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JASON KELLAHIN (RETIRED 1991)

April 2, 1997

**VIA FACSIMILE
(505) 827-8177**

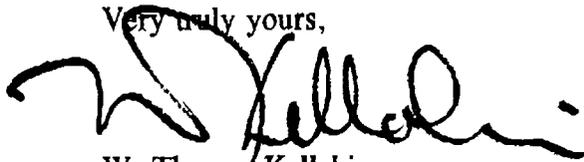
Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

Re: **AMENDED PRE-HEARING STATEMENT**
NMOCD Case 11755 and NMOCD Case 11723
Application of Fasken Oil and Ranch, Ltd.
Company for two alternate unorthodox well
locations and a non-standard gas proration
and spacing unit, Eddy County, New Mexico

Dear Mr. Stogner:

On behalf of Fasken Oil and Ranch, Ltd., please find enclosed our amended pre-hearing statement in the referenced matters. While I have not received pre-hearing statements from either Mr. Carr or Mr. Bruce, I have sent them copies of this amended statement under the presumption that both attorneys are still interested in this matter.

Very truly yours,



W. Thomas Kellahin

cfx: James Bruce, Esq.
Attorney for Mewbourne Oil Company
William F. Carr, Esq.
Attorney for Penwell Energy, Inc.
Attorney for Texaco, Inc.
Fasken Oil and Ranch, Ltd.
Attn: Sally Kvasnicka

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

CASE NO. 11755

**APPLICATION OF FASKEN OIL AND RANCH, LTD.
FOR TWO ALTERNATIVE UNORTHODOX WELL
LOCATIONS AND A NON-STANDARD PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11723

**APPLICATION OF MEWBOURNE OIL COMPANY
CORPORATION FOR AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

**FIRST AMENDED
CONSOLIDATED
PRE-HEARING STATEMENT**

This first amended pre-hearing statement is submitted by **FASKEN OIL AND RANCH, LTD.**, as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

**APPLICANT IN CASE 11755
OPPONENT IN CASE 11723**

ATTORNEY

**Fasken Oil and Ranch, Ltd.
303 West Wall Street
Midland, Texas 79701
(915) 687-1777
attn: Sally Kvasnicka**

**W. Thomas Kellahin
KELLAHIN & KELLAHIN
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APPLICANT IN CASE 11723

ATTORNEY

Mewbourne Oil Company

**James Bruce, Esq.
P. O. Box 1056
Santa Fe, NM 87501
(505) 982-2043**

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OTHER INTERESTED PARTIES:

Texaco, Inc.
Penwell Energy, Inc.

William F. Carr, Esq
P. O. Box 2088
Santa Fe, NM 87501
(505) 988-4421

STATEMENT OF THE CASE

Fasken, is the operator of the southern portion of Irregular Section 1, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, as a result of a Joint Operating Agreement dated April 1, 1970 which includes Mewbourne Oil Company ("Mewbourne") Matador Petroleum Corporation, Devon Energy Corporation, and others, as non-operators.

Irregular Section 1 consists of 853.62 acres is divided into thirds with the central portion of this section being "unleased" federal oil and gas minerals the surface of which is subject to a federal environmental study. As a result, applicant requests approval of a non-standard 297.88 acre unit ("NSP") comprising the southern portion of Irregular Section 1 described as Lots 29, 20, 31, 32 and the SW/2 (S/2 equivalent).

Fasken, as operator, proposes to drill the Avalon "1" Federal Com Well No. 2 at an unorthodox gas well location 750 feet from the West line and 2080 from the South line ("the Fasken location") of said Irregular Section 1. See Exhibit A.

Mewbourne, as a non-operator and working interest owner in this NSP, proposes that the well be at an unorthodox well location 2310 feet from the East line and 660 feet from the south line ("the Mewbourne location") of said Irregular Section 1.

In accordance with the Joint Operating Agreement, Fasken has the exclusive right and authority to file an application for permit to drill and any applications before the Division concerning operations including unorthodox well locations.

Fasken contends its proposed location is the optimum location in the proposed spacing unit at which to drill to test for Morrow gas production, while Mewbourne contends its location is the optimum location.

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Therefore, Fasken seeks approval of the requested non-standard gas proration and spacing unit including the approval of two different unorthodox well locations:

(a) 750 feet from the West line and 2080 from the South line ("the Fasken location") of said Irregular Section 1.

(b) 2310 feet from the East line and 660 feet from the south line ("the Mewbourne location") of said Irregular Section 1.

subject to the stipulation that the drilling of one location correspondingly voids the approval of the alternate location.

Fasken proposes to dedicate the southern 297.88 acres of Irregular Section 1 to which ever well is drilled to a total depth of 10,650 feet to test for gas production from the Morrow formation and shallower formations and if it is capable of gas production from the top of the Wolfcamp to the base of the Morrow formation.

Both well locations are within one mile of the current boundary of the Catclaw Draw-Morrow Gas Pool which is subject to the Division's Special Rules and Regulations (Order R-4157-D) which include:

"Rule: 2...shall be located no closer than 1650 feet to the outer boundary of the section nor closer than 330 feet to any governmental quarter-quarter section line."

"Rule 5: A standard gas proration unit...shall be 640-acres."

While the Catclaw Draw-Morrow Gas Pool is still officially "prorated", prorationing has been suspended and the wells in the pool are allowed to produce at capacity.

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PROPOSED EVIDENCE

APPLICANT in Case 11755:

WITNESSES	EST. TIME	EXHIBITS
Sally Kvasnicka (landman)	20 Min.	@ 6 exhibits
Dexter Harmon (geologist)	30 Min.	@ 6 exhibits
Lou Lent (geophysicist)	20 Min.	@ 3 exhibits
Carl Brown (petroleum engineer)		

PROCEDURAL MATTERS

Consolidation of Cases 11755 and 11723.

Motion to Dismiss Case 11723

KELLAHIN AND KELLAHIN

By: 
 W. Thomas Kellahin