



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 11, 2001

Lori Wrotenbery
Director
Oil Conservation Division

KUKUI Operating Company
Attention: **John W. Wessels**
1415 Louisiana - Suite 3650
Houston, Texas 77002

Case 12736

RE: *Administrative application of KUKUI Operating Company for a location exception (application reference No. pKRV0-124040408) filed with the New Mexico Oil Conservation Division ("Division") on August 27, 2001 for its proposed Goodnight "35" Federal Well No. 3 (API No. 30-015-31865) to be drilled at an unorthodox gas well location 440 feet from the South line and 660 feet from the West line (Unit M) of Section 35, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico. The S/2 of Section 35 is to be dedicated to this well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Wolfcamp (Laguna Grande-Wolfcamp Gas Pool), Strawn, Atoka, and Morrow formations.*

Dear Mr. Wessels:

The Division is in receipt of an objection from Devon SFS Operating, Inc. to the subject application, see copy of letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for October 4, 2001. I have prepared the following advertisement in this matter:

"Application of KUKUI Operating Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an exception to Division Rule 104.C (2) for its proposed Goodnight "35" Federal Well No. 3 (API No. 30-015-31865) to be drilled at an unorthodox gas well location 440 feet from the South line and 660 feet from the West line (Unit M) of Section 35, Township 23 South, Range 29 East. The S/2 of Section 35 is to be dedicated to this well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Wolfcamp (Laguna Grande-Wolfcamp Gas Pool), Strawn, Atoka, and Morrow formations. This unit is located approximately 8.5 miles east by south of Loving, New Mexico".

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
Ken Gray, Devon SFS Operating, Inc. - Oklahoma City

devon
SFS OPERATING, INC.

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: (405) 235-3611
Fax: (405) 552-8113

September 11, 2001

VIA FACSIMILE

New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

Attention: Michael Stogner

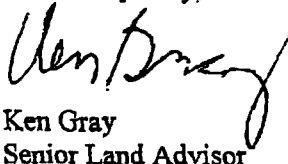
Re: Application for Unorthodox Well Location
Rule 104 Exception
Goodnight "35" Federal #3
660' FWL & 440' FSL
Section 35-T23S-R29E
Eddy County, New Mexico

Gentlemen:

Devon SFS Operating, Inc. ("Devon") is in receipt of the referenced application submitted on behalf of Kukui Operating Company. As an offset leasehold owner and as operator of the H B 2 State #1 located in the NW/4 of Section 2-T24S-R29E, Devon hereby objects to the referenced application.

Feel free to contact the undersigned at 405-552-4633 if there are any questions.

Yours very truly,



Ken Gray
Senior Land Advisor

KG:da\nmsantafe.ltr

cc: MBR Resources, Inc.
810 S. Cincinnati, Suite 201
Tulsa, OK 74119

Kaiser-Francis Oil Company
P. O. Box 21468
Tulsa, OK 74121-1468