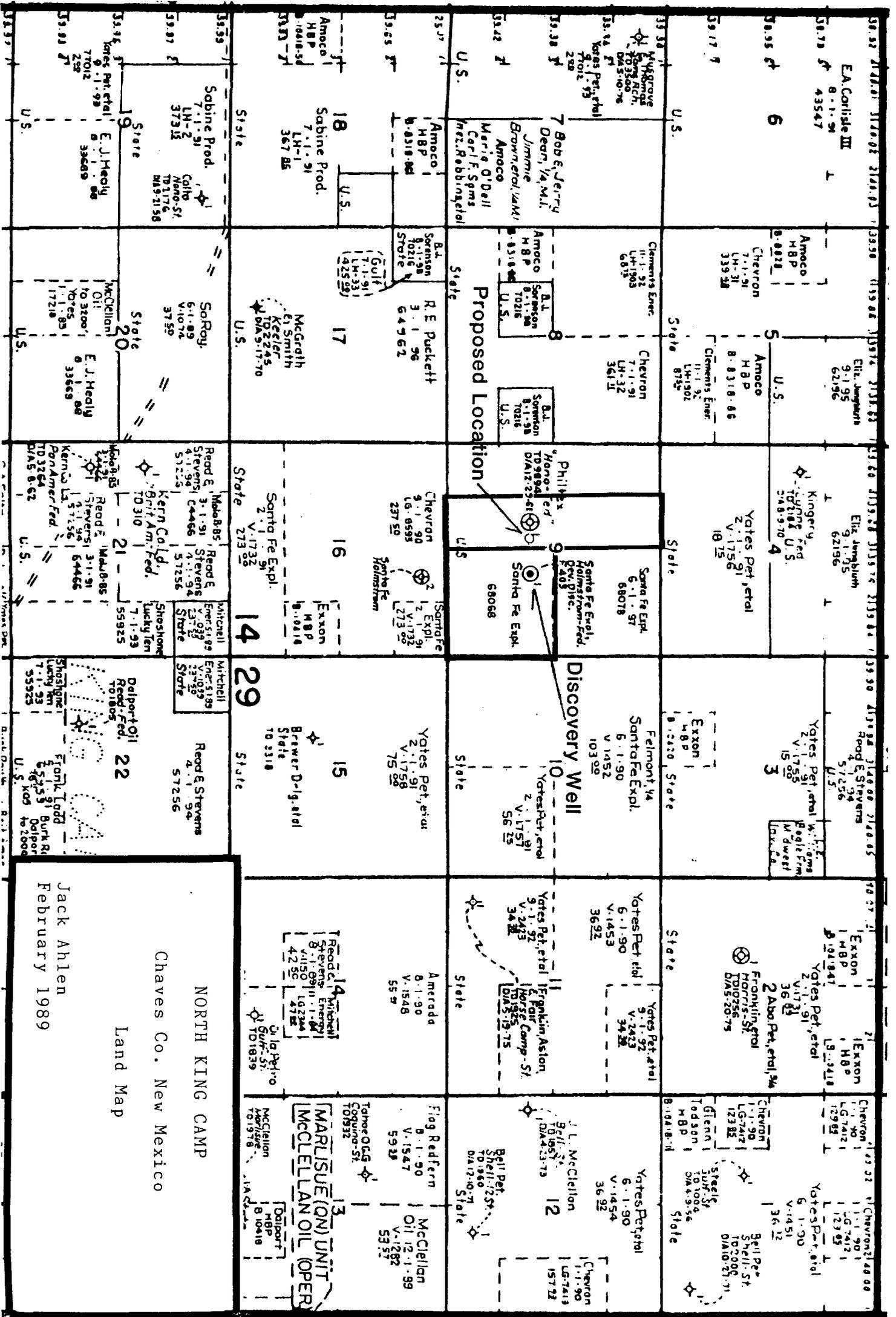


BEFORE THE
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 9617, 9678
 No. 9697 — Exhibit No. 4
 used by Ahlen
 Date 12/19/89

North King Camp
 Chaves Co., New Mexico
 Devonian
Structure
 Jack Ahlen
 August 1989
 Scale 2000'



BEFORE EXAMINER LYON

Oil Conservation Division

C+T Exhibit No. 1

Case No. 9617

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

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

CASE NO. 9529
ORDER NO. R-8806

NOMENCLATURE

APPLICATION OF SANTA FE EXPLORATION
COMPANY FOR POOL CREATION, SPECIAL
POOL RULES AND DISCOVERY ALLOWABLE,
CHAVES COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of December, 1988, 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) The applicant, Santa Fe Exploration Company, is the owner and operator of the Holmstrom Federal Well No. 1 located 1980 feet from the South and East lines (Unit J) of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, which was spudded July 29, 1988, drilled to a total depth of 9,758 feet, and successfully tested in the Devonian formation.

(3) Applicant now seeks the creation of a new pool for the production of oil from the Devonian formation consisting of the SE/4 of said Section 9 and the promulgation of temporary special rules and regulations therefor including a provision for 160-acre spacing and proration units and designated well location requirements.

BEFORE EXAMINER <u>LYON</u>
CLERK OF THE DIVISION
CURRY + BERNTSON UNIT NO. <u>2</u>
CASE NO. <u>9617</u>

(4) Applicant further seeks the assignment of an oil discovery allowable pursuant to Division General Rule 509 to the above-described well but at the time of the hearing, the applicant requested this portion of the application be dismissed.

(5) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Devonian formation from 9728 to 9758 feet.

(6) There is ample evidence in the record on this case which indicates that the Devonian formation encountered in the above-described well is of high permeability and that the drainage radius of the well will be in excess of 40 acres.

(7) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the proposed pool.

(8) The temporary special rules and regulations should also provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(9) At the request of the applicant, temporary special rules and regulations for the proposed pool should be established for a two-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 160-acre unit in the area can be efficiently and economically drained and developed by one well.

(10) At the time of the hearing, the applicant requested that the proposed pool be designated the McAlpine-Devonian Pool or in the alternative the North Lucky Lake-Devonian Pool; however, neither name is acceptable at this time.

(11) A new pool classified as an oil pool for Devonian production should be created and designated the North King Camp-Devonian Pool, with vertical limits to include the Devonian formation and the horizontal limits comprising the SE/4 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico.

ILLEGIBLE

Case No. 9529
Order No. R-8806
Page No. 3

(12) This case should be reopened at an examiner hearing in November, 1990, at which time the operators in the subject pool should be prepared to appear and show cause why the North King Camp-Devonian Pool temporary rules promulgated herein should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Santa Fe Exploration Company a new pool in Chaves County, New Mexico, classified as an oil pool for Devonian production, is hereby created and designated the North King Camp-Devonian Pool, with vertical limits comprising the Devonian formation, and the horizontal limits comprising the following described area:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 9: SE/4

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH KING CAMP-DEVONIAN POOL

RULE 1: Each well completed or recompleted in the North King Camp-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian oil pool, shall be spaced, drilled operated and produced in accordance with the Special Rules hereinafter set forth.

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter-section being a legal subdivision of the United States Public Lands Survey.

RULE 3: The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the

ILLEGIBLE

Case No. 9529
Order No. R-8806
Page No. 4

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 upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4: Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or subdivision inner boundary; nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without 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 proposed location 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 proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6: The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 515 barrels per day, and in the event there is more than one well on a 160-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 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the North King Camp-Devonian Pool or in the Devonian 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 within 30 days from the date of this order.

ILLEGIBLE

Case No. 9529
Order No. R-8806
Page No. 5

(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the North King Camp-Devonian Pool shall have dedicated thereto 160 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.

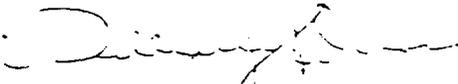
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the North King Camp-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. 11 above, or within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

(5) This case shall be reopened at an examiner hearing in November 1990 at which time the operators in the subject pool may appear and show cause why the North King Camp-Devonian Pool temporary rules promulgated herein should not be rescinded.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

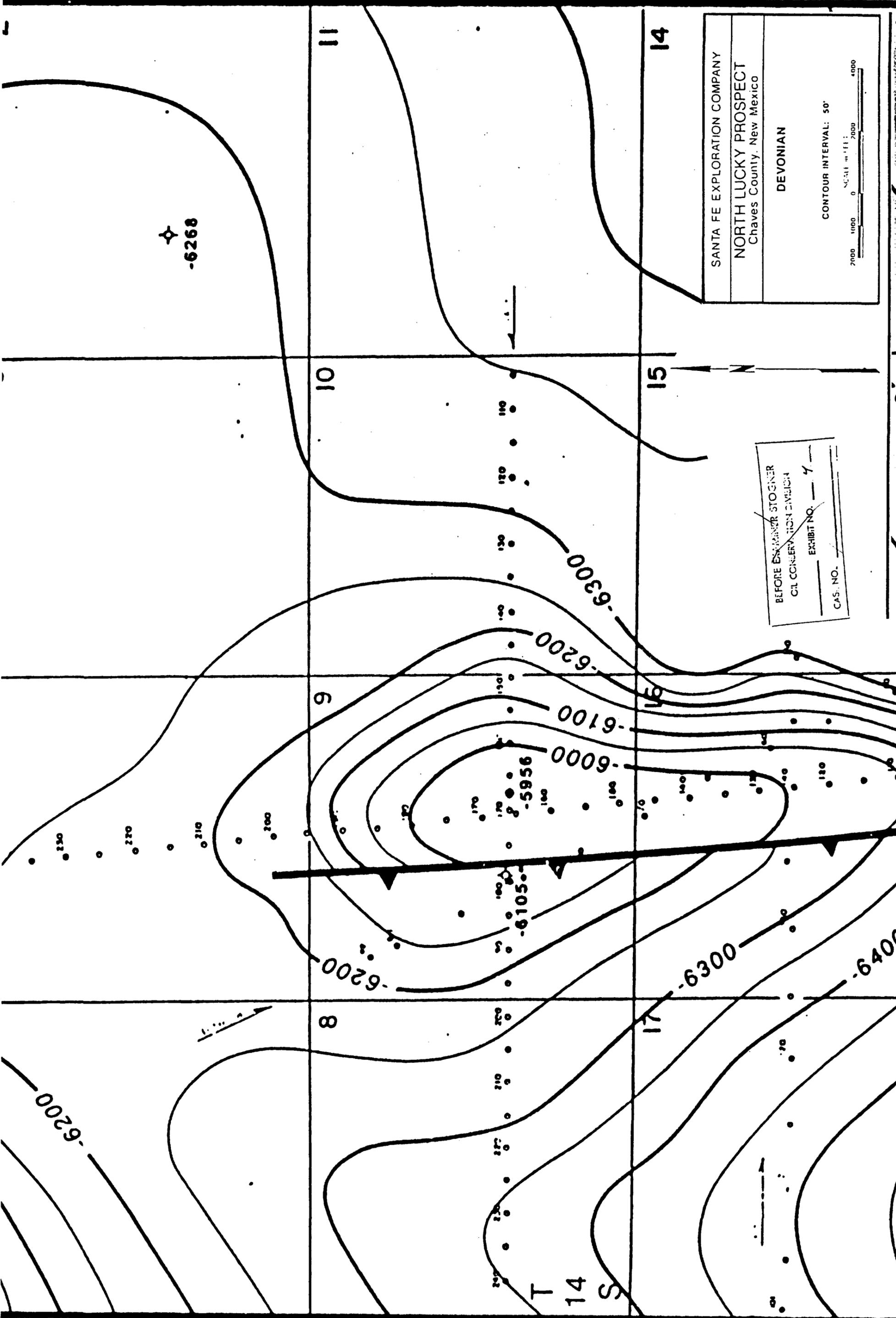
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

ILLEGIBLE



SANTA FE EXPLORATION COMPANY
 NORTH LUCKY PROSPECT
 Chaves County, New Mexico
 DEVONIAN
 CONTOUR INTERVAL: 50'



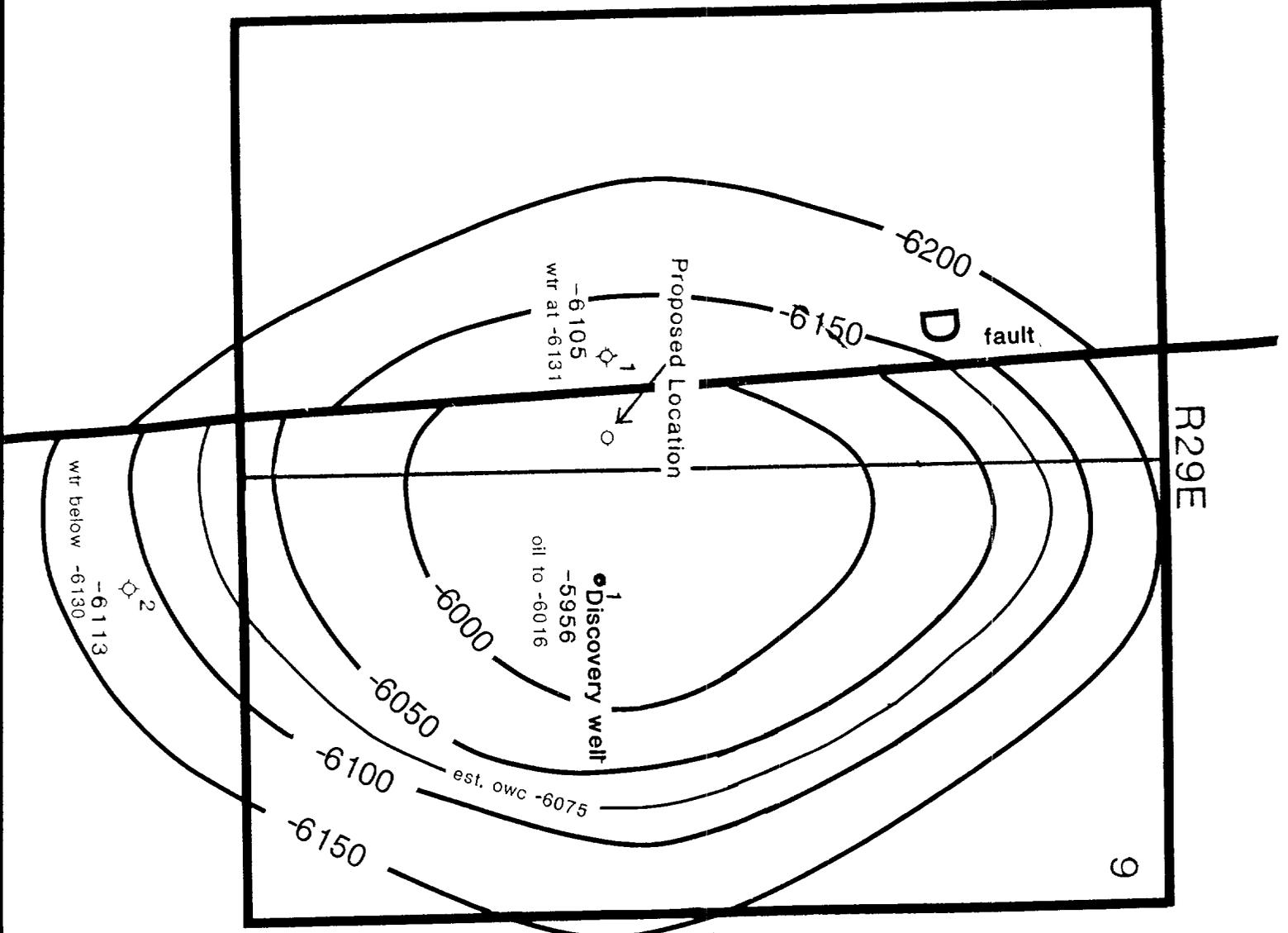
BEFORE ENGINEER STOGNER
 CIVIL CONSERVATION DIVISION
 CAS. NO. _____
 EXHIBIT NO. 4

BEFORE EXAMINER LYON

Oil Conservation Division

C&T Exhibit No. 3

Case No. 9617

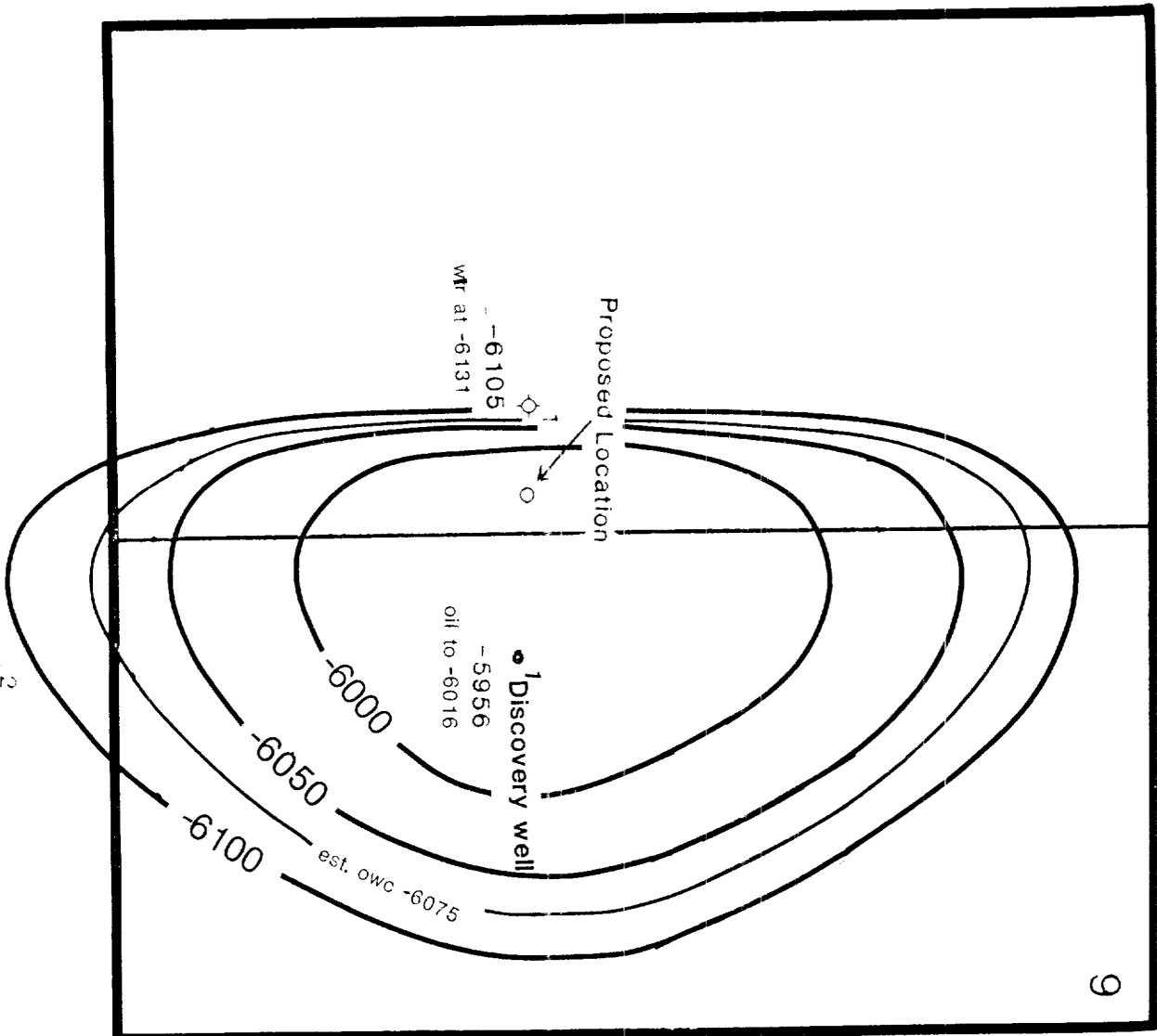


C&T
 9617
 1989

North King Camp
 Chaves Co. New Mexico
 Devonian
 Seismic Structure
 Subsurface Tie to Well #2
 Jack Ahlen
 February 1989
 Scale
 Cl=50'
 2000'

R299E

9



T14S

EXT. 4617

North King Camp

Chaves Co., New Mexico

Devonian

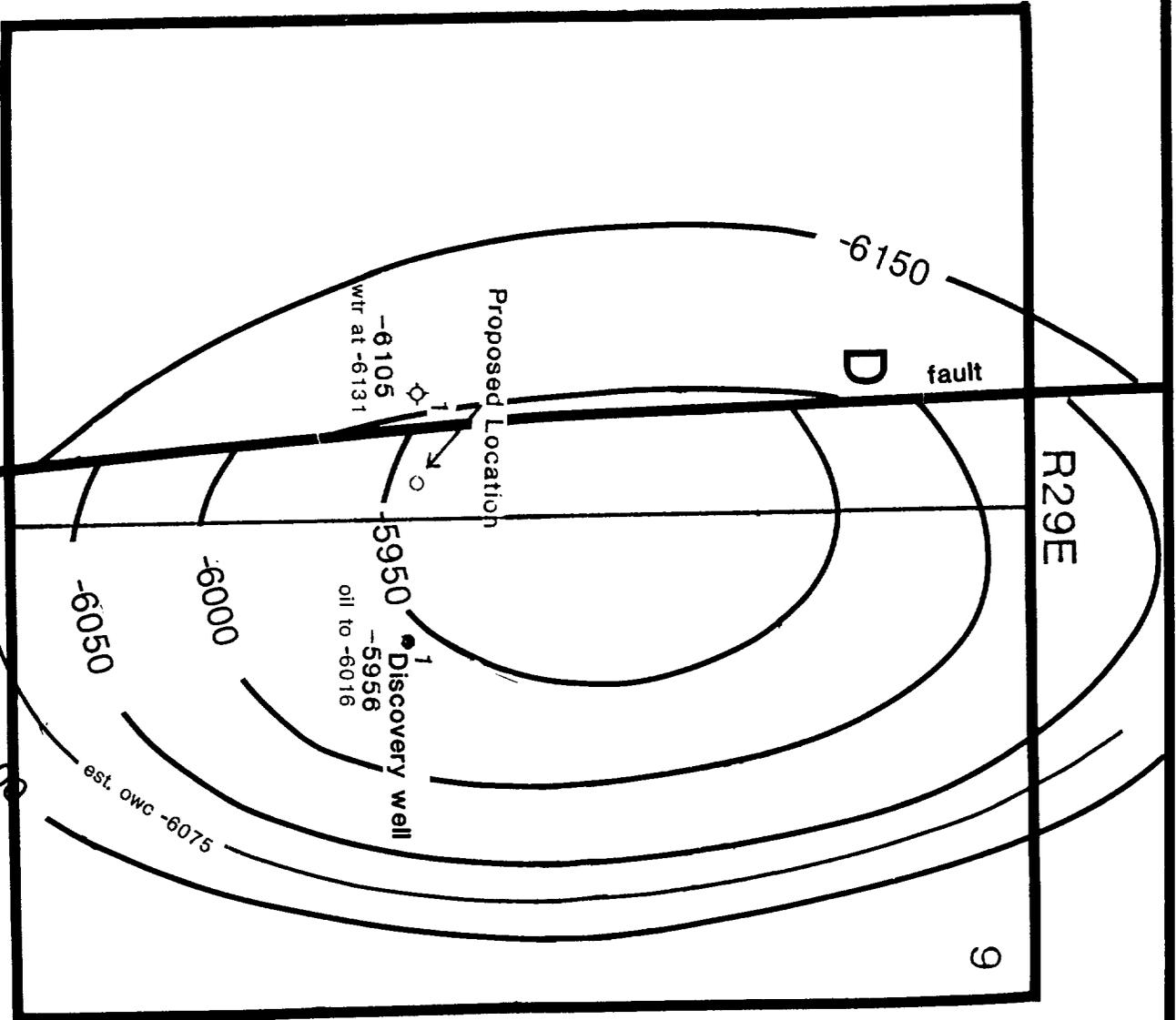
Subsurface Structure

CI=50'

Scale

Jack Allen
February 1989





R29E

9

T14S

COUNTY OF DEVONIAN
 68T
 Case No. 9617

North King Camp

Chaves Co., New Mexico
 Devonian
 Seismic Structure,
 Velocity Gradient
 applied to Tie Well #2
 CI=50'
 Scale

Jack Ahlen
 February, 1989

2000'



EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

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

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

This application has been set for hearing before a Division Examiner on March 1, 1989. You are not required to attend this hearing, but as an owner of an interest that may be subject to the non-standard proration unit or affected by the unorthodox well location, 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.

Very truly yours,

Maude Lightstone for

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		4. Article Number P 106 676 580	
5. Signature - Address X		Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Express Mail	
6. Signature - Agent X		8. Addressee's Address (ONLY if requested and fee paid) Always obtain signature of addressee or agent and DATE DELIVERED.	
7. Date of Delivery X			

PS Form 3811, Mar. 1988 * U.S. P.O. 808-212-865 DOMESTIC RETURN RECEIPT

P-106 676 580

RECEIPT FOR CERTIFIED MAIL
U.S. MAIL SERVICE PROVIDED BY THE U.S. POSTAL SERVICE
 INTERNATIONAL MAIL (See Reverse)

Sent to Yates Petroleum Corp.	
Street and No. 105 S. Fourth Street	
P.O. State and ZIP Code Artesia, NM 88210	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date February 7, 1989	

PS Form 3800, June 1985

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
J. SCOTT HALL
JOHN H. BEMIS
MARTE D. LIGHTSTONE
PATRICIA A. MATTHEWS

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

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chevron, USA Inc.
Post Office Box 1150
Midland, Texas 79702

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

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Very truly yours,

Marte Lightstone f.c.

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

P-106 676 581
RECEIPT FOR CERTIFIED MAIL
 U.S. AIR MAIL PERMIT NO. 1000
 NEW YORK INTERNATIONAL MAIL
 (See Reverse)

Sent to Chevron USA Inc.	
Street and No. P. O. Box 1150	
P.O., State and ZIP Code Midland, Texas 79702	
Postage	.25
Certified Fee	.85
Special Delivery Fee	
Registered Delivery Fee	
Return Receipt showing to whom and how Delivered	.90
Return Receipt showing to whom Delivered and Address of Delivery	
TOTAL Postage and Fees	2.00
Postmark or Date February 7, 1989	

PS Form 3800, June 1985

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check box(es) for additional service(s) requested.
 1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Chevron USA Inc.
 Post Office Box 1150
 Midland, Texas 79702

4. Article Number
 P 106 676 581

5. Signature - Address
 X

6. Signature - Agent
 X *[Signature]*

7. Date of Delivery
10 FEB 89

8. Addressee's Address (ONLY if requested and fee paid)
 Always obtain signature of addressee or agent and DATE DELIVERED.

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

DOMESTIC RETURN RECEIPT

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 7, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Santa Fe Exploration
Post Office Box 1136
Roswell, New Mexico 88201

Re: Application of Curry and Thornton for a Non-Standard
Proration Unit and, Unorthodox Well Location, Chaves
County, New Mexico

Gentlemen:

This letter is to advise you that Curry and Thornton has filed the enclosed application with the New Mexico Oil Conservation Division. You have an interest that may be affected by the enclosed application.

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Very truly yours,

Marte Lightstone for

WILLIAM F. CARR
ATTORNEY FOR CURRY AND THORNTON
WFC:mlh
Enclosure

P-106 676 579

RECEIPT FOR CERTIFIED MAIL

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES
FIRST CLASS INTERNATIONAL MAIL
See Reverse

Sent to: Santa Fe Exploration	
Street and No. P. O. Box 1136	
P.O. State and ZIP Code Roswell, New Mexico 88201	
Postage	\$.25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date February 7, 1989	

PS Form 3800, June 1985

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. Show to whom delivered, date, and addressee's address. (Extra charge)

3. Article Addressed to: Santa Fe Exploration P. O. Box 1136 Roswell, New Mexico 88201	4. Article Number P 106 676 579
5. Signature - Address X	Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 2-9-89	8. Addressee's Address (ONLY if requested and fee paid)