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November 13, 2001

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 12773

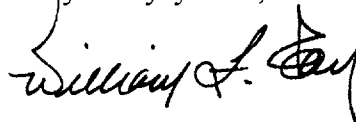
RECEIVED
NOV 15 2001
NEW MEXICO
ENERGY, MINERALS AND
NATURAL RESOURCES
DEPARTMENT

Re: Application of KUKUI Operating Company. for compulsory pooling
and a non-standard gas spacing and proration unit, Lea County, New
Mexico

Dear Ms. Wrotenbery:

Enclosed is an Application of KUKUI Operating Company in the above-
referenced case as well as a copy of a legal advertisement. KUKUI Operating
Company respectfully requests that this matter be placed on the docket for the
December 6, 2001, Examiner hearings.

Very truly yours,



William F. Carr
Attorney for KUKUI Operating Company

Enclosures

cc: Steve Sandlin
Vice President-Land
KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, Texas 77002

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

**IN THE MATTER OF THE APPLICATION
OF KUKUI OPERATING COMPANY
FOR COMPULSORY POOLING AND
A NON-STANDARD GAS SPACING
AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12773

APPLICATION

KUKUI Operating Company. ("KUKUI"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations from the surface through the base of the Morrow in a non-standard gas spacing and proration unit located in irregular Section 6, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico comprised of Lots 1, 2, 7, 8, 9, 10, 15 and 16 (E/2 N1/3 and E/2 C1/3) containing 329.83 acres for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated North Eidson-Morrow Gas Pool. This unit is to be dedicated to KUKUI's DeGas "6" State Com Well No. 1 to be drilled at a standard location in Section 6. In support of its application KUKUI states:

1. KUKUI is a working interest owner in said Section 6, on which it proposes to drill its DeGas "6" State Com Well No. 1 at a standard location 1980 feet from the North line and 1200 feet from the East line of said Section 6. Said well is to

be drilled to a depth sufficient to test any and all formations from the surface through the Morrow formation.

2. KUKUI has sought and been unable to obtain either a voluntary agreement for pooling or a farmout from certain interest owners in the spacing and proration units to be pooled identified on Exhibit A to this application.

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 KUKUI to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and KUKUI should be designated the operator of the well.

WHEREFORE, KUKUI Operating Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 6, 2001, and, after notice and hearing as required by law, the Division enter its order:

A. pooling all mineral interests in the subject spacing and proration unit,

B. approving a non-standard spacing unit for the DeGas "6" State Com Well No. 1 in all formations developed on 320-acre spacing;

C. designating KUKUI Operating Company operator of the unit and the well to be drilled thereon,

D. authorizing KUKUI to recover its costs of drilling, equipping and completing the well,

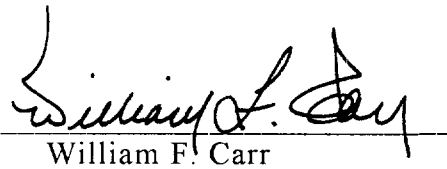
E. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to COPAS accounting procedures,

F. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties, and

G. imposing a 200% penalty for the risk assumed by KUKUI in drilling and completing the well against any working interest owner who does not voluntarily participate in the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 
William F. Carr

Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR KUKUI OPERATING
COMPANY

EXHIBIT A

APPLICATION OF KUKUI OPERATING COMPANY
FOR COMPULSORY POOLING AND A NON-STANDARD GAS
SPACING AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

NOTIFICATION LIST

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2177

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210-2177

ABO Petroleum Corp.
105 South Fourth Street
Artesia, New Mexico 88210-2177

MYCO Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210-2177

Wells Fargo Bank Texas, NA
Account #99-149600 -- Armstrong Trust
Post Office Box 1959
Midland, Texas 79701

C. B. Christie, Jr.
4720 Taft Blvd.
Wichita Falls, Texas 76308

Brian Scarborough
Post Office Box 2474
Midland, Texas 79702

David A. Lynch
Post Office Box 1904
Lovington, New Mexico 88260

W. A. Yeager Group
214 West Texas Avenue, Suite 200
Midland, Texas 79701-4621

Ensign Oil Company
1225 17th Street, Suite 1900
Denver, Colorado 80202

Roy G. Barton, Jr., Trustee
Roy & Opal Barton Trust
Post Office Box 978
Hobbs, New Mexico 88240

Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld, Suite 508
Midland, Texas 79701

Sherry L. Barton
3114 West Kansas
Hobbs, New Mexico 88242

CASE 12773:

Application of KUKUI Operating Company for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations from the surface through the base of the Morrow in the following described non-standard spacing and proration unit located in irregular Section 6, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico comprised of Lots 1, 2, 7, 8, 9, 10, 15 and 16 (E/2 N1/3 and E/2 C1/3) containing 329.83 acres for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated North Eidson-Morrow Gas Pool. This pooled unit is to be dedicated to KUKUI's DeGas "6" State Com Well No. 1 to be drilled at a standard location 1980 feet from the North line and 1200 feet from the East line of said Section 6 to a depth sufficient to test any and all formations from the surface through the Morrow formation. Also to be considered will be the cost of drilling and completing said well, the allocation of the cost thereof as well as actual operating costs and charges for supervision, provisions governing subsequent operations on the pooled units, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said area is located approximately 8 miles West of Lovington, New Mexico.

November 15, 2001

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Re: Application of KUKUI Operating Company for compulsory pooling
and a non-standard gas spacing and proration unit, Lea County, New
Mexico.

Ladies and Gentlemen:

This letter is to advise you that KUKUI Operating Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests from the surface through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N1/3 and E/2 C1/3 of irregular Section 6 Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico. KUKUI proposes to dedicate the referenced pooled unit to its DeGas "6" State Com Well No. 1 to be drilled at a standard location 1980 feet from the North line and 1200 feet from the East line of said Section 6.

This application has been set for hearing before a Division Examiner on December 6, 2001. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This

statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
ATTORNEY FOR KUKUI OPERATING
COMPANY

Enclosures

cc: Steve Sandlin
Vice President-Land
KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, Texas 77002