

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

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November 1, 1998

Via Fax and U.S. Mail

David Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case 12085; Application of John H. Hendrix Corporation
for compulsory pooling and a horizontal well, Lea County,
New Mexico

Dear Mr. Catanach:

I have previously entered my written appearance in this case on behalf of Anne Yeager Hansen and Dr. Henry Yeager, who are interest owners in the Abo formation underlying the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 16, Township 20 South, Range 37 East, NMPM. The purpose of this letter is to request that any penalty assessed against my clients, if they choose to go non-consent in the proposed well, be no greater than 100%. This is based on the following:

1. The proposed well is in the Southeast Monument-Abo Pool, which was created in Case No. 11853 (Order No. R-10909). The pool was created due to the completion by Marathon Oil Company ("Marathon") of its Hansen State Well No. 7, located in Unit B of Section 16. Testimony in that case indicated that Marathon thought the pool may be a one well pool.
2. Subsequently, Marathon drilled three additional wells in the NE $\frac{1}{4}$ of Section 16 to test the Abo formation. In addition, Amerada Hess Corporation ("Amerada") drilled a well in Unit J of Section 16. The initial potentials of these wells are as follows:

<u>Operator</u>	<u>Well Location</u>	<u>Initial Potential</u>
Marathon	Unit A	487 mcf/day
Marathon	Unit B	182 bopd
		1782 mcf/day
Marathon	Unit G	68 bopd
		1854 mcf/day
Marathon	Unit H	145 bopd
		290 mcf/day
Amerada	Unit J	93 bopd
		214 mcf/day

The best two wells immediately offset the proposed well. These figures show that a 200% non-consent penalty is not justified.

My clients request that the Division take administrative notice of the record in Case 11853, and the Division's files and production data for the above-described wells.

I am unable to attend the hearing on November 5, 1998 hearing, and request that my entry of appearance and this letter be made part of the record.

Very truly yours,



James Bruce

Attorney for Anne Yeager Hansen
and Dr. Henry Yeager

cc: William F. Carr