

HINKLE, COX, EATON, COFFIELD & HENSLEY

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STUART D. SHANOR
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ELLEN S. CASEY
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MARK A. WILSON*
GREGORY S. WHEELER
ANDREW J. COULTER*

OF COUNSEL
O. M. CALHOUN
MACK EASLEY
JOE W. WOOD
STEPHEN L. ELLIOTT

CLARENCE E. HINKLE 1190-1985.
W. E. BONDURANT, JR. 1193-1973.
ROY C. SNODGRASS, JR. 1915-1987.

*NOT LICENSED IN NEW MEXICO

ATTORNEYS AT LAW

218 MONTEZUMA

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May 13, 1988

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MAY 13 1988

OIL CONSERVATION DIVISION

File 9397

Florene Davidson
New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

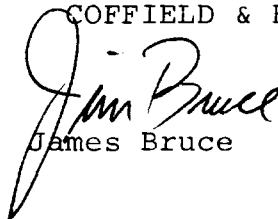
HAND DELIVERED

Dear Florene:

Enclosed on behalf of Petrus Oil Company, L.P. are an original and two (2) copies of an Application for an unorthodox well location. Please set this matter for the June 8, 1988 Examiner hearing.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

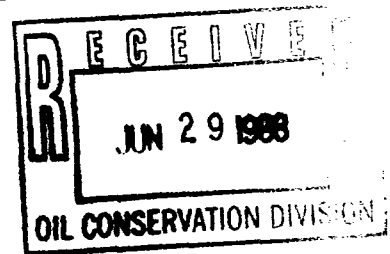
JB:jr

PETRUS OIL COMPANY, L.P.

12377 MERIT DRIVE, SUITE 1600 DALLAS, TEXAS 75251
(214) 788-3300 FACSIMILE (214) 788-3399

June 28, 1988

New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088



Attn: Mr. Michael Stogner

Re: Request for approval of simultaneous dedication,
Queen formation, NW/4 SW/4 (Unit L) of Section 11,
Township 17 South, Range 33 East, Lea County, New
Mexico.

Dear Sirs:

Petrus Oil Company, L. P. hereby requests administrative approval for the simultaneous dedication of Queen formation production from its D-2 Well located in the NW/4 SW/4 of said Section 11 and a second well (the D-8 Well) to be drilled in the same unit.

Petrus Oil Company, L. P. is the owner and operator of the D-2 Well, located at a standard location in the NW/4 SW/4 of Section 11. This well was originally completed by Shell Oil Company in 1978 as a producer from the Grayburg formation. In 1986, Petrus Oil Company, L. P. purchased the lease from Shell Oil Company. The well was subsequently re-entered and completed in the Queen formation in March, 1988, and production from the Grayburg and Queen formations is downhole commingled. Petrus Oil Company, L. P. has applied for administrative approval of the downhole commingling. Although Queen production was initially 42 barrels of oil per day, this rapidly declined to approximately 3 barrels per day within the first week. Queen production from the D-2 Well is non-commercial. Production from the well is allocated 62.5% to the Grayburg formation and 37.5% to the Queen formation.

Petrus Oil Company proposed to drill its D-8 Well in the NW/4 SW/4 of Section 11 at a location 1650 feet from the south line and 1310 feet from the west line of the section, to a depth sufficient to test the Queen formation. This well is at an unorthodox location, and was the subject of Case No. 9397, heard by the OCD on June 22, 1988. Due to the geological factors discussed at the hearing, it is imperative to place this well in the NW/4 SW/4 of Section 11. Petrus Oil Company, L. P., anticipates spudding this well by July 15, 1988, provided that the requisite approval is obtained. As discussed at the hearing the D-8 Well is the predicate to Petrus Oil Company, L. P.'s plans for drilling other Queen wells in this pool.

The NW/4 SW/4 of Section 11 is within the boundaries of the Sanmal-Queen Pool, as extended by OCD Nomenclature Case No 9375. Standard spacing and proration units for the pool are 40 acres. The N/2 SW/4 of Section 11 is covered by State of New Mexico Oil and Gas Lease B-2516. The state is the only royalty interest owner and Petrus Oil Company, L.P. owns the entire working interest (an 87.5% net revenue interest).

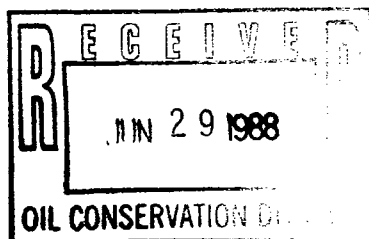
The only person who could potentially be affected by this application is Phillips 66 Company, which owns the S/2 SW/4 of Section 11. By copy of this letter, mailed certified-return receipt requested, we are notifying Phillips of this application. Attached to this letter is a land plat indicating the acreage of Petrus Oil Company, L. P. and Phillips, with the D-2 Well and D-8 Well marked in red. There are no Queen wells on Phillips' acreage in the S/2 SW/4 of Section 11.

Based on the foregoing, Petrus Oil Company, L. P., requests approval to:

1. Simultaneously dedicate Queen production from its D-2 Well and its proposed D-8 well, both located in the NW/4 SW/4 of Section 11.
2. Produce either or both wells at any one time so long as Queen production from both wells does not exceed the Division Rule 505 depth bracket allowable of 80 barrels of oil per day.

Granting this application will be in the interest of conservation by allowing the D-2 Well to continue producing such Queen reserves as it is capable of draining, and it will prevent economic waste by eliminating costs associated with work on the D-2 Well to seal off the Queen formation.

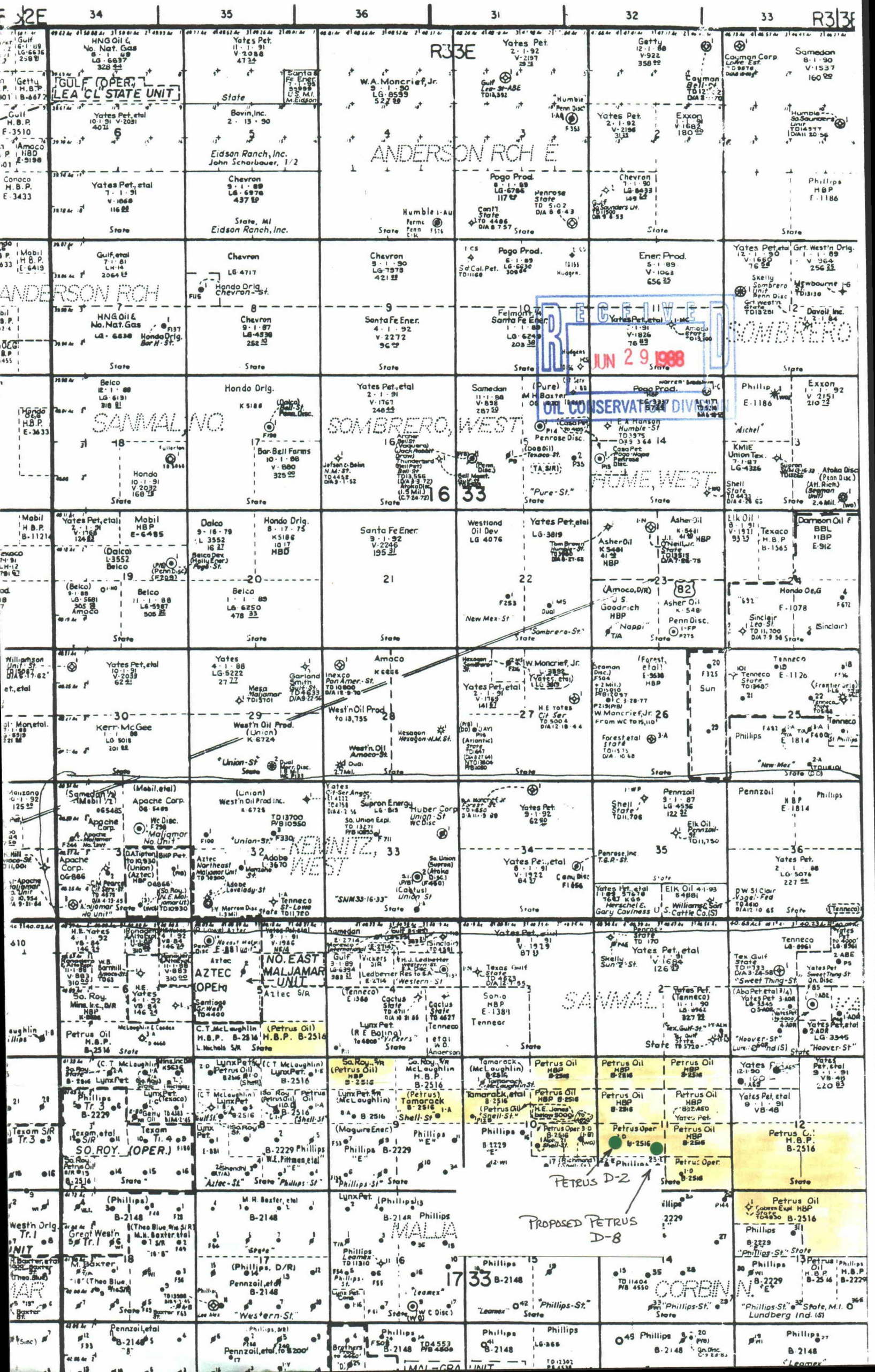
Should you have any questions on this matter, please call.



Yours very truly,

Michael D. Erwin
Michael D. Erwin
District Engineer

cc: Phillips 66 Company



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May 23, 1988

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OIL CONSERVATION DIVISION

Case 9397

HAND DELIVERED

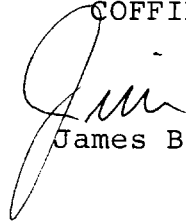
Florene Davidson
New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Dear Florene:

Enclosed on behalf of Petrus Oil Company, L.P. are an original and two copies of an Amended Application for an unorthodox well location. Please set this matter for the June 22, 1988 Examiner hearing.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce

JB:jr
Enclosures

*Note: The previous application
was for the NE 1/4 sec 14
of Section 11.*





STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

ADMINISTRATIVE ORDER DHC-695

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Petrus Oil Company, USA
12377 Merit Drive
Suite 1600
Dallas, TX 75251

Attention: Stan Ward

State "D" Well No. 2
Unit L, Section 11, Township 17 South,
Range 33 East, NMPM, Lea County, New Mexico,
Maljamar Grayburg-San Andres Pool and Sanmal-
Queen Pool

Dear Mr. Ward:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle the production from both pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303-C, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 20 barrels per day, and total water production shall not exceed 40 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by multiplying 2000 by the top unit allowable for the Sanmal-Queen Pool.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

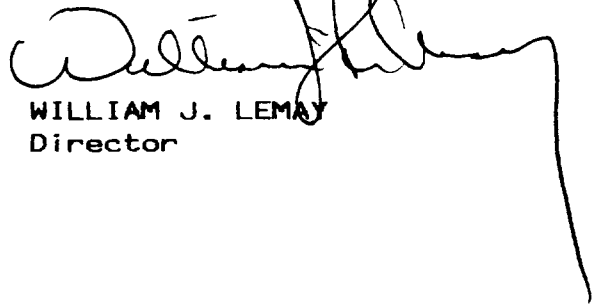
Maljamar Grayburg-San Andres Pool:	Oil 62.5%	Gas 21%
Sanmal Queen Pool:	Oil 37.5%	Gas 79%

In accordance with the provisions of Rule 303-C, the supervisor of the Hobbs District Office of the Oil Conservation Division shall determine the proper allocation of production from the subject well following its completion.

Pursuant to Rule 303-C-5, the commingling authority granted by this order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 14th day of July, 1988.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director

S E A L

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

August 1, 1933

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Attorneys at Law
Post Office Box 2063
Santa Fe, New Mexico

Re: CASE NO. 9397
ORDER NO. R-8700

Applicant:

Petrus Oil Company, L.P.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD _____

Other _____
