

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

June 19, 1995

HAND DELIVERED

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JUN 19 1995

Oil Conservation Division

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

**Re: *Empire "34" Federal Well No. 1
E/2 Sec. 34, T18S, R29E, NMPM
Application of Naumann Oil & Gas, Inc.
for Compulsory Pooling,
Eddy County, New Mexico***

Dear Mr. Stogner:

On behalf of Naumann Oil & Gas, Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for July 13, 1995. Also enclosed is our proposed notice of publication for this case.

By copy of this letter and application to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

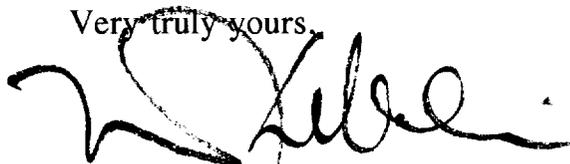
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In addition, pursuant to the Division's Memorandum 2-90, all interested parties will be informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, July 7, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the words 'Very truly yours,'.

W. Thomas Kellahin

Enclosures

cc: Naumann Oil & Gas, Inc.

cc: David Frye

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Oil Conservation Division

PROPOSED NMOCD NOTICE

CASE ¹³³⁹ : Application of Naumann Oil & Gas, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 Section 34, T18S, R29E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from pools spaced on 320-acre spacing and proration units which currently includes but is not necessarily limited to the Undesignated North Turkey Track-Morrow Gas Pool. Said Unit is to be dedicated to the Empire "34" Federal Well No. 1 which is an existing well located 1980 feet FNL and 1980 feet FEL (Unit G) of said Section 34 and is to be re-entered and deepened in an attempt to complete in the Morrow formation. Also to be considered will be the costs of re-entering, deepening and completing said well and the allocation of those costs 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 re-entering, deepening and completing said well. Said unit is located approximately 9 miles southwest of Loco Hills, New Mexico.

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

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Oil Conservation Division

IN THE MATTER OF THE APPLICATION
OF NAUMANN OIL & GAS, INC.,
FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11335

APPLICATION

Comes now NAUMANN OIL & GAS, INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 Section 34, T18S, R29E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production from pools spaced on 320-acre spacing and proration units which currently includes but is not necessarily limited to the Undesignated North Turkey Track-Morrow Gas Pool. Said Unit is to be dedicated to the Empire "34" Federal Well No. 1 which is an existing well located 1980 feet FNL and 1980 feet FEL (Unit G) of said Section 34 and is to be re-entered and deepened in an attempt to complete in the Morrow formation. Also to be considered will be the costs of re-entering, deepening and completing said well and the allocation of those costs 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 re-entering, deepening and completing said well.

In support of its application, Naumann Oil & Gas, Inc. ("Naumann") states:

1. Naumann has a working interest ownership in the oil and gas minerals underlying the E/2 of Section 34, T18S, R29E, NMPM, Eddy County, New Mexico.

2. Naumann has proposed the re-entry and deepening of the Empire "34" Federal Well No. 1 to all interest owners in the proposed spacing unit and invited each interest owner to participate on a voluntary basis by each paying his/her proportionate share of the costs of re-entry, deepening and completion of said well as a Morrow gas well.

3. All of the appropriate working interest ownership of the oil & gas minerals underlying E/2 of said Section 34 have voluntarily agreed to the formation of this spacing unit and to participation in this well except for the parties listed on Exhibit "A" attached.

4. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Naumann needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

5. In accordance with the Division's notice requirements, a copy of this application and notice of this hearing will be sent to the interest parties listed in Exhibit "A" to this application notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for July 13, 1995.

WHEREFORE, Naumann Oil & Gas, Inc., as applicant, requests that this application be set for hearing on July 13, 1995 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the re-entry, deepening and completion of the subject well upon terms and conditions which include:

- (1) Naumann Oil & Gas, Inc. be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in reimbursing Naumann for the costs of re-entry, deepening, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, reimbursement for the costs of the re-entering, deepening, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

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EXHIBIT "A"
NAUMANN OIL & GAS INC.

COMPULSORY POOLING NOTICE LIST

Costilla Petroleum Corporation
P. O. Box 10369
Midland, Texas 79702
Attn: Lisa Evans

Chase Oil Corporation
P. O. Box 276
Artesia New Mexico 88211
Attn: James D. Brown, Jr.