2nd Street Artesia, NM 88210 Attention: Paula Dooley	.833330%	Farmout to Yates Group
TOTAL	100.000000%	100.000000%

Letters sent and telephone
conversations with Southland Royalty

September, 1994

- Monday, 12th - Sent out certified letter referencing the Reflex #1 with election to participate or Farmout.
Friday, 16th - Sent out certified letter with JOA and AFE enclosed to Don Davis at Meridian.
Wednesday, 28th - Talked to Trey Sheppard at Meridian (Southland) about Farmout request or participation in well.

October, 1994

- Thursday, 6th - Made several calls to Trey Sheppard but only played telephone tag.
Friday, 7th - Talked to Trey Sheppard again about Farmout, according to him it is in the works.
Friday, 21st - Talked to Trey about Farmout. He said that he would call me next Tuesday.
Wednesday, 26th - Called Trey and left word for him to return my call.
Thursday, 27th - Talked to Trey. He said that he would let me know by next Tuesday.

November, 1994

- Wednesday, 2nd - Called Trey and left word for him to call me.
Thursday, 3rd - Called Trey again and left word for him to call me.
Tuesday, 8th - Called Trey and left word for him to call me.
Wednesday, 9th - Talked to Trey about possible acreage swap and worked out details.
Thursday, 10th - Talked to Trey and requested production records on Little Jack lease wells #1, 2, and 3.
Tuesday, 15th - Talked to Trey and told him the acreage swap was in the works.
Wednesday, 16th - Called to talk with Trey and left word for him to call me.
Friday, 18th - Talked to Trey about the swap on acreage by acreage basis and told him that it looked negative at this time.
Monday, 21st - Talked to Trey again and told him the swap was still in the works.
Wednesday, 30th - Talked to Trey and told him the swap deal wouldn't work. He said they might Farmout but would want 1/2 BIAPO.

December, 1994

- Friday, 2nd - Sent out new request letter for Farmout to Southland.
Tuesday, 6th - Talked to Trey again. He said that since we would not work a trade, they would not Farmout.

January, 1995

- Wednesday, 11th - Called to talk to Trey and left word for him to call me.
Thursday, 12th - Called Trey and left word again.

EXHIBIT A

Southland Royalty Company
c/o Meridian Oil
P. O. Box 51810
Midland, TX 79710

Attn: James B. Shepherd III

Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88202

Attn: Melissa Randle

Jalapeño Corporation
P. O. Box 1608
Albuquerque, NM 87103

Attn: Mindy Young

Cibola Energy Corporation
P. O. Box 1668
Albuquerque, NM 87103

Yates Energy Corporation
P. O. Box 2323
Roswell, NM 88201

Attn: Shari Hamilton

William P. Dooley Estate
1006 South 2nd Street
Artesia, NM 88210

Attn: Paula Dooley

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

MARY LYNN BOGLE
ERNEST L. CARROLL
JOEL M. CARSON
DEAN B. CROSS
JAMES E. HAAS
A. J. LOSEE
BARRY D. GEWEKE

300 YATES PETROLEUM BUILDING
P. O. BOX 1720
ARTESIA, NEW MEXICO 88211-1720

TELEPHONE
(505) 746-3505
TELECOPY
(505) 746-6316

December 19, 1994

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88202

Attn: Melissa Randle

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

This office represents MYCO Industries, Inc. On December 16, 1994, the above-referenced Application was filed by MYCO Industries, Inc. to drill its Reflex Federal #1 Well in the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East,, N.M.P.M., Eddy County, New Mexico. A copy of the Application is provided herewith for your information.

MYCO has requested a hearing date of January 19, 1995. Be advised that any party wishing to appear must file a prehearing statement by the Friday prior to the date of hearing, and any party wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance. If you do not intend to protest said Application, enclosed you will find a waiver whereby you can make that decision known, along with a return envelope.

If you have any questions, do not hesitate to contact me at the letterhead address.

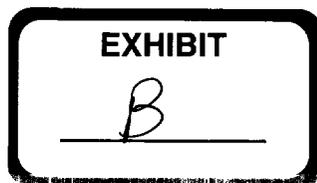
Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:kth
Enclosure

xc: Mr. Doug Hurlbut



LAW OFFICES

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December 19, 1994

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Jalapeño Corporation
P. O. Box 1608
Albuquerque, NM 87103

Attn: Mindy Young

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

This office represents MYCO Industries, Inc. On December 16, 1994, the above-referenced Application was filed by MYCO Industries, Inc. to drill its Reflex Federal #1 Well in the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East,, N.M.P.M., Eddy County, New Mexico. A copy of the Application is provided herewith for your information.

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Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth
Enclosure

xc: Mr. Doug Hurlbut

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December 19, 1994

CERTIFIED MAIL
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Yates Energy Corporation
P. O. Box 2323
Roswell, NM 88201

Attn: Shari Hamilton

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

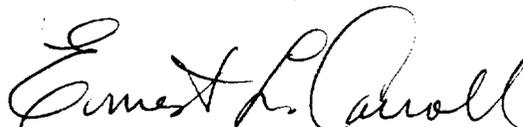
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LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:kth
Enclosure

xc: Mr. Doug Hurlbut

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December 19, 1994

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Cibola Energy Corporation
P. O. Box 1668
Albuquerque, NM 87103

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

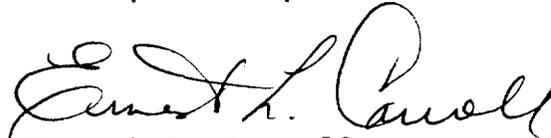
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LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:kth
Enclosure

xc: Mr. Doug Hurlbut

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(505) 746-6316

December 19, 1994

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

William P. Dooley Estate
1006 South 2nd Street
Artesia, NM 88210

Attn: Paula Dooley

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

This office represents MYCO Industries, Inc. On December 16, 1994, the above-referenced Application was filed by MYCO Industries, Inc. to drill its Reflex Federal #1 Well in the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East,, N.M.P.M., Eddy County, New Mexico. A copy of the Application is provided herewith for your information.

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Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:kth
Enclosure

xc: Mr. Doug Hurlbut

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December 28, 1994

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Southland Royalty Company
c/o Meridian Oil
P.O. Box 51810
Midland, TX 79710

Attn: James B. Shepherd III

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

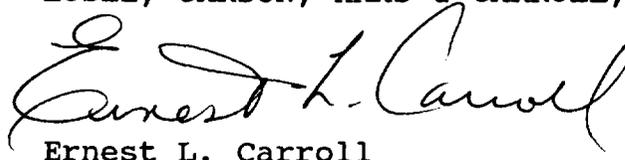
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Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth
Enclosure

xc: Mr. Doug Hurlbut

Is your RETURN ADDRESS completed on the reverse side?

6. Signature (Agent)
Shari Hamrick
 PS Form 3811, December 1991

5. Signature (Addressee)
 Yates Energy Corporation
 P. O. Box 2323
 Roswell, NM 88201
 Attn: Shari Hamrick

3. Article Addressed to:
 Consult postmaster for fee.

4a. Article Number
 Z 061 312 835

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 12-20-94

8. Addressee's Address (Only if requested and fee is paid)

1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

1 also wish to receive the following services (for an extra fee):
 Addressee's Address
 Restricted Delivery
 Consult postmaster for fee.

SENDER:
 • Complete items 1 and/or 2 for additional services.
 • Complete items 3, and 4a & b.
 • Print your name and address on the reverse of this form so that we can return this card to you.
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.
 • Write "Return Receipt Requested" on the mailpiece below the article number.
 • The Return Receipt will show to whom the article was delivered and the date delivered.

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

6. Signature (Agent)
Paula Dooley
 PS Form 3811, December 1991

5. Signature (Addressee)
 Southland Realty Company
 c/o Nevada B-1
 P.O. Box 51810
 Midland, TX 79710

3. Article Addressed to:
 Consult postmaster for fee.

4a. Article Number
 Z 061 312 791

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 12-20-94

8. Addressee's Address (Only if requested and fee is paid)

1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

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PS Form 3811, December 1991 *U.S. GPO: 1993-352-714

Thank you for using Return Receipt Service.

1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Harvey E. Yates Company
 P. O. Box 1933
 Roswell, NM 88202
 Attn: Melissa Randle

4a. Article Number
 Z 061 312 839

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 12-20-94

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714

1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Yates Energy Corporation
 P. O. Box 2323
 Roswell, NM 88201
 Attn: Melissa Randle

4a. Article Number
 Z 061 312 836

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 12-20-94

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714

1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 William P. Dooley Estate
 1006 South 2nd Street
 Artesia, NM 88210
 Attn: Paula Dooley

4a. Article Number
 Z 061 312 837

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 12-20-94

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714

1. Addressee's Address
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3. Article Addressed to:
 Jalapeño Corporation
 P. O. Box 1608
 Albuquerque, NM 87103
 Attn: Mindy Young

4a. Article Number
 Z 061 312 790

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 12-20-94

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)
[Signature]

6. Signature (Agent)
[Signature]

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

MARY LYNN BOGLE
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ARTESIA, NEW MEXICO 88211-1720

TELEPHONE
(505) 746-3505
TELECOPY
(505) 746-6316

January 16, 1995

VIA FACSIMILE AND FIRST CLASS MAIL

Ms. Florene Davidson
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

Re: Application of MYCO Industries, Inc. for
Compulsory Pooling, Eddy County, New Mexico,
Case No. 11190

Dear Florene:

Pursuant to your telephone conversation with Kandy Haldeman, I would confirm my request that the above-referenced matter be continued to the March 2, 1995, hearing date.

Thank you for your assistance.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth

xc: Nelson Muncy, Doug Hurlbut, MYCO Industries, Inc.
All Interested Parties

(Southland CM-RRR # 2061 512 792)
Cibola " " " 796
Julapato " " " 797
Howley " " " 798

Is your RETURN ADDRESS completed on the reverse side?

- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
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following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: <i>Southland Royalty Co. c/o Meridian Oil P.O. Box 51810 Midland, TX 79710</i>	4a. Article Number <i>2061312792</i>
4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	7. Date of Delivery <i>1-20</i>
5. Signature (Addressee)	8. Addressee's Address (Only if requested and fee is paid)
6. Signature (Agent) <i>[Signature]</i>	

PS Form 3811, December 1991 ☆U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

- SENDER:**
- Complete items 1 and/or 2 for additional services.
 - Complete items 3, and 4a & b.
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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: <i>Cibola Energy Co. P.O. Box 166 Albuquerque, N.M.</i>	4a. Article Number <i>2061312796</i>
4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	7. Date of Delivery
5. Signature (Addressee)	8. Addressee's Address (Only if requested and fee is paid)
6. Signature (Agent) <i>[Signature]</i>	

PS Form 3811, December 1991 ☆U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

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3. Article Addressed to: <i>Jalapeno Corporation P.O. Box Albuquerque, N.M. Attn: Martha Hernandez</i>	4a. Article Number <i>2061312797</i>
4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	7. Date of Delivery
5. Signature (Addressee)	8. Addressee's Address (Only if requested and fee is paid)
6. Signature (Agent) <i>[Signature]</i>	

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- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: <i>William T. Dooley Est. 1006 South 2nd St. Artesia, NM 88210 Attn: Paula Dooley</i>	4a. Article Number <i>2061312798</i>
4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	7. Date of Delivery <i>1-20-91</i>
5. Signature (Addressee)	8. Addressee's Address (Only if requested and fee is paid)
6. Signature (Agent) <i>[Signature]</i>	

PS Form 3811, December 1991 ☆U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

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BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
MYCO INDUSTRIES, INC. FOR COMPULSORY :
POOLING, EDDY COUNTY, NEW MEXICO :
_____ :

CASE NO. 11190

WAIVER

CIBOLA ENERGY CORPORATION, as offset operator or interest owner, has no objection to MYCO Industries, Inc.'s application as captioned hereinabove, and hereby waives any objection MYCO's drilling of its Reflex #1 Federal Well or to the pooling of all mineral interests from the top of the Cisco formation to the base of the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

CIBOLA ENERGY CORPORATION

By: [Signature]

[Signature]
Title

2/9/95
Date

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

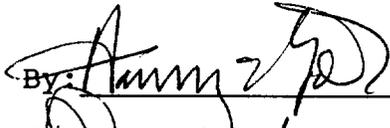
IN THE MATTER OF THE APPLICATION OF
MYCO INDUSTRIES, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

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CASE NO. 11190

WAIVER

JALAPEÑO CORPORATION, as offset operator or interest owner, has no objection to MYCO Industries, Inc.'s application as captioned hereinabove, and hereby waives any objection MYCO's drilling of its Reflex #1 Federal Well or to the pooling of all mineral interests from the top of the Cisco formation to the base of the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

JALAPEÑO CORPORATION

By: 

President
Title

2/9/95
Date

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

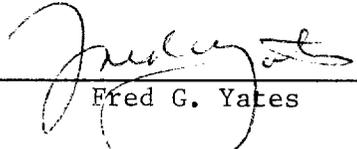
IN THE MATTER OF THE APPLICATION OF
MYCO INDUSTRIES, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 11190

WAIVER

YATES ENERGY CORPORATION, as offset operator or interest owner, has no objection to MYCO Industries, Inc.'s application as captioned hereinabove, and hereby waives any objection MYCO's drilling of its Reflex #1 Federal Well or to the pooling of all mineral interests from the top of the Cisco formation to the base of the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

YATES ENERGY CORPORATION

By:  skb

Fred G. Yates

President

Title

December 20, 1994

Date

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
MYCO INDUSTRIES, INC. FOR COMPULSORY :
POOLING, EDDY COUNTY, NEW MEXICO :
_____ :

CASE NO. 11190

WAIVER

HARVEY E. YATES COMPANY, as offset operator or interest owner, has no objection to MYCO Industries, Inc.'s application as captioned hereinabove, and hereby waives any objection MYCO's drilling of its Reflex #1 Federal Well or to the pooling of all mineral interests from the top of the Cisco formation to the base of the Morrow formation underlying the E/2 of Section 22, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

HARVEY E. YATES COMPANY

By:  _____ *mw*
George M. Yates

President

Title

December 21, 1994

Date

GEOLOGICAL DISCUSSION

The proposed MYCO Industries, Inc., Reflex Federal No. 1 is located about 11 miles southwest of Loco Hills at 1990 feet FSL and 660 feet FEL of Sec. 22-T18S-R29E, Eddy County, New Mexico. The proposed location is an orthodox location for the dedicated 320 acre proration unit covering the E/2 of Section 22, in the Turkey Track Atoka field. Projected total depth is 11,600 feet in the Mississippian.

The primary objective of the Reflex No. 1 is the Pennsylvanian Atoka sand expected at 10,710 feet. The Cisco, Strawn and Morrow offer good secondary objectives.

Exhibit No. 6 is a geological discussion of some of the features and maps that support the drilling of this well. Four additional exhibits are included in support of the proposed location. Exhibit No. 7 is a location plat which shows the location of the proposed well and all of the wells in the 20 Section area surrounding it. Exhibit No. 8 is an isopach of our primary objective, the Atoka pay sand. Exhibit No. 9 is a structure map drawn on the top of the Atoka pay sand. These two exhibits cover the same area as Exhibit No. 7, but only shows the wells deeper than 10,000 feet which give us the control to make the isopach and structure maps. Exhibit No. 10, Cross Section A-A', is NW-SE section across the Turkey Track Atoka sand body. It uses Gamma Ray Neutron-Density logs to illustrate the reservoir quality and stratigraphic nature of the Atoka pay sand. The location of this cross section is shown on Exhibits Nos. 8 and 9.

Exhibit No. 8 the Atoka pay sand isopach map, is on a scale of 1" = 2000' with a contour interval of 10 feet. The proposed location is shown in the SE/4 of Section 22. The thickness of the Atoka pay sand is spotted by all wells which were used for subsurface control in the construction of this isopach map. Only the wells deeper than 10,000 feet are spotted on this map. It should be noted that we have no deep subsurface control to the north and northeast of the proposed location. Our isopach mapping shows that we could encounter 22 feet of sand at the proposed location and that the proposed well is a reasonable step out to the existing production in Turkey Track Atoka Field. The Atoka sands occur in NE-SW trending lenses which probably represent sand bars or barrier island deposits. The reservoir sand is a clean, clear, medium to coarse grained fairly unconsolidated quartz sand. Poor wells and dry holes on the flanks of the sand body as shown on Exhibit Nos. 8 and 10 have thin sands with considerable calcareous cement or have the reservoir replaced by limestone. We have the proposed well mapped to tap into the Turkey Track Atoka sand lense which currently has two wells producing from it. The Southland Empire Federal "A" No. 1 (Well No. 3 on Exhibits Nos. 8, 9, and 10)

at the C location of Sec. 27-T18S-R29E, completed in 1980, has produced an estimated 4,178,527 MCFG + 34,060 BO from 28 feet of Atoka sand at 10,752 feet. The Southland Federal Com. No. 1 (Well No. 4 on Exhibits Nos. 8, 9, and 10) at the K location of Section 27, also completed in 1980, has produced an estimated 3,629,441 MCFG + 24,634 BO from 12 feet of Atoka sand at 10,763 feet. Each of these wells is currently producing at an estimated rate of between 500 to 700 MCFGPD with little or no water. If the proposed well comes in as mapped we expect it recover its proportional share of the remaining reserves in the Atoka sand body. The risk involved is if the well encounters 22 feet of sand as mapped and the amount of drainage by the two existing wells. The estimated amount of drainage and estimated remaining reserves will be discussed in the engineering testimony presented by Mr. Muncy. We have no deep well control in the north half of Section 23 or in Section 14. The MYCO East Turkey Track No. 1 at the K location of Section 23 has only 4 feet of tight calcareous Atoka sand which tested only a small amount of gas through perforations. This well is mapped on the southeast flank of the sand body with the lense open ended to the northeast. If the sand lense pinches out west of the MYCO well, the proposed well will encounter much less sand and consequently less reserves. As pointed out, poor wells or dry holes generally encounter thinner, tighter and calcareous sand in the Atoka pay interval. Since we have no subsurface control to the northeast of the proposed location, it carries considerable geological risk in predicting the thickness and reservoir quality of our primary objective, the Atoka sand.

Exhibit No. 9 is a structure map drawn on the top of Atoka pay sand. The scale and deep control wells are the same as on Exhibit No. 8, but the contour interval is 50 feet. The map shows regional southeast dip out into the Delaware Basin. We have the proposed location mapped to encounter the Atoka pay slightly high to the Southland Empire Federal "A" Com. No. 1 at the C location of Section 27. It appears that structure has little or no effect on the entrapment of the gas in the Turkey Track Atoka Field.

The Morrow at 11,080 feet, the Strawn at 10,250 feet and the Cisco at 9850 feet, all offer good secondary objectives. These zones all produce in the area but reserves have been spotty and overall production disappointing. The Morrow, which contains some excellent gas reserves in this part of Eddy County, has been especially disappointing in the immediate area of the proposed location. All four wells shown on Exhibit No. 10 drilled deep enough to test the Morrow, but two found it dry and the other two found minimum production. Although the Morrow represents a high risk reservoir, it is certainly worthy of drilling the additional 800 feet to test it and most prudent operators would do so.

In summary the proposed well should recover its proportional share of the remaining reserves if it encounters the Atoka pay sand as mapped. The geological risk involved is considerable since we have no subsurface control to the northeast to map the northeast limits of the reservoir. Additionally, the amount of drainage by the two existing wells presents an another risk factor. In my opinion these risk factors should qualify the proposed well for the maximum penalty under the Oil Conservation divisions forced pooling rules.

Leo J. Lammers, Consulting Geologist, 3/2/95 OCD Hearing

- Case No. 11190

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