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October 10, 1989

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED

OCT 10 1989

OIL CONSERVATION DIVISION

9808

Re: In the Matter of the Application of TXO Production
Corporation, for Compulsory Pooling, Eddy County,
New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the above-referenced application
of TXO Production Corporation. TXO Production Corporation
respectfully requests that this matter be placed on the
docket for the Examiner hearings scheduled on November 1,
1989.

Very truly yours,


Karen Aubrey

WTM/tic
Encl.

cc: Mr. Richard Coats
TXO Production Company
900 Wilco Building
Midland, Texas 79701

William F. Carr, Esq.
Campbell & Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504

"Certified-Return Receipt Requested"

All parties listed on Exhibit "A"

STATE
OCT 10 1989
OIL CONSERVATION DIVISION

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

IN THE MATTER OF THE APPLICATION
OF TXO PRODUCTION CORP. FOR COM-
PULSORY POOLING, EDDY COUNTY, NEW
MEXICO

CASE NO. 7808

A P P L I C A T I O N

COMES NOW, TXO PRODUCTION CORP., (hereinafter "TXO") by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Strawn formation in and under the W/2 of Section 14, T20S, R29E, N.M.P.M., Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit for production from the Burton Flat Strawn gas pool and in support thereof would show:

1. In August 1989, TXO, as operator, sought the approval of the New Mexico Oil Conservation Division for the directional drilling of its Burton Flat Federal #1 well to the Strawn formation in a 40-acre oil spacing unit for the Undesignated South Parkway Strawn Pool.

2 Yates Petroleum Company and Harvey B. Yates Company ("HEYCO") objected to TXO's application, which was docketed as Division Case No. 9762 and originally set for hearing on September 20, 1989.

3. A dispute has arisen among TXO, Yates and HEYCO concerning what the spacing should be for Strawn formation production within Section 14, T20S, R29E, Eddy County, New Mexico.

4. TXO, who owns the working interest in the NW/4 of Section 14 contends that the subject well should be located in the South Parkway Strawn Oil Pool and therefore subject to retrograde gas condensate spacing of not more than 160 acres per well.

5. Yates, who owns a working interest in the E/2 of Section 14 and HEYCO, who owns a working interest in the SW/4 of Section 14, both contend that the subject well should be part of the Burton Flat Strawn Pool and that the appropriate spacing for the section and the well should be 320 acres.

6. In the event that the Division, over the objection of TXO, determines that the Strawn formation underlying the NW/4 and the SW/4 of Section 14 should be developed on a 320-acre spacing unit, then TXO has proposed to the working interest owners in the W/2 of Section 14 that they voluntarily join and participate

with TXO as the operator of the well described in Division Case 9762.

7. As of the date of this Application, TXO, despite its best efforts, has not been able to obtain the voluntary participation of the parties owning a working interest in the SW/4 of Section 14.

8. Pursuant to the Division notice requirements, TXO has notified all parties shown on Exhibit A of this Application for Compulsory Pooling and of Applicant's request for a hearing before the Division to be set on November 1, 1989.

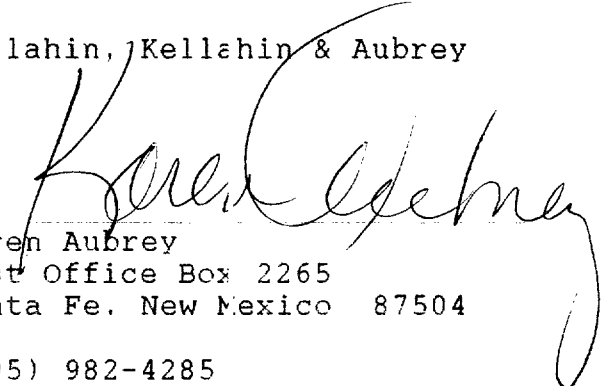
9. In order to obtain its just and equitable share of the potential production underlying the above tract, Applicant needs an order pooling the mineral interests involved in order to protect Applicant's correlative rights and prevent waste.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving pooling the mineral interests described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for Applicant to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervi-

*East Carbon Prod. Owners
South Anthony, Denver*

sion. and a risk factor in the amount of 200% for the drilling and completing of the well, and for such other and further relief as may be proper.

Respectfully submitted,
Kellahin, Kellahin & Aubrey

By: 
Karen Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

EXHIBIT "A"

OFFSET OPERATORS

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

Cibola Energy Corporation
P. O. Box 1668
Albuquerque, New Mexico 87103

Yates Energy Corporation
P. O. Box 2323
Roswell, New Mexico 88202