

KELLAHIN AND KELLAHIN

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SANTA FE, NEW MEXICO 87504-2265

October 14, 1997

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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HAND DELIVERED

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

11878

Re: **Indian Hills Unit Well No. 15
S/2 of Section 17, T21S, R24E, NMPM
Application of Fasken Oil and Ranch, Ltd.
for an Unorthodox Gas Well Location and Simultaneous Dedication,
Indian Basin-Morrow Gas Pool, Eddy County, New Mexico**

Dear Mr. LeMay:

By letter dated October 10, 1997, Mr. Michael E. Stogner advised that because of an objection by an offset operator, he was docketing Fasken's administrative application for hearing on the November 6, 1997 docket.

Please note that his letter contains a proposed advertisement which includes a request to divide Section 17 into two non-standard gas proration and spacing unit. I have determined that the subdivision of this section is no longer needed. Accordingly, I would appreciate you substituting my proposed advertisement for the one suggested by Mr. Stogner.

On behalf of Fasken Oil and Ranch, Ltd., please find enclosed our application for an unorthodox gas well location and simultaneous which we request be set for hearing on the next available Examiner's docket now scheduled for November 6, 1997.

Very truly yours,



W. Thomas Kellahin

cc: Fasken Oil and Ranch, Ltd.
Attn: Sally M. Kvasnicka

Proposed notification/advertisement for OCD docket

11878

(Unit M)

Case _____: Application of Fasken Oil and Ranch, Ltd. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow Gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines of said Irregular Section 17. Said ~~location~~ is located approximately 9 miles northwest from Carlsbad, New Mexico.

Unit

(Unit J)

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

IN THE MATTER OF THE APPLICATION OF
FASKEN OIL AND RANCH, LTD. FOR AN
UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO

CASE: 118 78

APPLICATION

Comes now FASKEN OIL AND RANCH, LTD. ("Fasken") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow Gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines of said Irregular Section 17.

In support thereof, Applicant states:

1. Marathon Oil Company is the operator of the Indian Hills Unit and Applicant, Fasken, is the sub-operator of the Lower Pennsylvanian formations underlying all of Irregular Section 17, T21S, R25E, NMPM
2. Fasken proposes to drill the Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 West line of Section 17, T21S, R25E, Eddy County, New Mexico. **See Exhibit A.**
3. Fasken proposes to drill this well to a total depth of approximately 9,700 feet to test for gas production from the Morrow formation and shallower formations.

4. The well location is within the current boundary of the Indian Basin-Morrow Gas Pool which is subject to the Division's Special Rules and Regulations (Order R-8170-O-1 and R-2441-B) which include:

"RULE 2. Each well shall be located on a standard unit consisting of 640-acres...."

"RULE 5(a). The initial well within a spacing unit shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section line...."

RULE 5(b). The infill well or second well within a spacing unit shall be located in a quarter section of the existing spacing unit not containing a Morrow gas well...."

5. The Indian Basin-Morrow Gas Pool is no longer "prorated" and the wells in the pool are allowed to produce at capacity.

6. Fasken proposes to simultaneously dedicate this well to an existing non-standard 663.86 acre gas spacing unit of all of Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 (API-30-015-20006) located at a previously approved (NSL-393 dated February 13, 1967) unorthodox gas well location 1440 feet from the South and East lines of said Section 17.

7. This proposed location is the optimum location in the proposed spacing unit at which to drill to test for Morrow gas production and is necessary for a combination of topographical and geological reasons.

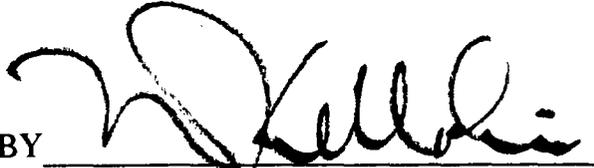
8. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

NMOCD Application
Fasken Oil and Ranch, Ltd.
Page 3

9. Notification of this application has been sent to all the offsetting operators and/or interest owners towards whom the well encroaches as set forth on Exhibit "B" attached.

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

KELLAHIN and KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line. The signature is stylized and cursive.

BY

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

NMOCD Application
Fasken Oil and Ranch, Ltd.
Page 4

EXHIBIT "A"

Devon Energy Corporation (Nevada)
Suite 1500
20 North Broadway
Oklahoma City, OK 73102

Eland Energy, Inc.
3 Lincoln Centre
5430 LBJ Freeway, Ste. 900
Dallas, Texas 75240-2699

Marathon Oil Company
P. O. Box 554
Midland, Texas 79701
Attn: Thomas C. Lowry, Esq.

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210