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November 24, 1992

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OIL CONSERVATION DIVISION

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

Re: Application of Enron Oil & Gas Company for Directional Drilling or, in the  
Alternative, for an Unorthodox Gas Well Location, Eddy County, New  
Mexico

Dear Mr. LeMay:

Enclosed is the application of Enron Oil & Gas Company in the above-referenced case. Enron intends to drill a well to the N/2 of Section 20, Township 23 South, Range 31 East, N.M.P.M., Eddy County, New Mexico prior to December 31, 1992. This well will be located in an area that will soon be designated a Tight Gas Sand in the Morrow formation. Enron, therefore, must spud this well by the end of the year to receive the tax incentive. This well is also located within the Potash Area and although Enron has been able to reach agreement with IMC, the affected Potash company, the Bureau of Land Management has not decided between three alternative methods of drilling a well to the N/2 of Section 20. Accordingly, Enron must file an application with the Division which addresses each of the three possible drilling alternatives -- one of which will be necessary as soon as the Bureau of Land Management has reached a decision as to an acceptable drilling plan.

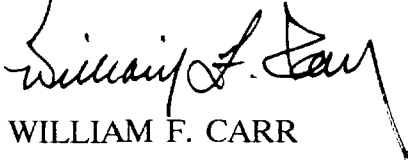
We regret having to place such a lengthy legal advertisement on your December 17, 1992 docket and anticipate that we will be able to dismiss two of the three alternatives contained therein prior to the time of hearing.

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
November 24, 1992  
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To assist you in docketing this case, we have prepared and enclose a draft legal advertisement covering each alternative.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long, sweeping horizontal stroke extending to the right.

WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosures:      Mr. Patrick J. Tower  
                                 Project Landman  
                                 Enron Oil & Gas Company  
                                 Post Office Box 2267  
                                 Midland, Texas 79702

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF ENRON OIL & GAS COMPANY FOR  
DIRECTIONAL DRILLING, OR IN THE  
ALTERNATIVE, FOR AN UNORTHODOX  
GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION  
CASE NO. 20646

APPLICATION

ENRON OIL & GAS COMPANY, by its undersigned attorneys, hereby makes application pursuant to Oil Conservation Division Rule 111 to directionally drill its Pure Gold "B" Federal No. 2 Well, or in the alternative, seeks an exception to the well location requirements of Oil Conservation Division Rule 104 C (2)(b) to permit the drilling of this well at an unorthodox gas well location, and in support of its application, states:

1. Applicant is the operator of the N/2 of Section 20, Township 23 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. This acreage is located in the potash enclave and Enron may have to directionally drill this well from an adjoining tract to produce the reserves which underlie this spacing or proration unit.

2. Enron has an application pending before Federal agencies seeking designation of the Morrow formation under this acreage as a Tight Gas Formation. A well to the Morrow formation must be drilled prior to December 31, 1992 for Enron to receive the tax incentive for a well in this formation.

3. Although an agreement has been reached with the affected potash operator, Enron has not received final approval of a location from which to drill this well from the Bureau of Land Management. Three possible drilling locations are under consideration by that agency and any of these alternatives will require approval from the Oil Conservation Division after notice and hearing.

4. Enron therefore seeks authority to drill its Pure Gold "B" Federal No. 2 Well to test the Atoka formation, Undesignated West Sand Dunes Atoka Gas Pool, and the Morrow formation, Undesignated West Sand Dunes Morrow Gas Pool in one of the following ways:

(a) directionally drill pursuant to Oil Conservation Division Rule 111 from a surface location 10 feet from the South line and 2110 from the East line of Section 17, Township 23 South, Range 31 East, N.M.P.M., to a standard bottomhole location within 50 feet of a point 660 feet from the North line and 1980 feet from the East line of Section 20, Township 23 South, Range 31 East, N.M.P.M., Eddy County, New Mexico or, in the alternative,

(b) directionally drill pursuant to Oil Conservation Division Rule 111 from a surface location 330 feet from the South line and 2570 feet from the East line of Section 17, Township 23 South, Range 31 East, N.M.P.M., to a standard bottomhole location within 50 feet of a point 660 feet from the North line and 1980 feet from the East line of Section 20, Township 23 South, Range 31 East, N.M.P.M., Eddy County, New Mexico or, in the alternative,

(c) drill under an exception to Oil Conservation Division Rule 104 C(2)(b) at an unorthodox location 660 feet from the North line and 1,700 feet from the East line of Section 20, Township 23 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

5. Applicant proposes to dedicate to the Pure Gold "B" Federal No. 2 Well a standard spacing or proration unit comprised of the N/2 of said Section 20.

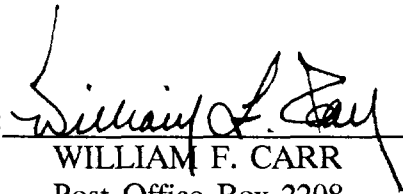
6. Approval of this application will enable Enron to produce hydrocarbons that otherwise would not be produced and is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Enron requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on December 17, 1992, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other relief as is proper.

Respectfully submitted,

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

By:



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

ATTORNEYS FOR ENRON OIL  
& GAS COMPANY

CASE \_\_\_\_\_: Application of Enron Oil & Gas Company for directional drilling or, in the alternative, for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above styled cause, seeks authority to directionally drill its proposed Pure Gold "B" Federal No. 2 Well from a surface location 10 feet from the South line and 2110 feet from the East line (Unit O) of Section 17, Township 23 South, Range 31 East, in such a manner as to bottom the well in the Atoka formation, undesignated West Sand Dunes-Atoka Gas pool and in the Morrow formation, Undesignated West Sand Dunes-Morrow Gas Pool at a standard location within 50 feet of a point 660 feet from the North line and 1980 feet from the East line (Unit B) Section 20, Township 23 South, Range 31 East, with the N/2 of said Section 20 dedicated to said well forming a standard 320-acre gas spacing and proration unit. IN THE ALTERNATIVE, Applicant seeks authority to directionally drill its proposed Pure Gold "B" Federal No. 2 Well from a surface location 330 feet from the South line and 2570 feet from the East line (Unit O) of Section 17, Township 23 South, Range 31 East, in such a manner as to bottom the well in the Atoka formation, Undesignated West Sand Dunes-Atoka Gas Pool and in the Morrow formation, Undesignated West Sand Dunes-Morrow Gas Pool at a standard location within 50 feet of a point 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 23 South, Range 31 East, with the N/2 of said Section 20 dedicated to said well forming a standard 320-acre gas spacing and proration unit. IN THE ALTERNATIVE, Applicant seeks approval for an unorthodox gas well location 660 feet from the North line and 1700 feet from the East line (Unit B) of Section 20, Township 23 South, Range 31 East, Atoka formation, Undesignated West Sand Dunes-Atoka Gas Pool and in the Morrow formation, Undesignated West Sand Dunes-Morrow Gas Pool. The N/2 of said Section 20 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said unit is located approximately seven (7) miles east of Loving, New Mexico.

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OIL CONSERVATION DIVISION

CASE \_\_\_\_\_: Application of Enron Oil & Gas Company for directional drilling or, in the alternative, for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above styled cause, seeks authority to directionally drill its proposed Pure Gold "B" Federal No. 2 Well from a surface location 10 feet from the South line and 2110 feet from the East line (Unit O) of Section 17, Township 23 South, Range 31 East OR, IN THE ALTERNATIVE, from a surface location 330 feet from the South line and 2570 feet from the East line (Unit O) of said Section 17, in such a manner as to bottom the well in the Atoka formation, Undesignated West Sand Dunes-Atoka Gas Pool and in the Morrow formation, Undesignated West Sand Dunes-Morrow Gas Pool at a standard location within 50 feet of a point 660 feet from the North line and 1980 feet from the East line (Unit B) Section 20, Township 23 South, Range 31 East, IN THE ALTERNATIVE, Applicant seeks approval for an unorthodox gas well location 660 feet from the North line and 1700 feet from the East line (Unit B) of Section 20, Township 23 South, Range 31 East, Atoka formation, Undesignated West Sand Dunes-Atoka Gas Pool and in the Morrow formation, Undesignated West Sand Dunes-Morrow Gas Pool. The N/2 of said Section 20 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said unit is located approximately seven (7) miles east of Loving, New Mexico.

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