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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 19, 1997

HANDDELIVERY

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

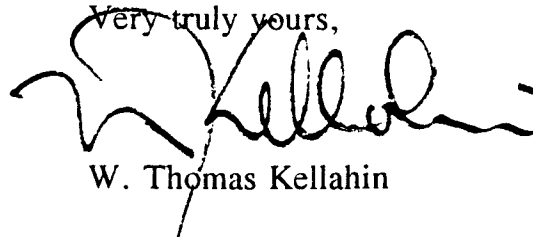
Re: **STIPULATED SETTLEMENT**
NMOCD Case 11736
Application of John H. Hendrix Corporation
for a non-standard proration unit and unorthodox
well location, Eumont Gas Pool, Lea County, New Mexico.

Dear Mr. Catanach:

On behalf of Lewis B. Burleson, Inc. I filed an objection to the administrative application of John H. Hendrix Corporation for a non-standard proration unit and unorthodox well location. Because of our protest, this case was placed on the Examiner's docket for February 20, 1997. Since then, we have negotiated a stipulated settlement with Hendrix which, if adopted and approved by the Division and incorporated in an order issued by the Division, satisfies Burleson's objections. Please find enclosed the signed original of the stipulation which we request be incorporated into the record in this case.

I have been advised that Hendrix does not have an attorney representing them in this matter and apparently does not plan to have any witnesses available at tomorrow's hearing. Therefore, I recommend that this case be decided administratively in a manner which incorporates the stipulated settlement. Unless you direct otherwise, I do not plan to be at the hearing tomorrow in this case. Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

cfx: Lewis B. Burleson, Inc.
John H. Hendrix Corporation

**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. 11736

**APPLICATION OF JOHN H. HENDRIX CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT
AND AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO**

STIPULATED SETTLEMENT

Comes now John H. Hendrix Corporation ("Hendrix"), the applicant in this case, and Lewis B. Burleson, Inc. ("Burleson"), an adversely affected offset operator, and stipulate as follows:

(1) That Hendrix is the applicant before the New Mexico Oil Conservation Division in the referenced case and seeks approval of an unorthodox gas well location for its New Mexico "B" State Well No. 6 (API No. 30-025-33352) which has been drilled 990 feet FNL and 2310 feet FEL (Unit B) of Section 29, T21S, R36E, NMPM, Lea County, New Mexico, to be dedicated to a non-standard 40-acre gas spacing unit consisting of the NW/4NE/4 of said Section 29 for production from the Eumont Gas Pool.

(2) Hendrix has recently recompleted the referenced well which has resulted in the reclassifying of the well from an oil well to a gas well.

(3) Burleson is the operator of an adjoining spacing unit consisting of the NE/4NW/4 of said Section 29 which is currently dedicated to a producing gas well in the Eumont Gas Pool.

(4) In order to protect the correlative rights of Burleson and the interest owners in the NE/4NW/4 Section 29 and at the same time to provide for the reasonable production of Hendrix's well, the parties stipulate and agree that:

(a) the gas proration and spacing unit for Hendrix's New Mexico "B" State Well No. 6 shall be limited to a 40-acre tract consisting of the NW/4NE/4 of said Section 29;

(b) the producing allowable for Hendrix's New Mexico "B" State Well No. 6 shall be limited to that volume of gas assigned by the New Mexico Oil Conservation Division pursuant to its gas prorationing system for a 40-acre GPU for the Eumont Gas Pool;

(c) production from Hendrix's New Mexico "B" State Well No. 6 shall be metered by a purchaser's meter, properly installed and maintained to only measure production from this well and this well shall not be commingled with production from any other formation or any other well;

(d) if and when this well overproduces its Division assigned monthly gas allowable by more than six times, then Hendrix shall immediately shut in this well until that overproduction is "made up" by subtracting said over production from the allowable assigned to this well; and

(e) Hendrix shall timely send to each offset operator, including Burleson, Hendrix's monthly volume statement (C-115) for this well so that production can be monitored.

(5) If Hendrix fails to comply with any of items 4 (a) through (e), for any reason, then and in that event, Hendrix hereby consents that, without prior notice, the Oil Conservation Division shall cancel the well's allowable, the well shall be shut-in and the administrative order entered herein shall be set aside and this matter set for hearing.

NMOCD Case 11736

Stipulation

Page 3

(6) Based upon the foregoing, Burleson shall withdraw its protest in Case 11736 provided that the Division order entered in that case shall adopt and incorporate the terms and conditions of this Stipulation.

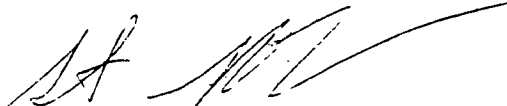
(7) The individual signing this Stipulation hereby warrants and represents to the other party and to the Division that he has been duly authorized by his respective company to sign this stipulation and to bind said company to all the terms and conditions of this stipulation.

(8) This stipulation shall be made a part of the record in the Examiner's hearing of Case 11736.

This stipulation is executed this 12 day of February, 1997 by the respective attorneys of record for the parties indicated on behalf of said parties.

LEWIS B. BURLESON, INC.

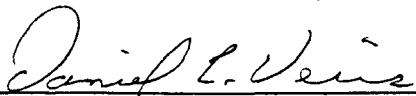
BY



Steven L. Burleson
P. O. Box 2479
Midland, Texas 79702

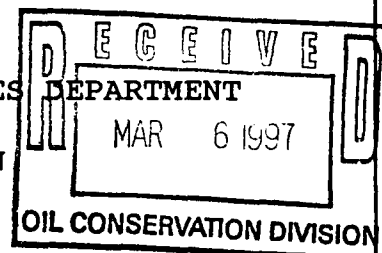
JOHN H. HENDRIX CORPORATION

BY



Daniel L. Veirs
P. O. Box 3040
Midland, Texas 79702-3040

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



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

CASE NO. 11,736

APPLICATION OF JOHN H. HENDRIX)
 CORPORATION FOR A NONSTANDARD GAS)
 PRORATION UNIT AND AN UNORTHODOX GAS)
 WELL LOCATION, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 20th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 20th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

February 20th, 1997
Examiner Hearing
CASE NO. 11,736

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR LOUIS B. BURLESON:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:19 a.m.:

3 EXAMINER CATANACH: Let me skip quickly to page 4
4 and call Case 11,736 at this time.

5 MR. CARROLL: The Application of John H. Hendrix
6 Corporation for a nonstandard gas proration unit and an
7 unorthodox gas well location, Lea County, New Mexico.

8 EXAMINER CATANACH: Call for appearances.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the Santa Fe law firm of Kellahin and Kellahin. I'm
11 appearing on behalf of an opponent, Lewis B. Burleson,
12 Inc., Mr. Examiner.

13 EXAMINER CATANACH: Okay. There is no counsel
14 present for John Hendrix.

15 Would you like to make a statement in this case?

16 MR. KELLAHIN: Yes, Mr. Examiner.

17 Mr. Hendrix filed on behalf of his corporation
18 for administrative approval of a nonstandard Eumont gas
19 well spacing unit. It was caused by the recompletion of
20 his well, which caused the well to be reclassified as a gas
21 well in the pool.

22 Pursuant to the administrative rules, he sent
23 notice to the offset operators, one of whom was Lewis B.
24 Burleson, Inc.

25 On behalf of Burleson, I've filed a protest that

1 caused this matter to be docketed for hearing.

2 Since filing the protest and before the hearing
3 today, Burleson and Hendrix have entered into a stipulated
4 settlement which I have filed of record today and we would
5 like admitted into the case file.

6 At this point we request that the case be
7 continued and that the case file be returned for
8 administrative processing, and with the issuance of an
9 administrative order that is consistent with the stipulated
10 settlement, we would then ask that this case be dismissed.

11 EXAMINER CATANACH: Okay, your stipulated
12 agreement will be admitted into the record into this case,
13 and we'll go ahead and continue the case till March 6th,
14 and we'll return it to Mr. Stogner for administrative
15 processing.

16 MR. KELLAHIN: Thank you, Mr. Examiner.

17 (Thereupon, these proceedings were concluded at
18 8:20 a.m.)

19 * * *

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
the Examiner hearing of Case No. 11736,
23 heard by me on February 20 1987.

24 David R. Catanch, Examiner
25 Oil Conservation Division

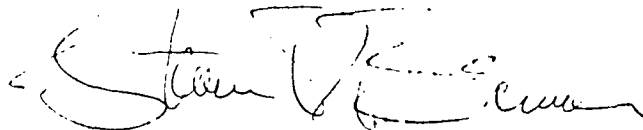
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL February 22nd, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998