#### KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

W. THOMAS KELLAHIN\*
KAREN AUBREYT

117 NORTH GUADALUPE POST OFFICE BOX 2265 TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

SANTA FE, NEW MEXICO 87504-2265

TALSO ADMITTED IN ARIZONA

JASON KELLAHIN (RETIRED 1991)

June 30, 1992

Mr. William J. LeMay Oil Conservation Division, Room 218 310 Old Santa Fe Trail Santa Fe, New Mexico 87501

HAND DELIVERED

Case 10511

RE: Application of Mitchell Energy Corporation for an Unorthodox Gas Well Location and Non-Standard Proration and Spacing Units, Lea County, New Mexico

RECEIVED

JUN 411 1932

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Mitchell Energy Corporation, please find enclosed our referenced application which we would request be set for hearing on the next available Examiner's docket now scheduled for July 23, 1992.

By copy of this letter, including the application, to all parties listed on Exhibits "D" "E" and "F" to the application, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

W. Thomas Kellahin

WTK/jcl/appt602.031

Enclosure

xc: with Enclosure

Mr. George Mullen - Mitchell Energy Corporation
Mr. Steve Smith - Mitchell Energy Corporation
By Certified Mail - Return Receipt
All parties listed on Exhibits D, E & F of
Application

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

CASE NO. /05//

IN THE MATTER OF THE APPLICATION OF MITCHELL ENERGY CORPORATION FOR APPROVAL OF AN UNORTHODOX GAS WELL LOCATION AND A NON-STANDARD PRORATION AND SPACING UNIT, LEA COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION

#### APPLICATION

through its attorneys, KELLAHIN, KELLAHIN & AUBREY, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox gas well location to be located 1980 feet FNL and 660 feet FWL in Section 18, T19S, R32E, NMPM for production from the Lusk-Atoka Gas Pool or the Lusk-Morrow Gas Pool with dedication of a non-standard spacing and proration unit for gas production consisting of 281.61 acres being the NE/4, lots 1 and 2 (W/2NW/4), and NE/4NW/4 of said Section 18 and for oil production consisting of 120 acres being lots 1 and 2 (W/2NW/4) and NE/4NW/4 of said Section 18, and in support states:

1. Applicant, Mitchell Energy Corporation, is the operator of and has the right to drill and develop

the NE/4, E/2NW/4, and NW/4NE/4 of Section 18, T19S, R32E, NMPM and is identified herein as Area 1 on Exhibit "A".

- 2. The SE/4NW/4 and the S/2 of Section 18 is part of the Lusk Deep Unit operated by Phillips Petroleum Company and is identified herein as Area 2 on Exhibit "A".
- 3. The interest owners in Area 2 of Section 18 have participated in the Lusk Deep Unit development of the Lusk-Morrow, Lusk-Strawn and Lusk-Atoka Pools while the interest owners in Area 1 of Section 18 have not participated.
- 4. On October 10, 1956, the Division issued Administrative Order No. NSP-766, approving the S/2 and the SE/4NW/4 of Section 18 as a 360-acre non-standard gas proration unit for the Lusk-Morrow Gas Pool for the Lusk Deep Unit Well 2 well located 660 feet FSL and 1980 feet FEL of said Section 18.

- 5. On June 16, 1975, Phillips Petroleum Company completed its Lusk Deep Unit "Com" Well No 13 at a location of 1980 feet FSL and FWL of said Section 18 and dedicated 640 acres to production from the Lusk-Morrow Gas Pool said spacing unit being all of Section 18.
- 6. On March 13, 1980, Phillips abandoned the Morrow production in the Lusk Deep Unit "Com" Well No 13 and recompleted the well into the Lusk-Atoka Gas Pool, amended the acreage dedication and dedicated the S/2 of said Section 18 to the well.
- 7. Applicant proposes to drill its Crazy Horse "18" Federal Well No 1 at a location 660 feet FWL and 1980 feet FNL of Section 18 (See Exhibit "B" attached) to test for production in the following pools:

POOLS

WELL SPACING & LOCATIONS

Lusk-Yates/Seven Rivers (oil) 40 acres; 330'from any boundary

Look Delaware Oil Peel

same as above

//wd. Lusk Bone Springs Qit Pool same as above

or Und Greenwood Bone Springs

**POOLS** WELL SPACING & LOCATIONS firms Wolfcamp Dil Pool same as above Mad Lusk-Strawn 921 Pool 160 acres; 660' from any boundary and 330' from 1/41/4 section 320 acres: 660' from Lusk-Atoka Gas Pool side and 1980 from end boundary 640 acres; 330'from Lusk-Morrow Gas Pool interior 1/41/4 section rules limited to pool

- 8. Because of the various existing rules described above, applicant desires to obtain the following exceptions:
- (a) Approval of its proposed location as an unorthodox gas well location for possible production in the Lusk-Atoka Gas Pool and the Lusk-Morrow Gas Pool.

(no 1 mile extension)

- (b) Approval of a possible non-standard oil proration unit for the Lusk-Strawn Oil Pool consisting of 121.61 acres being the NW/4 excluding the SE/4NW/4 which is in the Phillips Petroleum Company operated Lusk Deep Unit A.
- (c) Approval of a possible non-standard gas proration and spacing unit consisting of 281.61 acres

for the Lusk-Atoka Gas Pool consisting of the N/2 of Section 18 excluding the SE/4NW/4 which is in the Phillips Petroleum Company operated Lusk Deep Unit A.

- (d) Approval of a possible non-standard gas proration unit consisting of 281.61 acres for the Lusk-Morrow Gas Pool consisting of the NE/4, NE/4NW/4 and lots 1 and 2 (W/2NW/4) and thereby excluding the S/2 and the SE/4NW/4 which is in the Phillips Petroleum Company operated Lusk Deep Unit A.
- 9. Applicant has contacted Phillips Petroleum Company concerning this request and has obtained a waiver from Phillips Petroleum Company as set forth on Exhibit "C".
- 10. The requested unorthodox gas well location is sought to satisfy geologic considerations in developing this spacing unit.
- 11. In accordance with Division Rule 1207, the following notices have been sent certified mail return receipt:

- (a) to all offsetting operators and in the absence of an operator, the known working interest owners towards which the subject well encroaches, as listed on Exhibit "D" attached hereto.
- (b) to all offsetting operators and in the absence of an operator, the known working interest owners for the spacing units surrounding the subject non-standard proration unit, as listed on Exhibit "E" attached hereto.
- (c) to the interest owners in Section 18 who may be affected by the approval of this application, as listed on Exhibit "F" attached hereto.

WHEREFORE, Applicant requests that this application be set on the New Mexico Oil Conservation Division Examiner's docket now scheduled for July 23, 1992, and after notice and hearing the application be granted, and for such other and further relief as may be appropriate.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

W. Thomas Kellahin

P. O. Box 2265

BY

Santa Fe, New Mexico 87504

(505) 982-4285

Attorneys for Applicant

appt602.031

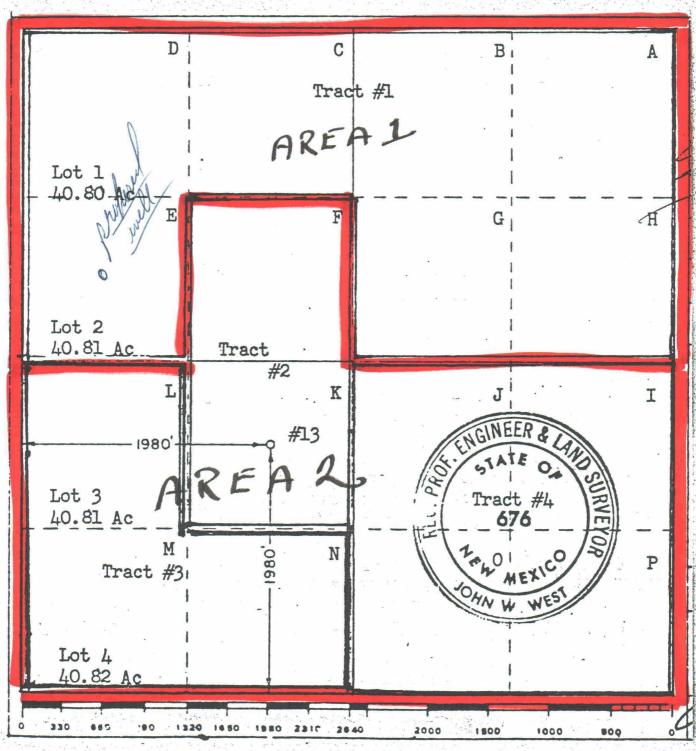


EXHIBIT "A"

Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

#### OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

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DISTRICT II P.O. Drawer DD, Artesia, NM 88210

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
All Distances must be from the outer boundaries of the section

	7.11.010							
Operator Mitchell	Energy Corporation	Crazy	Horse	"18" Fed	deral	Well No.		
Mitchell Energy Corporation Unit Letter   Section   Township		-			County			
E Sec	tion Township 19		Range 32	E	NIL		ea	
Actual Footage Location	of Well:				144	AA AYA I		
660	from the West	line and	1980		fact f	rom the North	line	
Ground level Elev.	Producing Formation		Pool		100.1	IOIII USO	Dedicated Acreage:	
							Acres	
1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.  2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).  3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?								
Yes No If answer is "yes" type of consolidation  If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of								
this form if neccessary.  No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.								
,	121.61					I hereby	OR CERTIFICATION  certify that the information  in true and complete to the ladge and belief.	
	Acres					Printed Name George 1	Mullen	
1980		281.6				Company	airs Specialist Energy Corp.	
660'		Acres					3, 1992	
,			             			I hereby certify on this plat we actual surveys supervison, and		
0 330 660 990	1320 1650 1980 2310 26	40 2000	1500	1000	500 0	Certificate No.		

VIA CERTIFIED MAIL - RRR

April 3, 1992

Phillips Petroleum Company 4001 Penbrook Odessa, TX 79762

Re:

APPLICATION OF MITCHELL ENERGY CORPORATION

FOR NON-STANDARD UNITS AND UNORTHODOX WELL LOCATION

PROPOSED CRAZY HORSE "18" FEDERAL WELL NO. 1 SECTION 18, TOWNSHIP 19 SOUTH, RANGE 32 EAST

LEA COUNTY, NEW MEXICO



Dear Madam or Sir:

Mitchell Energy Corporation intends to make application for a Permit to Drill the captioned well. The proposed location is 660 feet from the west line and 1980 feet from the north line of Section 18, Township 19 South, Range 32 East, Lea County, New Mexico, as shown on the attached plat. The well has multiple objectives and we have listed the applicable pool and special pool rules, if any, below:

Pool	Well Spacing and Density Requirement
Lusk - Delaware (Oil)	40 acre Proration Units; 330' from any boundary line and 330' from nearest well on unit producing from same pool. (Statewide Rules)
Lusk - Bone Spring (Oil)	Same as above
Lusk - Wolfcamp (Oil)	Same as above
Lusk - Strawn (Oil)	160 acre Proration Units; 660' from any quarter section line and 330' from any quarter-quarter section line. (Special Pool Rules)
Lusk - Atoka (Gas)	320 acre Proration Units; 660 from nearest side boundary and 1980' from nearest end boundary. (State- wide Rules)

640 acre Proration Units; 330' to the outer boundary of the SW/4 NE/4, NW/4 SE/4, NE/4 SW/4, or SE/4 NW/4 of the section. (Special Pool Rules)

Please note that the proposed location is unorthodox as to the Lusk (Atoka) and Lusk (Morrow) Pools, but is orthodox as to all other pools.

Mitchell is also considering requesting approval of non-standard units to permit the establishment of a 281.61 acre unit for the Lusk (Atoka) and Lusk (Morrow) Pools and a 121.61 acre unit for the Lusk (Strawn) Pool.

Mitchell is requesting a waiver of objection from all interested parties so the non-standard units and unorthodox location may be approved without a hearing. Please indicate below whether or not you have any objection to this application and return two (2) executed copies of this letter to me in the enclosed self-addressed, postage paid envelope. The third copy is for your file. If we have not received your response within 30 days of the date of this letter, it will be assumed that you have no objection to this application.

If you have any questions, please call me at (713) 377-5855.

Very truly yours,

MITCHELL ENERGY CORPORATION

George Mullen

Regulatory Affairs Specialist

GM:mtb horse18.mns

Phillips Petroleum Co. WAIVES OBJECTION to this application.

Phillips Petroleum Co. INTENDS TO PROTEST this application.

By:

Title:

Date:

enc.

#### EXHIBIT "D"

#### OFFSET WORKING INTEREST OWNERS CRAZY HORSE FEDERAL "18" #1 LEA COUNTY, NEW MEXICO

#### UNORTHODOX LOCATION

BTA Oil Producers 104 South Pecos Midland, Texas 79701

Chevron USA Inc. 15 Smith Road Midland, Texas 79705

Dow Chemical Company Box 22468 Houston, Texas 77027

Phillips Petroleum Company 4001 Penbrook Odessa, Texas 79762

Kerr-McGee Corporation
P. O. Box 25861
Oklahoma City, Oklahoma 73125-3123

Marbob Energy Corp.
P. O. Drawer 217
Artesia, New Mexico 88210

Fina Oil and Chemical Company P. O. Box 2990 Midland, Texas 79702

#### EXHIBIT "E"

#### OFFSET WORKING INTEREST OWNERS CRAZY HORSE FEDERAL "18" #1 LEA COUNTY, NEW MEXICO

#### NON-STANDARD UNIT

BTA Oil Producers 104 South Pecos Midland, Texas 79701

Chevron USA Inc. 15 Smith Road Midland, Texas 79705

Dow Chemical Company Box 22468 Houston, Texas 77027

Phillips Petroleum Company 4001 Penbrook Odessa, Texas 79762

Kerr-McGee Corporation
P. O. Box 25861
Oklahoma City, Oklahoma 73125-3123

Marbob Energy Corp.
P. O. Drawer 217
Artesia, New Mexico 88210

Halliburton Resource Management P. O. Box 1411 Dallas, Texas 75221

Amax Oil & Gas, Inc. P. O. Box 42806 Houston, Texas 77042

Parker & Parsley Development Company P. O. Drawer 3178
Midland, Texas 79702-3178

Canyon Resources, Inc. 5310 Harvest Hill Road Suite 180 Dallas, Texas 75230-5805 Fina Oil and Chemical Company P. O. Box 2990 Midland, Texas 79702

P. B. Tomlinson, Jr. Box 61268 Houston, Texas 77208

J. H. Rhea, Inc. 1219 Heathwood Drive Houston, Texas 77077

Gas Royalty, Inc. 3 Mountainwood Lane Sandy, Utah 84092

Shirlen Shabpareh 3110 West Hickory Park Sugarland, Texas 77479

Yates Petroleum Corp. 105 South 4th Street Artesia, New Mexico 88210

Myco Industries, Inc. 105 South 4th Street Artesia, New Mexico 88210

ABO Petroleum Corp. 105 South 4th Street Artesia, New Mexico 88210

Yates Drilling Co. 105 South 4th Street Artesia, New Mexico 88210

Roy L. McKay P. O. Box 2014 Roswell, New Mexico 88201 Amity Oil Co., Inc. c/o Robert D. Pulliam, C.P.A. One Energy Square 4925 Greenville Avenue Suite 700 Dallas, Texas 75206

Collins & Ware, Inc. 303 West Wall Suite 2200 Midland, Texas 79701

TexStar North America, Inc. 1200 Travis Suite 700 Houston, Texas 77002 Ultramar Production Company 16825 Northchase Drive Suite 1200 Houston, Texas 77060-6031

Conoco Inc. P. O. Box 10369 Midland, Texas 79702

Energy Reserves Group, Inc. Box 1407 Denver, Colorado 80201

# EXHIBIT "F" OFFSET INTEREST OWNERS IN SECTION 18 CRAZY HORSE "18" FEDERAL #1 LEA COUNTY, NEW MEXICO

Amax Oil & Gas, Inc. P.O. Box 42806 Houston, Texas 77042

Amity Oil Co., Inc. c/o Robert D. Pulliam, C.P.A. 4925 Greenville Avenue Suite 700 Dallas, Texas 75206

Atlantic Richfield Company Raw Material Supply Division P.O. Box 910355 Dallas, Texas 75391

William P. Aycock & Associates 1207 West Wall Midland, Texas 79701

Roy G. Barton and Opal Barton P.O. Box 978 Hobbs, New Mexico 88240

Roy G. Barton, Jr., Trustee of the Roy G. Barton Sr. & Opal Barton Revocable Trust P.O. Box 978
Hobbs, New Mexico 88240

Roy G. Barton, Jr. P.O. Box 978 Hobbs, New Mexico 88241

Mary L. Boling Box 768 Artesia, New Mexico 88210

Robert E. Boling 305 South 5th St. Artesia, New Mexico 88210 Braille Institute of America, Agency # 631-00 c/o Nations Bank of Texas, NA., Agent P.O. Box 842029 Dallas, Texas 75284-2029

T. E. Brown, Jr. 2407 Cerro Rd. Box 68 Artesia, New Mexico 88210

Canyon Resources, Inc. 5310 Harvest Hill Road Suite 180 Dallas, Texas 75230-5805

Edna Carper 611 W. Quay Artesia, New Mexico

Suzanne M. Chambers 1341 Squires Abilene, Texas 79602

Robert L. Collins, Jr. 2004 Brentwood Drive Auburndale, Florida 33823

Barbara L. Coontz P.O. Box 2094 Fort Worth, Texas 76101

Lelah P. Craig, Trustee of the Craig Mineral Trust U/A 3-16-89 P.O. Box 20709 Oklahoma City, Oklahoma 73156-0709

Jimmie Cravens
47ll Lafayette
Fort Worth, Texas 76107

Tom Cravens and Mary Wysong, Trustees U/W/O Calisle Cravens P.O. Box 429 Arlington, Texas 76010

Marion Culbertson, Trustee under the Will of E.A. Culbertson, Dec'd P.O. Box 2918
Midland, Texas 79702

Marion Culbertson and
Shirley C. Wallace Co. - Trustees of
The Culbertson Management
Trust Created by the Indenture
of 11-25-81
P.O. Box 2918
Midland, Texas 79702

DAPCO Inc. 6601 W. I-40 Bldg. #2 Amarillo, Texas 79106-2628

William S. Davis P.O. Box 122269 Fort Worth, Texas 76121

William Seldon Davis, Testamentary Trust P.O. Box 122269 Fort Worth, Texas 76121

Department of Interior - MMS Royalty Management Program P.O. Box 5810, T.A. Denver, Colorado 80217

Dorchester Master Limited Partnership A Texas Limited Partnership c/o Parker & Parsley Development Co. P.O. Box 3178 Midland, Texas 79702-3178

Dorchester Gas Coporation P.O. Box 100622 Houston, Texas 77212 Hiram M. Dow Trust, United New Mexico Trust Company Trustee Attn: Trust Department P.O. Box 5614 Hobbs, New Mexico 88241

Leroy English, Trustee of the Leroy English Trust Under Self-Declaration of Trust, As Amended, Dated 3-20-81 15648 CR 250 Durango, Colorado 81304

William B. English
P.O. Box 1328
Aztec, New Mexico 87410

James B. Francis 5600 W. Lovers Lane Suite 313 Dallas, Texas 75209

Sidney H. Gottlieb 5310 Harvest Hill Road Suite 180 Dallas, Texas 75230

Patricia Eileen Peck Griffin 2510 Fitzgerald Circle College Station, Texas 77840

Halliburton Resources Management P.O. Box 1411 Dallas, Texas 75221

Higgins Trust Inc. P.O. Box 2421 Gainsevill, Georgia 30503

Jane Ann Hudson P.O. Box T Artesia, New Mexico 88210

Kathleen Irwin 1911 W. Missouri Ave. Midland, Texas 79701-6520 Wallace W. Irwin, Testamentary Trust 1911 W. Missouri Ave. Midland, Texs 79701-6520

G.W. Jackson, Jr. 2608 Racquet Club Drive Midland, Texas 79701

Kaneb Operating Company, Ltd. P.O. Box 297827
Houston, Texas 77297

Kerr McGee Corporation P.O. Box 25861 Oklahoma City, Oklahoma 73125

Llano, Inc. P.O. Drawer 1320 Hobbs, New Mexico 88240

A.J. Losee P.O. Drawer 239 Artesia, New Mexico 88210

Jack Hagin McCaw HC 54, Box 114 Rye, Colorado 81069

Jack W. McCaw P.O. Box 127 Artesia, New Mexico 88211

Lura G. McCaw c/o W.A Durr 3623 E. Santa Ana Fresno, California 93726

Robert S. McCaw 210 Crossbow Road Artesia, New Mexico 88210

Thomas M. McCaw P.O. Box 7383 Pueblo West, Colorado 81007 William Reed McCaw, Jr. 1213 Tubleweed New Braunfels, Texas 78130-5942

John William McDonald 1301 Sunny Hill Ct. Bettendorf, Iowa 52722

Tony Mancuso, Trustee of the Thomas Cullen Davis Trust 1222 Commerce Street Suite 500 Dallas, Texas 75202

Peggy Ruth McCaw Mann 801 W. Quay Artesia, New Mexico 88210

The Maple Corporation 2626 Cole Avenue Suite 300 Houston, Texas 75204-1072

Marathon Oil Company P.O. Box 730366 Dallas, Texas 75373-0366

Joy English Marquez Miners 1401 N. Tucker Farmington, New Mexico 87401

NMESCO Fuels, Inc. P.O. Box 920 Hobbs, New Mexico 88240

Nations Bank of Texas, N.A., Independent Executor and Trustee U/W of Selma E. Andrews Trust #5188 P.O. Box 842029 Dallas, Texas 75284-2029

Juretta English Olsen Guardian for J. Kathleen English 1213 E. 16th Farmington, New Mexico 87401 Juretta English Olsen Trustee for Stanley G. English 3821 Nancy Lopez Dr. Clovis, New Mexico 88101

Parker & Parsley Development Company P.O. Drawer 3178 Midland, Texas 79702-3178

Phillips Petroleum Company 4001 Penbrook Odessa, Texas 79762

Elmira Welch Pope 603 W. Church Roswell, New Mexico 88201

A.M. Routh Box 2004 Midand, Texas 79701

Jack L. Russell Box 1604 Midland, Texas 79701

Scope Industries
233 Wilshire Boulevard
Suite #790
Santa Monica, California 90401

Don Shackelford 1214 North Slope Carrollton, Texas 75007

Bonnie J. Sorenson 2010 Fulkerson Drive Roswell, New Mexico 88201

TCW DR II Royalty Partnership 400 South Hope Street Suite 500 Los Angeles, California 90071 TOC-Gulf Coast, Inc. c/o Fina Oil and Chemical Company P.O. Box 651339 Dallas, Texas 75265

Julia S. Terry 3605 Patterson Amarillo, Texas 79109

Sandra Leigh Terry P.O. Box 12617 El Paso, Texas 79912

Susan Lynn Terry P.O. Box 1167 Santa Teresa, New Mexico 88008

Texaco Inc.
Texas Commerce Bank
P.O. Box 201665
Houston, Texas 77216-1665

Jacqueline McCaw Thomas 11438 Lovington Highway Artesia, New Mexico 88210-9634

D.E. Thornton 2311 Stutz Place Midland, Texas 79705

WIN Inc. 6601 W. I-40 #2 Amarillo, Texas 79106-2628

Jewel G. Wellman 2720 55th St. Lubbock, Texas 79413-4910

M.B. Wilson 4100 Greenbriar, #233 Houston, Texas 77098

Wiser Oil Company P.O. Box 640454 Pittsburgh, Pennsylvania 15264-0454

- 513

.

Evelyn Ann English Woods P.O. Box 37 Kirtland, New Mexico 87417

Evelyn Ann English Woods Guardian for Linda Sueann English 6012 Pojoague NE Albuquerque, New Mexico 87110

Yates Drilling Company, A Corp. 105 South 4th St. Artesia, New Mexico 88210

Lillie M. Yates 207 South 4th Street Artesia, New Mexico 88210

Lillie M. Yates and S.P. Yates, Personal Representatives of the Estate of Martin Yates III, Deceased 207 S. Fourth St. Artesia, New Mexico 88210