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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)

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November 17, 1994

HAND DELIVERED

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505



*Case 11165*

Re: *Custer Wells No. 1*  
*W/2 Sec. 6, T25S, R37E, NMPM*  
*Application of Naumann Oil & Gas, Inc.*  
*for Compulsory Pooling and an Unorthodox Well Location,*  
*Lea County, New Mexico*

Dear Mr. Stogner:

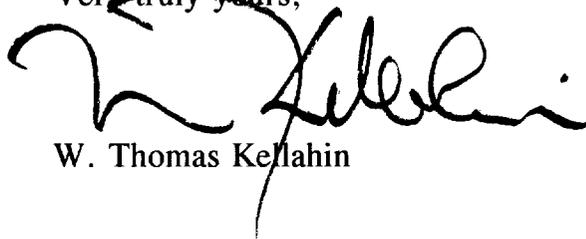
On behalf of Naumann Oil & Gas, Inc., please find enclosed our application for compulsory pooling, including an unorthodox gas well location, which we request be set for hearing on the Examiner's docket now scheduled for December 15, 1994. Also enclosed is our proposed notice of publication for this case.

By separate letter to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division  
November 17, 1994  
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In addition, pursuant to the Division's Memorandum 2-90, all interested parties will be informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, December 9, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin

Enclosures:

cc: Naumann Oil & Gas, Inc.  
cc: David N. Frye

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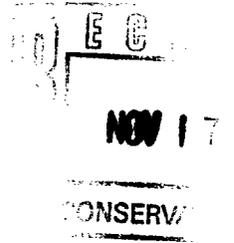
COMMISSION

**CASE\_\_**: Application of Naumann Oil & Gas, Inc. for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the Devonian formation underlying the W/2 Section 6, T25S, R37E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for the Devonian formation. Said unit is to be dedicated to the Custer Wells No. 1 which is located at an unorthodox gas well location 1810 feet FNL and 2164 feet FWL (Unit F) of said Section 6, which is an existing and temporarily abandoned wellbore originally drilled as an Ellenburger formation test well. Also to be considered will be the costs of re-entering, deepening and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles north of Jal, New Mexico.

11165

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

IN THE MATTER OF THE APPLICATION  
OF NAUMANN OIL & GAS, INC. FOR  
COMPULSORY POOLING AND FOR AN  
UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.



CASE NO. 11165

APPLICATION

Comes now NAUMANN OIL & GAS, INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Devonian formation underlying the W/2 of Section 6, T25S, R37E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for gas production from the Devonian formation. Said unit is to be dedicated to the Custer Wells No. 1 which is an existing and temporarily abandoned wellbore located at an unorthodox gas well location 1810 feet FNL and 2164 feet FWL (Unit F) of said Section 6. Also to be considered will be the costs of re-entering, deepening and completing said well and the allocation of the value and costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well.

**In support of its application, Naumann Oil & Gas, Inc. ("Naumann") states:**

1. Naumann has acquired ownership of the wellbore known as the Custer Wells No 1. which is a temporarily abandoned well formerly drilled as an Ellenburger formation test to a total depth of 12,964 feet and then plugged back to 9,594 feet and produced from a perforated interval 9435 feet to 9482 feet. Naumann has a working interest ownership in the oil and gas minerals underlying the W/2 of Section 6, T25S, R37E, NMPM, Lea County, New Mexico. See plat attached as Exhibit "A."

2. The Custer Wells No. 1 was originally drilled by ARCO Oil & Gas Company pursuant to a Joint Operating Agreement which expired on our about October 31, 1991.

3. The Custer Wells No. 1 was produced from January 12, 1982 to approximately July, 1991 when it was temporarily abandoned.

4. On October 24, 1994, Naumann proposed the re-entry of the Custer Wells No. 1 to all interest owners in the proposed spacing unit and invited each interest owner to participate on a voluntary basis by each paying its proportionate share of the costs to re-enter, deepen and complete said well as a Devonian formation gas well.

5. All of the working interest ownership of the oil & gas minerals Devonian formation underlying W/2 of said Section 6 have voluntarily agreed to the formation of this spacing unit and to participation in this re-entry except for the following parties:

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Naumann Oil & Gas, Inc.  
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Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762  
Attn: Mr. Glen Lanoue

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 769762  
Attn: Reece C. Copeland, Esq.

Texaco Exploration and Production, Inc.  
P. O. Box 46513  
Denver, Colorado 80201  
Attn: Mr. Terry Young

UNOCAL  
P. O. Box 3100  
Midland Texas 79702  
Attn: Mr. Robert C. Gnagy

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Naumann needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application and notice of this hearing will be sent to the operator, or in the absence of an operator the owners of interest in the Devonian spacing units towards which the subject well encroaches which, in addition to the parties listed in paragraph (5) above, also includes:

Permian Resources, Inc.  
P. O. Box 590  
Midland, Texas 79702-0590

8. In accordance with the Division's notice requirements, a summary of this application and notice of this hearing will be sent to the interest

parties listed in Paragraphs (5) and (7) of this application notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for December 15, 1994.

WHEREFORE, Naumann Oil & Gas, Inc., as applicant, requests that this application be set for hearing on December 15, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at the proposed well location upon terms and conditions which include:

- (1) Naumann Oil & Gas, Inc. be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in reimbursing Naumann for the costs of re-entering, deepening, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, reimbursement for the costs of the drilling, deepening, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285  
Attorneys for Applicant

NAUMANN OIL & GAS, INC. CARE SYSTEMS, INC. 02/004/007

# Naumann Oil And Gas, Inc.

## Custer Wells # 1

1810' FNL & 2164' FWL  
Section 6, T25S-R37E  
Lea County, New Mexico

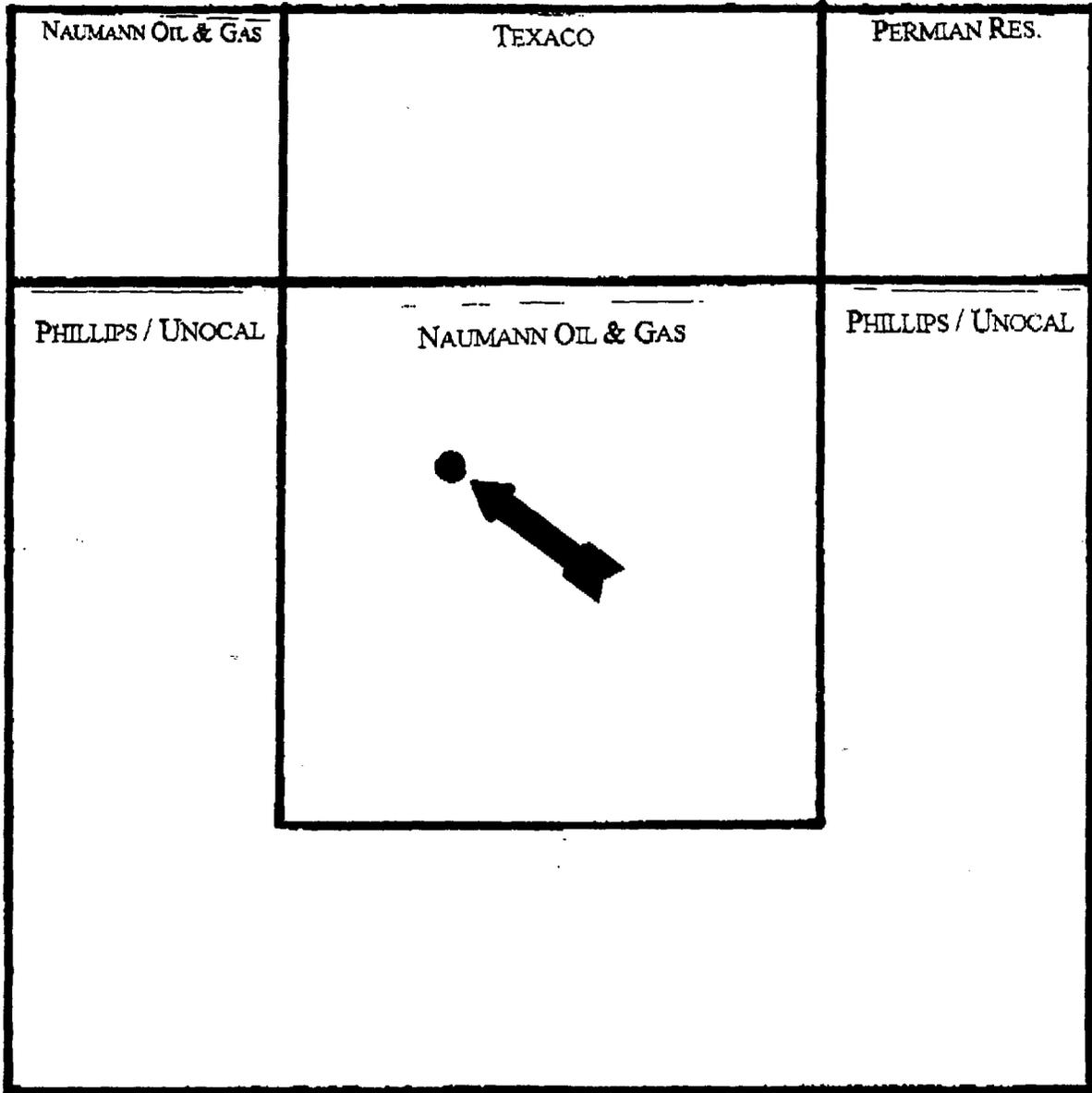


EXHIBIT "A"