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RECOGNIZED SPECIALIST IN THE AREA OF
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JASON KELLAHIN (RETIRED 1991)

July 7, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

8 1994

Re: Hi-Way State Well No. 1
Application of Primero Operating Inc.
for an Unorthodox Oil Well Location,
Undesignated Devonian Oil Pool,
Chaves County, New Mexico

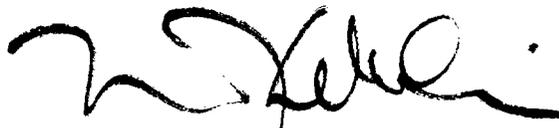
11046

Dear Mr. Stogner:

On behalf of Primero Operating Inc., please find enclosed our application for an unorthodox oil well location for its Hi-Way State Well No. 1 which we request be set for hearing on the next available Examiner's docket now scheduled for August 4, 1994.

Our proposed advertisement to be used for the OCD docket and for the newspaper publication is enclosed.

Very truly yours,



W. Thomas Kellahin

cc: Phelps White (Primero Operating, Inc.)
cc: NMOCD-Artesia

8 1994

Proposed notification/advertisement for OCD docket

Case 11046 : Application of Primero Operating, Inc. for an unorthodox oil well location, Chaves County, New Mexico. Applicant seeks approval of an unorthodox oil well location for its Hi-Way State Well No. 1 which currently is being drilled to an unorthodox oil well location 2417 feet from the South line and 2245 feet from the East line (Unit J) of Section 36, Township 10 South, Range 27 East, NMPM, Devonian formation. The NW/4SE/4 of said Section 36 is to be dedicated to said well forming a standard 40 acre oil spacing unit. Said unit is located approximately 13 miles northeast from Bottomless Lake State Park, New Mexico.

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

IN THE MATTER OF THE APPLICATION OF
PRIMERO OPERATING, INC. FOR APPROVAL
OF AN UNORTHODOX OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO

July 8 1994

CASE: 11046

APPLICATION

Comes now PRIMERO OPERATING, INC., by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox oil well location for its Hi-Way State Well No. 1 which currently is being drilled at an unorthodox oil well location 2417 feet FSL and 2245 feet FEL (Unit J) Section 36 Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico for possible production from the Devonian formation and to be dedicated to a standard 40 acre oil spacing unit consisting of the NW/4SE/4 of said Section 36.

In support thereof, Applicant states:

1. Applicant, Primero Operating, Inc. has 100% of the working interest in all of Section 36, T10S, R27E, N.M.P.M, Chaves County, New Mexico which constitutes a single State of New Mexico Oil & Gas Lease.

2. Due to the July 1, 1994 expiration of this lease, Primero Operating Inc. has commenced drilling of its Hi-Way State Well No. 1 at an unorthodox oil well location for possible production from the Devonian formation 2417 feet FSL and 2245 feet FEL (Unit J) Section 36,

3. It is crucial to locate any Devonian test on the absolute highest point on structure.

4. The unorthodox well location is based upon a 3-D seismic survey which indicates that the optimum location for a well in Unit J is at a location that is 223 feet from the north boundary of its spacing unit rather than the standard 330 feet. See Exhibit "A"

5. The well is located more than one mile from the current boundaries of any Devonian Oil pool and is subject to the Division general statewide rules including well spacing of 40-acre oil spacing and 330 foot setbacks. Apparently, the closest Devonian oil pool is the Race Track-Devonian Pool located in the NE/4SE/4 of Section 13, T10S, R27E, NMPM.

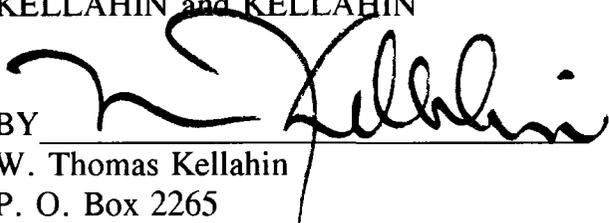
6. The well only encroaches towards the SW/4NE/4 of Section 36 which has the same ownership as the subject 40-acre spacing unit.

7. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in this portion of the Devonian formation and will otherwise prevent waste and protect correlative rights.

8. In accordance with Division Rule 1207, there are no offsetting parties to whom notification is required.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Submit to Appropriate District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Geology, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

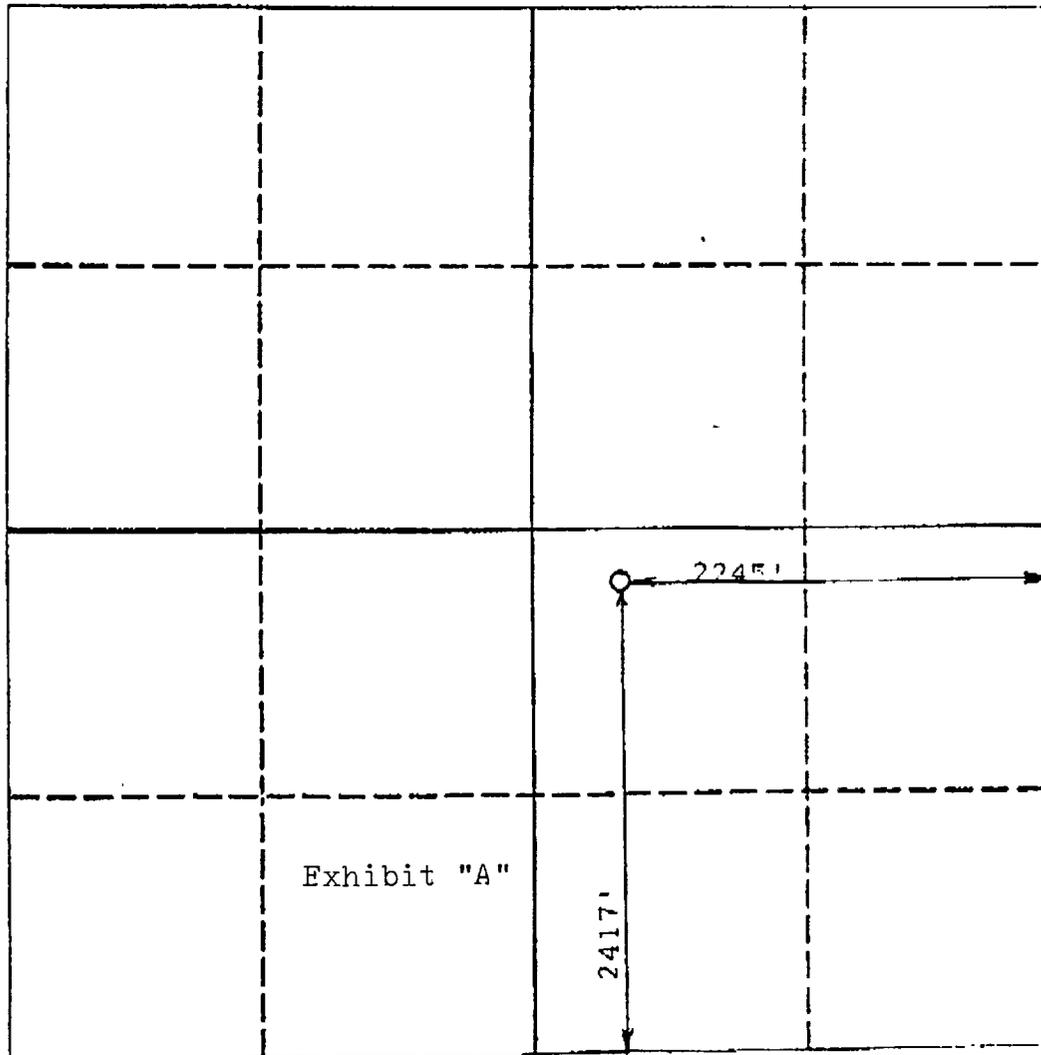
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Primero Operating		Lease Hi-way State		Well No. 1
Unit Letter J	Section 36	Township 10 South	Range 27 East	County Chaves
Actual Footage Location of Well: 2417 feet from the South line and 2245 feet from the East line				
Ground level Elev. 3698	Producing Formation Devonian	Pool Wildcat	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
 - If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
 - If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 - Yes No If answer is "yes" type of consolidation _____
 - If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____
- No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name _____

Position _____

Company _____

Date _____

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
June 9 1994

Signature & Seal of Professional Surveyor
[Signature]

P. B. PATTON
REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. _____

