

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

February 10, 1998

HAND DELIVERED

Mr. David R. Catanach, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: Request to readvertise and amend application
NMOCD Case 11922
Tilley Well No. 1
Application of Primero Operating, Inc.
for Compulsory Pooling and an Unorthodox Well Location,
Lea County, New Mexico**

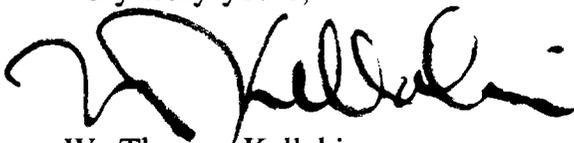
Dear Mr. Catanach:

At the hearing of the referenced case held on February 5, 1998, Mr. Carroll's directed that we amend this application to substitute a working interest owner for Primero Operating, Inc, who is the non-owner, operator.

In addition, I wish to inform you that Primero Operating, Inc. is withdrawing its request to have the compulsory pooling order include a provision for recovering "wellbore value" from any interest owner subject to this order.

Accordingly, please find enclosed our amended application which we request be set for hearing on March 5, 1998.

Very truly yours,



W. Thomas Kellahin

cc: Primero Operating, Inc.
Attn: F. Andrew Grooms

CASE 11922 (Readvertised and continued from February 5, 1998 Examiner Hearing): Application of Branex Resources, Inc. for compulsory pooling and an unorthodox 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 Section 26, T16S, R35E, NMPM, Lea County, New Mexico, in the following manner: to form a standard 320-acre gas spacing and proration unit consisting of the S/2 of Section 26 for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent; the SW/4 of said Section 26 to form a standard 160-acre gas spacing and proration unit for any and all formations/pools developed on 160-acre gas spacing; and the SE/4SW/4 of said Section 26 to form a standard 40-acre oil spacing and proration unit for any and all formations/pools developed on 40-acre oil spacing. Said unit(s) are 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 30-025-27891-0001) 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 costs of re-entry and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of **Primero Operating, Inc.** as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 6 miles southwest from Lovington, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF BRANEX RESOURCES, INC.
FOR COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO.

CASE NO. 11927

APPLICATION

Comes now Branex Resources 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 from 10,667 feet (the approximate top of the Canyon formation) to 12,658 feet (a point within the Devonian formation) underlying Section 26, T16S, R35E, NMPM, Lea County, New Mexico, in the following manner: to form a standard 320-acre gas spacing and proration unit consisting of the S/2 of Section 26 for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent; the SW/4 of said Section 26 to form a standard 160-acre gas spacing and proration unit for any and all formations/pools developed on 160-acre gas spacing; and the SE/4SW/4 of said Section 26 to form a standard 40-acre oil spacing and proration unit for any and all formations/pools developed on 40-acre oil spacing. Said unit(s) are 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 30-025-27891-0001) 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 costs of re-entry and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of **Primero Operating, Inc.** as the operator of the well and a charge for risk involved in said well.

In support of its application, Branex Resources, Inc., ("Branex") states:

1. Branex has a working interest ownership in the oil and gas minerals from the surface to the base of the Devonian formation underlying the S/2 of Section 26, T16S, R35E, NMPM, Lea County, New Mexico.

2. Primero Operating Inc. ("Primero") is the operator of portions of the S/2 of said Section 26 pursuant to several joint operating agreements which do not cover all interest owners or all depths. Specifically, the joint operating agreement covering the SW/4 of said Section 26 does not include the footage interval from 10,677 feet to 12,658 feet.

3. Primero, on behalf of Branex Resources, Inc., has proposed the re-entry of the subject well and its appropriate spacing unit to the working interest owners in the spacing unit who could be located.

4. Despite its good faith efforts, Primero has been unable to locate certain interest owners and also has not been able to obtain a written voluntary agreement from all of the parties. A complete list of those interest owners to be pooled is attached as Exhibit "A."

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

6. Primero also requests approval from the Division for the unorthodox well location and has provided notice of this application to all offset operators and/or interest owners.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" 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 March 5, 1998.

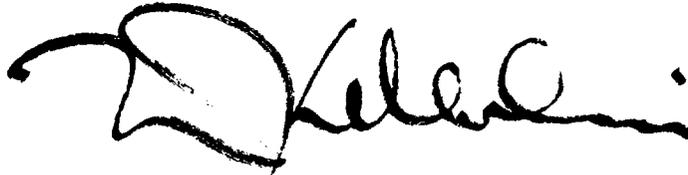
WHEREFORE, Branex Resources, Inc., as applicant, requests that this application be set for hearing on March 5, 1998 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the re-entry of the subject well at a unorthodox well location upon terms and conditions which include:

(1) Primero Operating, Inc. be named operator;

(2) Provisions for applicant and all working interest owners to participate in their share of the costs of re-entry, 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 and the costs of 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

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

EXHIBIT A

Harold T. Wright
13514 Pinerock
Houston, Texas 77079

Gary D. Webb
3223 Smith #306
Houston, Texas 77006

Pelham, Inc.
1000 Louisiana, Suite 3350
Houston, Texas 77002

Harry R. Rider
135 S. Illinois St.
Indianapolis, Indiana 46225

John L. Hern
13611 Taylorcrest
Houston, Texas 77079