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June 21, 1988

RECEIVED

JUN 21 1988

OIL CONSERVATION DIVISION

Case 9429

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

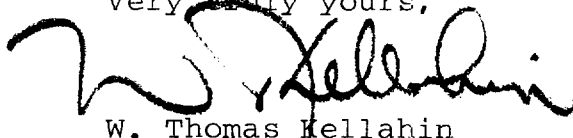
Re: Application of Phillips Petroleum Company
for Compulsory Pooling, Lea County, New Mexico

Dear Mr. LeMay:

Our firm represents Phillips Petroleum Company and will present to the Commission on July 14, 1988 the DeNovo Case 9331 requesting the approval of a 160-acre non-standard proration and spacing unit within Section 22, T17S, R35E, Lea County, New Mexico.

We respectfully request that the enclosed compulsory pooling application be docketed for hearing on the same docket for consideration by the Commission. As a first alternative to the non-standard unit set forth in Case 9331. The enclosed application requests the formation of a W/2 spacing unit with the corresponding deletion of 80 acres from the 240 acres dedicated to the T. H. McElvain well. As a second alternative, the application seeks to compulsory pool the N/2 of the section to include the Phillips 80 acres with the current spacing unit for the McElvain well.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Jim Gallogly, Esq. (Phillips-Odessa)

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

KELLAHIN, KELLAHIN & AUBREY

Mr. William J. LeMay
June 21, 1988
Page 2

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Montgomery & Andrews
P. O. Box 2307
Santa Fe, New Mexico 87504

Jerry Losee, Esq.
P. O. Drawer 239
Artesia, New Mexico 88210

("Certified-Return Receipt Requested")

All parties listed in Exhibits "B" "C" and "D"

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY FOR
COMPULSORY POOLING AND THE DELETION OF
ACREAGE FROM AN EXISTING NON-
STANDARD PRORATION AND SPACING
UNIT, OR IN THE ALTERNATIVE, FOR
THE TERMINATION OF THE NON-STANDARD
PRORATION UNIT FOR THE T. H. McELVAIN
NEW MEXICO "AC" STATE WELL #1 AND THE
CONCOMITANT COMPULSORY POOLING OF 320
ACRES FOR THE SUBJECT WELL,
LEA COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION

CASE: 9429

A P P L I C A T I O N

Comes now PHILLIPS PETROLEUM COMPANY, by and through
its attorneys, Kellahin, Kellahin & Aubrey, and applies
to the New Mexico Oil Conservation Commission as follows:

Applicant seeks an order pooling all mineral
interest from the top of the Wolfcamp to the base of the
Pennsylvanian formations underlying the W/2 of Section
22, T17S, R35E, NMPM, forming a standard 320-acre spacing
and proration unit for a well to be drilled at a standard
gas well location in either Unit E or Unit F of said
Section 22 with the corresponding deletion of the E/2NW/4
(80 acres) from the existing 240 acre non-standard
spacing and proration unit now consisting of the NE/4 and
the E/2NW/4 of said Section 22 dedicated to the T. H.
McElvain New Mexico "AC" State Well #1 located 1980 feet
FNL and 660 feet FEL (Unit H).

In the alternative, Applicant seeks an order terminating the existing 240 acre non-standard spacing and proration unit now dedicated to the T. H. McElvain New Mexico "AC" State Well #1 consisting of the NE/4 and the E/2NW/4 of said Section 22 and the concomitant compulsory pooling of the N/2 of Section 22 forming a standard 320 acre spacing and proration unit to be dedicated to the T. H. McElvain New Mexico "AC" State Well #1 located 1980 feet FNL and 660 feet FEL of said Section 22.

In support thereof applicant alleges that:

1. On January 4, 1986 T. H. McElvain completed his New Mexico "AC" State Well #1 located 1980 feet FNL and 660 feet FEL of Section 22, T17S, R35E, NMPM, Lea County, New Mexico and dedicated a 240 acre non-standard proration and spacing unit for the subject T. H. McElvain well consisting of the E/2NW/4 and NE/4 of said Section 22.

2. On February 12, 1988, Phillips Petroleum Company filed an application with the Division seeking the approval of a non-standard proration and spacing unit consisting of 160 acres being the W/2NW/4 and the N/2SW/4 of said Section 22 for the drilling of a well at an unorthodox well location 660 feet FNL and 660 feet FWL.

3. On March 16 and April 13, 1988 the Division held hearings on the Phillips' application (OCD Case 9331) and

on April 27, 1988 entered Order R-8644 denying the Phillips' application.

4. On May 18, 1988, Phillips filed an application for a DeNovo hearing in Case 9331 which hearing is now set for July 14, 1988, before the Commission.

5. As a first alternative remedy to approving the application in Case 9331, Phillips seeks the compulsory pooling of the W/2 of said Section 22 to form a standard 320 acre spacing and proration unit for a well to be drilled at a standard gas well location in either Unit E or Unit F of said Section 22, and in accordance therewith applicant has:

(a) Sought either voluntary agreements for pooling for farmout from the mineral and working interest owners in the applicable spacing and proration unit;

(b) Is unable to obtain a voluntary agreement from T. H. McElvain/Trainer for the deletion of the E/2NW/4 (80 acres) from the non-standard proration and spacing unit dedicated to the McElvain New Mexico "AC" State Well #1;

(c) Is unable to obtain a voluntary agreement from the remaining owners in the W/2;

(d) Shown on Exhibit "A" attached hereto a plat of the section;

(e) Shown on Exhibit "B" attached hereto are the names and addresses of the parties affected by the first alternative application for compulsory pooling;

(f) Shown on Exhibit "C" are the names and addresses of those offset operators who may be affected by the unorthodox well location requested; and

(g) 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 the subject well and for completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well.

7. As a second alternative remedy, applicant has sought to include on a voluntary basis its 80-acre (W/2NW/4 of Section 22) into the existing T. H. McElvain New Mexico State "AC" Well #1 and the reformation of the non-standard spacing unit so that a standard spacing unit consisting of the N/2 of said section can be dedicated to the well, and in accordance therewith applicant:

(a) Sought a voluntary agreement with T. H. McElvain/Trainer for participation in the subject well but has been unable to obtain a voluntary agreement from the operator;

(b) Seeks to participate in the subject well from the date of first production from the well by paying its proportionate share of the actual original costs of drilling, completing and equipping the well;

(c) Shown on Exhibit "D" the names and addresses of the parties affected by the second alternative application for compulsory pooling; and

(d) Desires to participate in the subject well by paying its share of costs and by executing a standard form Model Operating Agreement.

8. Pursuant to Division notice requirements applicant has notified all the parties listed in Exhibit "B", "C", and "D" of this application for compulsory pooling and the applicant's request for a hearing before the Commission to be set on July 14, 1988.

WHEREFORE, applicant requests that this application be set for hearing and that after notice and hearing its requested relief be granted.

Respectfully submitted:

By 

W. Thomas Keillahin, Esq.
P. O. Box 2265
Santa Fe, NM 87504

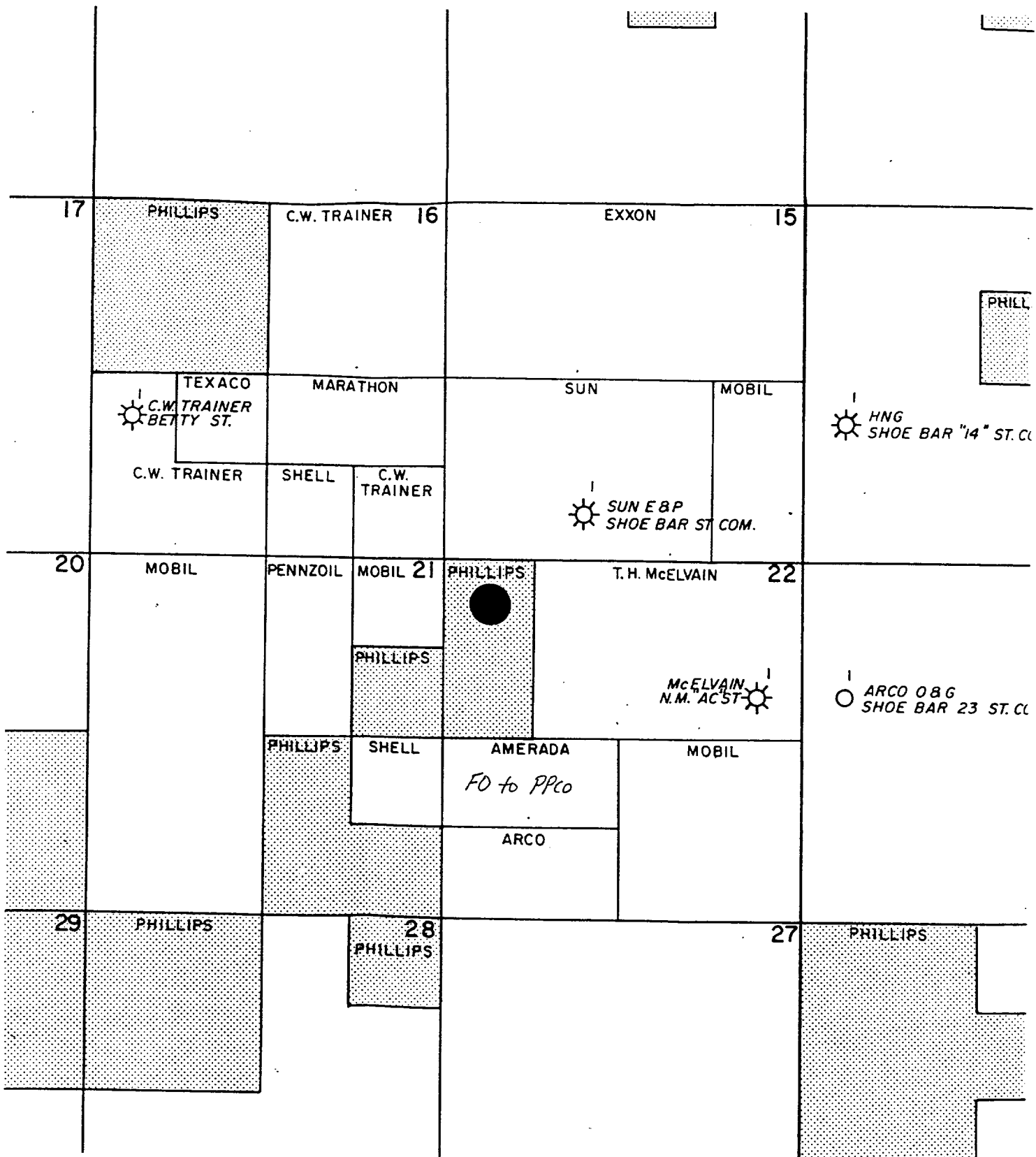


EXHIBIT "B"

W/2 OWNERS

Amerada Hess Corporation
Regional Office
P. O. Box 840
Seminole, Texas 79360

ARCO Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

McElvain, T. H., Jr.
P. O. Box 2148
Santa Fe, New Mexico 87504-2148

Trainer, C. W.
P. O. Box 755
Hobbs, New Mexico 88240

EXHIBIT "C"

OFFSET OPERATORS

Mobil Producing Texas and New Mexico, Inc.
Nine Greenway Plaza, Suite 2700
Houston, Texas 77046

Sun Exploration and Production Company
Southwestern Production District
P. O. Box 1861
Midland, Texas 79702

Trainer, C. W.
P. O. Box 755
Hobbs, New Mexico 88240

EXHIBIT "D"

N/2

Trainer, C. W.
P. O. Box 755
Hobbs, New Mexico 88240

McElvain, T. H., Jr.
P. O. Box 2148
Santa Fe, New Mexico 87504-2148