

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN
KATHERINE M. MOSS
JACK M. CAMPBELL
OF COUNSEL

*Record in
Case 1205*

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

November 24, 1998

HAND-DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

OIL CONSERVATION DIV.
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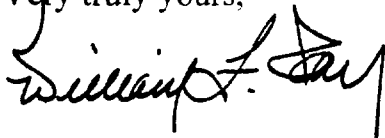
12105

**Re: Amended Application of Texaco Exploration and Production Inc. for
compulsory pooling, an unorthodox gas well location and a non-standard
spacing and proration units, Eddy County, New Mexico**

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Amended Application of Texaco Exploration and Production Inc. in the above-referenced case as well as a draft of a legal advertisement for this case. Texaco, respectfully requests that this matter be placed on the docket for the December 17, 1998 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: David Sleeper (w/enclosures)
Texaco Exploration and Production Inc.
W. Thomas Kellahin, Esq. (w/enclosures)

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

IN THE MATTER OF THE APPLICATION
OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR COMPULSORY
POOLING, AN UNORTHODOX GAS
WELL LOCATION AND NON-STANDARD
GAS SPACING AND PRORATION UNITS,
EDDY COUNTY, NEW MEXICO.

CASE NO. 12405

OIL CONSERVATION DIV.
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AMENDED APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC. ("Texaco"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following non-standard spacing and proration units in irregular Section 1, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico:

- A. All of irregular Section 1 (Lots 11 through 14, 17 through 32, SW/4) forming an 853.62-acre non-standard gas spacing and proration unit for all formations developed on 640-acre spacing, or in the alternative, Lots 11 through 14 and Lots 17 through 28 (northern two-thirds equivalent) forming a 555.74 non-standard spacing and proration unit for all formations developed on 640-acre spacing, and
- B. Lots 11 through 14 and Lots 19 through 22 forming a 288.19 acre non-standard spacing and proration unit for all formations developed on 320-acre spacing underlying, ("the proposed units")

Texaco proposes to dedicate the proposed units to its proposed Rocky Arroyo Federal Com Well No. 1 to be drilled at an unorthodox well location 3200 feet from the North line and 660 feet from the West line of said Section 1. In support of its application, Texaco states:

1. Texaco is a working interest owner in the proposed units and has the right to drill thereon.

2. Texaco proposes to drill its Rocky Arroyo Federal Com Well No. 1 at an unorthodox location 3200 feet from the North line and 660 feet from the West line of said Section 1 to test Upper Pennsylvanian and the Morrow formations, Catclaw Draw-Morrow Gas Pool.

3. The Morrow formation in irregular Section 1 was originally developed as an 854.62-acre non-standard spacing and proration unit. This non-standard unit was approved by Division Order No. R-4042, dated October 14, 1970, and all of irregular Section 1 was dedicated to the David F. Fasken Avalon Federal Com. Well No. 1 ("Avalon Federal Well") located 3630 feet from the South line and 660 feet from the East line of said Section 1.

4. Following the abandonment of the Avalon Federal Well the southern one-third of irregular Section 1 (Lots 29 through 32) was pooled by Division Order No. R-10872 to form a 297.88-acre non-standard spacing and proration unit in the Morrow formation, Catclaw Draw-Morrow Gas Pool. This non-standard unit is dedicated to the Mewbourne Oil Company Catclaw Draw "1" Federal Well No. 1, located 660 feet from the South line and 2310 feet from the East line of said Section 1.

5. The Catclaw Draw-Morrow Gas Pool was created in 1971 and is governed by Special Pool Rules and Regulations adopted by order No. R-4157 that requires 640-acre spacing and proration units.

6. In approving the 297.88 non-standard spacing and proration unit in the southern one-third of irregular Section 1, the Oil Conservation Commission found that:

“The middle one-third of the section is federal land which is unleased due to a federal environmental wildlife study and cannot be included in the well unit. As a result, approval of the non-standard gas spacing and proration unit is proper and necessary to prevent waste, and should be approved.” (Order No. R-10872-B, Finding 9)

7. Following the entry of Commission Order No. R-10872-B and the drilling of the Mewbourne well, certain federal acreage in irregular Section 1, including the acreage which had been the subject of the federal environmental wildlife study, became available for lease and has been leased to Matador Petroleum Corporation (“Matador”), Texaco and others.

8. Matador is currently attempting to amend Division Order No. R-10872-B to expand the 297.88 non-standard unit in the southern one-third of Section 1 which was approved in December 1997 to include the acreage it recently leased in the middle on-third of the section. This case has been docketed as Division Case 12034.

9. The interest owners in irregular Section 1 have attempted to reach a voluntary

agreement for the development of this acreage but are unable to do so.

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

11. In order to permit Texaco to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Texaco should be designated the operator of the proposed well and spacing and proration units.

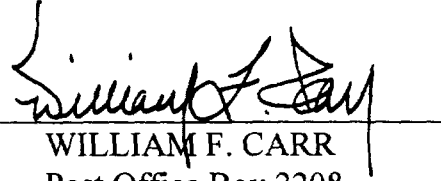
WHEREFORE, Texaco Exploration and Production Inc. requests that this amended application be set for hearing before an Examiner of the Oil Conservation Division on December 17, 1998, and, after notice and hearing as required by law, the Division enter its order:

- (1) pooling the subject non-standard spacing and proration units, including provisions designating Texaco operator of the well and spacing units, authorizing Texaco to recover its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Texaco in drilling, completing and equipping the well;
- (2) approving the proposed non-standard spacing and proration units; and
- (3) approving an unorthodox well location for the Rocky Arroyo Federal Com Well No. 1 at a point 3200 feet from the North line and 660 feet from the West line of said Section 1.

Respectfully submitted,

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

By:

A handwritten signature in black ink, appearing to read "William F. Carr", is written over a horizontal line.

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR TEXACO EXPLORATION
AND PRODUCTION INC.