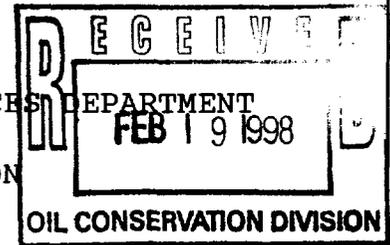


NEW MEXICO OIL CONSERVATION DIVISION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date FEBRUARY 5, 1998 Time 8:15 A.M.

NAME	REPRESENTING	LOCATION
Mike Gray	Nearburg	Midland TX
Ted Gawloski	Nearburg	Midland, TX
W. Jellolin	Jellolin & Jellolin	Santa Fe
Paul Owen	Campbell, Carr, Buggs & Sheridan	Santa Fe
Jim Bruce	MARATHON oil	Santa Fe
BSA DeWitt		Midland, TX
Tim Robertson	Marathon	Midland, TX
Kerry Heessen	Marathon	Midland, TX
Carl Brown	Fasken oil & Ranch, Ltd.	Midland, TX
Sally Kvasnicka	✓	✓
Dexter Harmon	Fasken	Midland
Joe E. Small	Redstone	Dallas, TX
Scott Royal	Redstone	✓ ✓
Jerry Stone	Redstone	✓ ✓

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



IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
)
APPLICATION OF CAULKINS OIL COMPANY)
FOR COMPULSORY POOLING AND DOWNHOLE)
COMMINGLING, RIO ARRIBA COUNTY,)
NEW MEXICO)
)

CASE NO. 11,920

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 5th, 1998
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 5th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

February 5th, 1998
Examiner Hearing
CASE NO. 11,920

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: PAUL R. OWEN

FOR DUGAN PRODUCTION CORPORATION:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:25 a.m.:

3 EXAMINER CATANACH: At this time I'm going to
4 call Case 11,920.

5 MR. CARROLL: Application of Caulkins Oil Company
6 for compulsory pooling and downhole commingling, Rio Arriba
7 County, New Mexico.

8 EXAMINER CATANACH: I will call for appearances
9 in this case at this time.

10 MR. OWEN: Paul Owen of the Santa Fe law firm of
11 Campbell, Carr, Berge and Sheridan for the Applicant,
12 Caulkins Oil Company.

13 I have no witnesses in this matter.

14 EXAMINER CATANACH: Any additional appearances?

15 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
16 the Santa Fe law firm of Kellahin and Kellahin, appearing
17 on behalf of Dugan Production Corporation.

18 EXAMINER CATANACH: Okay. Mr. Owen, I believe
19 you have a statement in this case?

20 MR. OWEN: I do, Mr. Examiner.

21 At this time Caulkins simply requests that the
22 record reflect that the record made in consolidated Cases
23 11,897 and 11,899, which were heard on January 8th, 1998,
24 be incorporated into the record in this case and that based
25 on the record in that consolidated case the Examiner enter

1 and the Division enter its order in this particular case.

2 EXAMINER CATANACH: Anything to add to that, Mr.
3 Kellahin?

4 MR. KELLAHIN: No, sir.

5 EXAMINER CATANACH: Okay, there being nothing
6 further in this case, Case 11,920 will be taken under
7 advisement.

8 (Thereupon, these proceedings were concluded at
9 8:26 a.m.)

10 * * *

11
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20
21 I do hereby certify that the foregoing is
22 a complete and correct transcript of the proceedings in
23 the Examiner hearing of Case No. 11920
24 heard by me on 2/5/1978.
25 Daniel R. Catanach, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL February 6th, 1998.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11920

APPLICATION OF CAULKINS OIL
COMPANY FOR COMPULSORY POOLING
AND DOWNHOLE COMMINGLING,
RIO ARRIBA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Caulkins Oil Company
c/o Patrick L. Robinson
1600 Broadway, Suite 1400
Denver, CO 80202
(303) 861-4230
name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

OPPOSITION OR OTHER PARTY

Dugan Production Corp.

name, address, phone and
contact person

ATTORNEY

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Caulkins Oil Company, applicant seeks an order pooling all formations developed on 320-acre spacing underlying the S/2 of Section 14, Township 26 North, Range 7 West. Applicant proposes to dedicate this acreage to its Breech B 781 Well to be drilled at a standard location 1800 feet from the South line and 1150 feet from the West line (Unit L) of said Section 14. Applicant also seeks approval to downhole commingle production from the Mesaverde formation, Blanco-Mesaverde Pool, and the Dakota formation, Basin Dakota Pool, within the wellbore of said Breech B 781 Well. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

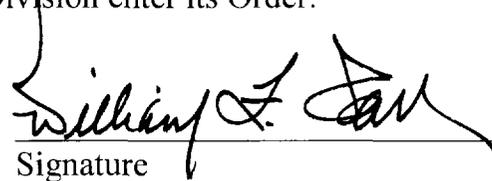
EST. TIME

EXHIBITS

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)

At the time this case is called, Caulkins will request that the record made in the consolidated hearing in Cases 11897 and 11899 held on January 8, 1998 be incorporated into the record in this case and that, based on that record, the Division enter its Order.

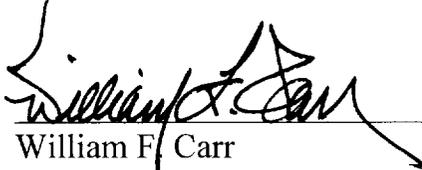


Signature

CERTIFICATE OF MAILING

I hereby certify that on this 30th day of January, 1998, I have caused to be mailed a copy of our Pre-Hearing Statement in the above-captioned cases to the following counsel of record:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504


William F. Carr

DOCKET: EXAMINER HEARING - THURSDAY - FEBRUARY 5, 1998

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 4-98 and 5-98 are tentatively set for February 19, 1998 and March 5, 1998. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11919: Application of Enron Oil & Gas Company for compulsory pooling and 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-Chester formation, Undesignated Grayburg-Morrow Gas Pool, underlying the N/2 of Section 34, Township 17 South, Range 29 East, for all formations developed on 320-acre spacing. Applicant proposes to dedicated this pooled unit to its STW "34" Federal Com. Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the North line and 1250 feet from the East line (Unit A) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 5 miles west-southwest of Loco Hills, New Mexico.

CASE 11920: Application of Caulkins Oil Company for compulsory pooling and downhole commingling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all formations developed on 320-acre spacing underlying the S/2 of Section 14, Township 26 North, Range 7 West. Applicant proposes to dedicate this acreage to its Breech B 781 Well to be drilled at a standard location 1800 feet from the South line and 1150 feet from the West line (Unit L) of said Section 14. Applicant also seeks approval to downhole commingle production from the Mesaverde formation, Blanco-Mesaverde Pool, and the Dakota formation, Basin Dakota Pool, within the wellbore of said Breech B 781 Well. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well. Said area is located approximately 17.5 miles northeast of Blanco Trading Post, New Mexico.

CASE 11902: (Continued from January 8, 1998, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for an unorthodox well location, Lea County, New Mexico. Applicant seeks authority to drill a well to the Morrow formation, Undesignated Gem-Morrow Gas Pool, at an unorthodox well location 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 16, Township 19 South, Range 33 East. The E/2 of said Section 16 is to be dedicated to said well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 14.5 miles south-southeast of Maljamar, New Mexico.

CASE 11899: (Readvertised - Continued from January 8, 1998, Examiner Hearing.)

Application of Dugan Production Corp. for two non-standard gas spacing and proration units, Rio Arriba County, New Mexico. Applicant seeks approval of two non-standard gas proration units in the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool, one to consist of the SE/4 of Section 14, Township 26 North, Range 7 West to be dedicated to its Mona Lisa Well No. 2 to be drilled at a standard location 1620 feet from the South line and 1850 feet from the East line (Unit J) of said Section 14 and the other to be operated by Caulkins Oil Company and to consist of the SW/4 of said Section 14. Said units are located approximately 17 1/2 miles northeast of Blanco Trading Post, New Mexico.

CASE 11921: Application of Whiting Petroleum Corporation and Maralex Resources, Inc. for an order shutting in certain wells, San Juan County, New Mexico. Applicants seek an order requiring that the following wells be shut-in because they are producing from a formation or pool owned by applicants: Thompson Engineering & Production Corp. Stacey Well No.1; and the Pendragon Energy Partners, Inc. Chaco Well Nos. 1, 2R, 4 and 5, and Chaco Ltd. Well Nos. 1J and 2J. Said wells are located in Sections 6, 7, and 18, Township 26 North, Range 12 West and Sections 1 and 12, Township 26 North, Range 13 West. Said area is located approximately 15 miles south-southeast of Farmington, New Mexico.

CASE 11831: (Continued from January 8, 1998, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations from 500 feet beneath the surface to the base of the Morrow formation underlying the following described acreage in Section 4, Township 18 South, Range 28 East, and in the following manner: Lots 3, 4, S/2 NW/4, and SW/4 (the W/2) equivalent to form a standard 320.36-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Empire-Pennsylvanian Gas Pool and the Undesignated North Illinois Camp-Morrow Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools spaced on 160-acre spacing within said vertical extent; and the N/2 SW/4 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools spaced on 80 acres within said vertical extent, including the Undesignated Travis-Upper Pennsylvanian Pool. Said units are to be dedicated to its Scoggin Draw "4" State Com Well No. 1, located 2310 feet from the South line and 660 feet from the West line (Unit L) of said Section 4. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 13 miles southeast of Artesia, New Mexico.

CASE 11908: (Continued from January 22, 1998, Examiner Hearing.)

Application of Marathon Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 3,500 feet (the approximate base of the San Andres formation) to 11,152 feet (the approximate base of the Morrow formation) underlying the N/2 of Section 34, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the North Turkey Track-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the NW/4 of said Section 34 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the NE/4 NW/4 of said Section 34. Said units are to be dedicated to its Burns "34" State Well No. 1 to be drilled and completed at a standard gas well location in Unit C of said Section 34. 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 applicant as operator of the well and a charge for the risk involved in drilling said well. Said units are located approximately 13 miles southwest of Loco Hills, New Mexico.

CASE 11922: **Application of Primero Operating, Inc. for compulsory pooling and unorthodox gas well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from 10,667 feet (the approximate top of the Canyon formation) to 12,658 feet (a point within the Devonian formation) underlying the S/2 of Section 26, Township 16 South, Range 35 East, forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, and forming a standard 160-acre gas spacing and proration unit underlying the SW/4 of said Section 26 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4 SW/4 of said Section 26 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Tilley Well No. 1 to be a re-entry of the former Kennedy & Mitchell Inc.'s Tilley Well 758-3 (API 30-025-27891) and completed at an unorthodox well location 330 feet from the South line and 1815 feet from the West line (Unit N) of said Section 26. Also to be considered will be the wellbore value and the costs of re-entry and completing said well and the allocation of the value and the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 6 miles southwest of Lovington, New Mexico.

CASE 11877: (Continued from January 8, 1998, Examiner Hearing.)

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 all of Section 12, Township 23 South, Range 24 East, 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 drilling said well. Said unit is located approximately 15 miles southwest of Carlsbad, New Mexico.

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
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January 5, 1998

11920

HAND-DELIVERED

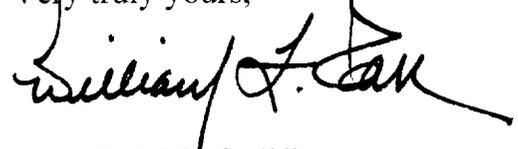
Ms Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application of Caulkins Oil Company for Compulsory Pooling and Downhole
Commingling, Rio Arriba County, New Mexico

Dear Ms Wrotenbery:

Enclosed in triplicate is an Application of Caulkins Oil Company in the above-referenced case as well as a legal advertisement. Caulkins Oil Company respectfully requests that this matter be placed on the docket for the February 5, 1998 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Mr. Patrick L. Robinson (w/enclosures)
Caulkins Oil Company
1600 Broadway, Suite 1400
Denver, CO 80202

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF CAULKINS OIL COMPANY
FOR COMPULSORY POOLING
AND DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO

CASE NO. 11920

APPLICATION

CAULKINS OIL COMPANY (“Caulkins”), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2 of Section 14, Township 26 North, Range 7 West, Rio Arriba County, New Mexico. Caulkins also makes application for downhole commingling of production from the Mesaverde and Dakota formations in its Breech B 781 Well. In support of this Application, Caulkins states:

1. Caulkins is a working interest owner in the S/2 of said Section 14, on which it proposes to drill its Breech B 781 Well to the Dakota formation, at a standard location 1800 feet from the South line and 1150 feet from the West line of said Section 14 to a depth sufficient to test and effect completion in the Blanco-Mesaverde and Basin-Dakota Gas Pools.

2. Caulkins has sought and been unable to obtain voluntary agreement from Dugan Production Corp., Post Office Box 420, Farmington, New Mexico 87499 the owner of the working interest under the SE/4 of said Section 14.

3. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

4. In order to permit Dugan to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled to form a standard spacing unit, and Applicant should be designated the operator of the well.

5. Applicant also seeks authority for downhole commingling of gas and condensate production from the Mesaverde formation, Blanco-Mesaverde Pool, and Dakota formation, Basin-Dakota Pool in the wellbore of its proposed Breech B 781 Well.

6. Commingling gas production in this well will not damage either reservoir and will result in the increased recovery of hydrocarbons.

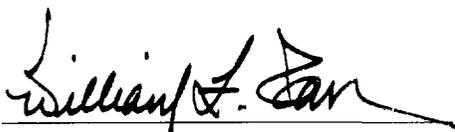
7. Granting this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Caulkins Oil Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 5, 1998 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Caulkins operator of the S/2 of said Section 14, authorizing Caulkins to recover its costs of drilling, equipping and completing the well, its costs of supervision

while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and allowing the commingling of production from the Mesaverde and Dakota formations in the wellbore of the Breech B 781 Well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CAULKINS OIL COMPANY

CASE 11920: Application of Caulkins Oil Company for compulsory pooling and downhole commingling, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order pooling all formations developed on 320-acre spacing underlying the S/2, Section 14, Township 26 North, Range 7 West, Rio Arriba County, New Mexico. Applicant proposes to dedicate this acreage to its Breech B 781 Well to be drilled at a standard location 1800 feet from the South line and 1150 feet from the West line of said Section 14. Applicant also seeks approval to downhole commingle production from the Mesaverde formation, Blanco Mesaverde Pool, and the Dakota formation, Basin Dakota Pool, within the wellbore of said Breech B 781 Well. Also to be considered will the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said area is located approximately 17.5 miles northeast of Blanco Trading Post, New Mexico.