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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

October 14, 1997

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

11877

**Re: Carnero "12" Federal Com Well No. 1
Application of Fasken Land and Minerals, Ltd.
for Compulsory Pooling and an Unorthodox Gas Well Location
Eddy County, New Mexico**

Dear Mr. LeMay:

On behalf of Fasken Land and Minerals, Ltd., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 6, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Fasken Land and Minerals, Ltd.
Attn: Sally Kvasnicka

CASE 11877: Application of Fasken Land and Minerals, Ltd. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the all of Section 12, T23S, R24E, NMPM, Eddy County, New Mexico, forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Rock Tank Upper-Morrow Gas Pool and the Rock Tank-Lower Morrow Gas Pool. Said unit is to be dedicated to its Carnero "12" Federal Com Well No. 1 to be drilled and completed at an unorthodox gas well location 500 feet from the North line and 2265 feet from the West line (Unit E) of said Section 12. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of **Fasken Oil and Ranch, Ltd.** as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 15 miles southwest from Carlsbad, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF FASKEN LAND AND MINERALS, LTD.
FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 11877

A P P L I C A T I O N

Comes now FASKEN LAND AND MINERALS, LTD. ("Fasken") 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 from the surface to the base of the Morrow formation underlying all of Section 12, T23S, R24E, NMPM, Eddy County, New Mexico, forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Rock Tank Upper-Morrow Gas Pool and the Rock Tank-Lower Morrow Gas Pool. Said unit is to be dedicated to its Carnero "12" Federal Com Well No. 1 to be drilled and completed at an unorthodox gas well location 500 feet from the North line and 2265 feet from the West line (Unit E) of said Section 12. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of **Fasken Oil and Ranch, Ltd.** as the operator of the well and a charge for risk involved in said well.

In support of its application, Fasken Land and Mineral, Ltd., ("Fasken") states:

1. Fasken has 100% of the working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the W/2 of Section 12, T23S, R24E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the Rock Tank Upper-Morrow Gas Pool and Rock Tank-Lower Morrow Gas Pool both of which are subject to special rules and regulations including 640-acre spacing with standard well locations not closer than 1650 feet to the outer boundary of said unit. **See Order R-3428.**

3. The subject well is to be drilled at an unorthodox gas well location 500 feet from the North and 2265 feet from the West line (Unit E) of Section 12 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool.

4. The E/2 of said Section 12 is subject to the Rock Tank Unit which is operated by Redstone Oil and Gas Company.

5. Fasken has proposed the subject well and its appropriate spacing unit to the Rock Tank Unit by submitting a well proposal to Redstone Oil and Gas Company as operator and to the remainder of the non-operators of said unit.

6. Despite its good faith efforts, Fasken has been unable to obtain a written voluntary agreement from Redstone Oil and Gas Company.

7. The unorthodox location is necessary in order to satisfy topographical limitations and geological reasons. This location encroaches towards the Rock Tank Unit operated by Redstone Oil & Gas Company

8. 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, Fasken needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and to the offset operator towards whom the well encroaches notifying each 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 November 6, 1997.

WHEREFORE, Fasken, as applicant, requests that this application be set for hearing on November 6, 1997 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 the appropriate spacing unit for the drilling of the subject well at an unorthodox well location upon terms and conditions which include:

- (1) Fasken Oil and Ranch, Ltd. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, 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, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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