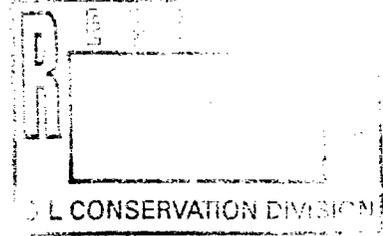


**BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES**

IN THE MATTER OF THE APPLICATION OF
TEXACO EXPLORATION AND PRODUCTION INC.
FOR AN UNORTHODOX OIL WELL LOCATION,
FOR A LEASE LINE PRODUCTION WELL, AND
SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.



Case No. 11527

APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC., ("Texaco") through its undersigned attorneys, makes application to the Oil Conservation Division for an unorthodox well location, for a lease line production well and simultaneous dedication, and in support hereof states:

1. Texaco is the operator of the Vacuum Grayburg San Andres Unit and the Central Vacuum Unit.
2. The Vacuum Grayburg San Andres Unit was approved by the Division by Order No. R-4433, issued in Case 4851 dated November 8, 1972 and a pressure maintenance project by water flood was authorized for this unit by Division Order No. R-4442, issued in Case 4852 dated November 27, 1972.
3. The Central Vacuum Unit was approved by Division Order No. R. 5496, issued in Case 5907 dated August 9, 1977, and a waterflood project was authorized for this unit by Division Order No. R-5530, issued in Case 6008 dated September 20, 1977.

4. Although the Vacuum-Grayburg San Andres Pool is governed by the Division's statewide rules for spacing and the location of wells which provide for 40-acre proration units, the effective spacing unit for this pool was reduced to 20 acres in the 1970's and early 1980's and there was sporadic infill drilling on 10-acre spacing in the late 1980's and early 1990's.

5. Texaco's evaluation of the reservoir showed substantial additional reserves would be recovered with development on 10-acre spacing. This was confirmed by the successful drilling of 14 ten-acre wells in 1995.

6. Texaco seeks authority to drill its Vacuum-Grayburg San Andres Unit Well No. 159 at an unorthodox location 572 feet from the North line and 78 feet from the East line (also unit boundary) of Section 1, Township 18 South, Range 34 East, N.M.P.M., to produce oil as a lease line producer. The NE/4 NE/4 of Section 1 will be simultaneously dedicated to this well and the Vacuum-Grayburg San Andres Unit Wells 50, 58, 122 and 158.

7. This well will be operated pursuant to a lease line agreement which has been approved by Texaco which owns 100% of the working interest in the Vacuum-Grayburg San Andres Unit and by the owners of 97.9% of the working interest in the Central Vacuum Unit. Verbal approval of this agreement has been received from the State of New Mexico which owns 100% of the royalty interest in the Vacuum-Grayburg San Andres Unit and 98.8% of the royalty interest in the Central Vacuum Unit. The state's final approval is expected prior to April 15, 1996.

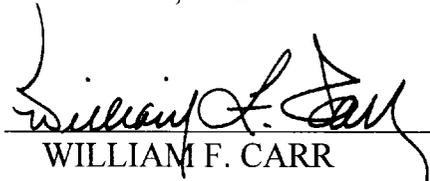
8. Pursuant to this Vacuum Area Cooperative Lease Line Agreement, half the production from the proposed well will be allocated to each unit.

9. Approval of this application will result in an efficient production pattern for each of these waterflood projects and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Texaco Exploration and Production Inc. requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 2, 1996, and after notice and hearing as required by law, the Division enter an Order approving an unorthodox well location for its proposed Vacuum-Grayburg San Andres Unit Well No. 159 as a lease line producing well for the Vacuum-Grayburg San Andres Unit and the Central Vacuum Unit and authorizing the simultaneous dedication of the NE/4 NE/4 of Section 1, Township 18 South, Range 34 East to the Vacuum-Grayburg San Andres Unit Wells 50, 58, 122, 158 and 159.

Respectfully submitted,

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

By: 

WILLIAM F. CARR

Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

**ATTORNEYS FOR TEXACO
EXPLORATION AND PRODUCTION INC.**