

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 22, 1990

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FEB 22 1990

OIL CONSERVATION DIV.
SANTA FE

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

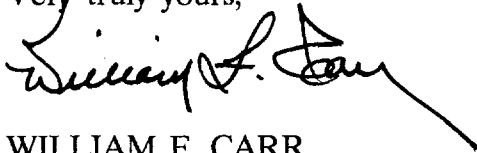
Re: Oil Conservation Division Case No. 9854:
Application of Stevens Operating Corporation for Pool Creation and Special
Pool Rules, Chaves County, New Mexico

Dear Mr. Catanach:

I am enclosing for your consideration a corrected proposed Order of Stevens Operating Corporation in the above-referenced case. The proposed Order which was submitted to you on February 16th, was a draft of the Order which did not accurately reflect the recommendations of Stevens. I'm sorry for any inconvenience this may have caused.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/enclosure:

Ernest L. Carroll, Esq.
Losee, Carson, Haas & Carroll, P.A.
Post Office Drawer 239
Artesia, New Mexico 88211

Mr. Don Stevens

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

FEB 22 1990

OIL CONSERVATION DIV.
SANTA FE

Case No. 9854

Order No. R-_____

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES,
CHAVES COUNTY, NEW MEXICO.

STEVENS OPERATING CORPORATION'S
PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of February, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Stevens Operating Corporation, seeks the creation of a new pool for the production of oil and gas from the Fusselman formation, said pool to be comprised of the South half of Section 21, and the North half of Section 28, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico, and for the promulgation of temporary special rules and regulations therefore including provisions for 320-acre proration units, a special oil allowable of 650 barrels per day, and the assignment of a special gas-oil ratio of 20,000 to one.

(3) Stevens is the owner and operator of the McBride State Com. No. 1 Well located 660 feet from the North line and 1980 feet from the West line, Unit C of said Section 28, which has recently been drilled and tested and completed in the Fusselman formation.

(4) At the time this application was filed, the only other well completed in this common source of supply was the Yates Petroleum Corporation Pathfinder "AFT" State No. 3 located 1660 feet from the South line and 2310 feet from the West line, Unit K, of Section 21, Township 10 South, Range 27 East, which had been shut-in for several months waiting on a pipeline connection. Subsequent to the filing of this application, and prior to hearing, Yates also completed its Pathfinder "AFT" State No. 6 Well located 1980 feet from the North and West lines, Unit F, of Section 21 in this common source of supply.

(5) The geologic and engineering evidence and testimony at the hearing establish that the three wells in this pool have discovered and are completed in a separate common source of supply in the Fusselman formation.

(6) Yates Petroleum Corporation appeared at the hearing in opposition to Stevens application and recommended 90-day temporary pool rules for this pool which included 320-acre spacing, a gas oil ratio of 2,000 to one and an oil production limitation of 222 barrels per day.

(7) Although each well in this pool was originally classified by the operators thereof as a gas well and each has a 320-acre spacing unit dedicated to it, subsequent production rates are atypical for gas wells in this formation and tend to show that this pool is an oil pool as defined by Division Rules.

(8) Although there were differing estimates of the geologic size of this pool, there was no disagreement between the parties that (1) all wells in this pool are in communication, (2) that there is a substantial volume of oil under the acreage dedicated to Stevens McBride State Com. No. 1 Well, and (3) that none of this oil can be produced by the Stevens well with the gas-oil ratio limitation proposed by Yates unless Stevens makes physical changes in the well that could harm the wellbore, would result in its being completed in a zone with lower permeability and nearer to the oil-water contact in the reservoir, and, because of the highly fractured nature of the Fusselman formation, probably would not increase the well's ability to produce oil from this pool.

(9) The effect of the higher producing rates proposed by Stevens can only be ascertained with additional data on the reservoir concerning the water drive mechanism in this pool, the extent to which the rock in the gas column is oil saturated and the effect of gas production on reservoir performance.

(10) The testimony of both parties to the hearing was in agreement that there is limited information available on this pool and that additional testing is necessary to determine what are the most efficient methods for development of this reservoir.

(11) Temporary rules should be adopted for the pool that authorize production rates which will provide sufficient flexibility to the operators in the pool to develop data necessary to determine how to most efficiently produce this common source of supply.

(12) The rules proposed by Yates Petroleum Corporation are too restrictive and for too short a period of time to permit operators in the pool to obtain meaningful data on the reservoir.

(13) A temporary gas-oil ratio of 20,000 to one will authorize higher producing rates which will permit the Stevens McBride State Com. No. 1 Well to be produced at rates that will lift the oil from the pool and thereby permit testing and the acquisition of data necessary to determine the most efficient methods for producing the reservoir thereby preventing waste. A temporary 20,000 to one gas-oil ratio should therefore be approved.

(14) No evidence was presented which demonstrated that wells in this pool will drain either 320-acres or 160-acres. Furthermore, 80-acre spacing is normal for oil proration units at this depth until reservoir data is available to fully determine the characteristics of the pool.

(15) The more complete seismic and geological evidence submitted by Yates Petroleum Corporation suggests that on 160-acre or 320-acre spacing with 660 feet setbacks, that no well could be completed by Stevens in which the gas zone could be drilled, preventing the acquisition of reservoir data necessary to determine the maximum efficient gas-oil ratio.

(16) The production limitation of 222 barrels of oil per day proposed by Yates is the standard depth bracket allowable for wells at this depth on 80-acre spacing. Stevens recommended a nine months daily gas production rate of 2,500 mcf of gas per day per well which at current gas-oil ratios in its McBride State Com. No. 1 Well would result in an approximate producing rate of 222 barrels of oil per day.

(17) Adoption of temporary pool rules which provide for:

- (a) 80-acre spacing, and
- (b) Well location requirements which require wells to be located no closer than 330 feet from the outer boundary of the proration unit (unless said unit is offset directly by a tract with different ownership, in which case a well shall be located no closer than 660 feet from the outer boundary of the proration unit offsetting said tract) and 10 feet from any interior quarter-quarter subdivision inner boundary

will encourage additional development, will provide greater flexibility to operators of the reservoir in developing this pool without impairing correlative rights, has the additional advantage of resulting in all wells currently completed in this reservoir, being at standard locations, including the Yates Pathfinder No. 3, and should therefore be approved.

(18) The oil allowables for wells in the pool should be the depth bracket allowable for wells on 80-acre spacing at this depth as set forth in Division Rule 505(a) or 222 barrels per day.

(19) The temporary special rules and regulations promulgated herein should remain in effect for a period of nine (9) months in order to allow the operators in the pool to gather sufficient reservoir information to determine how the subject pool can be most efficiently and economically drained and developed.

(20) This case should be reopened at an Examiner hearing in December, 1990, at which time the operators in the pool should be prepared to appear and present the data they have acquired and make recommendations to the Division for permanent pool rules.

(21) Should the information acquired on this pool prior to December, 1990, demonstrate that this reservoir is being materially damaged by the producing rates authorized by the temporary special rules and regulations promulgated herein, the Division Director should have the authority to reopen this case at an earlier date.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Stevens Operating Corporation, a new pool in Chaves County, New Mexico, classified as an oil pool for Fusselman production, is hereby created and designated the Diablo Fusselman Oil Pool, with horizontal limits comprising the following described acreage:

Township 10 South, Range 27 East, N.M.P.M.

Section 21: S/2

Section 28: N/2

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
DIABLO FUSSELMAN OIL POOL**

RULE 1. Each well completed or recompleted in the Diablo Fusselman Oil Pool or in the Fusselman formation within one mile thereof, and not nearer to or within the limits of another designated Fusselman Pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80-acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section, being a legal subdivision of the United States Public Lands Survey. For purposes of these rules, a spacing or proration unit consisting of between 79 and 81 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Director", may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit comprising all of two governmental quarter-quarter sections but comprising less than 79 acres or more than 81 acres resulting from a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within thirty (30) days after the Director has received the application.

RULE 4. Each well shall be located no closer than 330 feet from the outer boundary of the unit nor closer than 10 feet to any quarter-quarter subdivision inner boundary provided, however, that if a unit is offset directly by a tract with different ownership, the well shall be located no closer than 660 feet from the outer boundary of the unit toward said offsetting tract. Nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing unit.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within twenty (20) days after the Director has received the application.

RULE 6. A standard spacing or proration unit in the Diablo Fusselman Oil Pool (79 through 81 acres) shall be assigned a top allowable of 222 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80-acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Diablo Fusselman Oil Pool or in the Fusselman formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty (30) days from the date of this Order.

(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A., 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Diablo Fusselman Oil Pool shall have dedicated thereto 80-acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80-acres to a well or to obtain a non-standard unit approved by the Division within sixty (60) days from the date of this Order shall subject the well to cancellation of allowable until a non-standard proration unit has been approved and, subject to said sixty (60) day limitation, each well presently drilling to or completed in the Diablo Fusselman Oil Pool or within one mile thereof, shall receive no more than one-half of a standard allowable for said pool.

(5) This case shall be reopened at an Examiner hearing in December, 1990, at which time the operator(s) in the subject pool shall appear and present the data they have acquired on this reservoir and make recommendations to the Division for permanent pool rules.

(6) Should continued development in this area prior to December, 1990, demonstrate that this reservoir is being materially damaged by the producing rates authorized by the temporary special rules and regulations promulgated herein, the Division Director shall have authority to reopen this case at an earlier date.

(7) The effective date of the special rules and regulations promulgated herein shall be March 1, 1990.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9854

Order No. R-_____

Page 8

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

S E A L

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
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February 21, 1990

HAND-DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

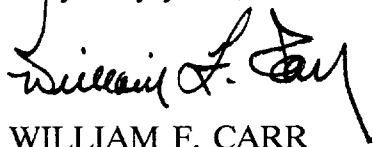
Re: Oil Conservation Division Case No. 9854:
Application of Stevens Operating Corporation for Pool Creation and Special
Pool Rules, Chaves County, New Mexico

Dear Mr. Catanach:

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Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/enclosure: Ernest L. Carroll, Esq.
Losee, Carson, Haas & Carroll, P.A.
Post Office Drawer 239
Artesia, New Mexico 88211

Mr. Don Stevens

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

FEB 22 1990

OIL CONSERVATION DIV.
SANTA FE

Case No. 9854

Order No. R-_____

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES,
CHAVES COUNTY, NEW MEXICO.

STEVENS OPERATING CORPORATION'S
PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of February, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Stevens Operating Corporation, seeks the creation of a new pool for the production of oil and gas from the Fusselman formation, said pool to be comprised of the South half of Section 21, and the North half of Section 28, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico, and for the promulgation of temporary special rules and regulations therefore including provisions for 320-acre proration units, a special oil allowable of 650 barrels per day, and the assignment of a special gas-oil ratio of 20,000 to one.

(3) Stevens is the owner and operator of the McBride State Com. No. 1 Well located 660 feet from the North line and 1980 feet from the West line, Unit C of said Section 28, which has recently been drilled and tested and completed in the Fusselman formation.

(4) At the time this application was filed, the only other well completed in this common source of supply was the Yates Petroleum Corporation Pathfinder "AFT" State No. 3 located 1660 feet from the South line and 2310 feet from the West line, Unit K, of Section 21, Township 10 South, Range 27 East, which had been shut-in for several months waiting on a pipeline connection. Subsequent to the filing of this application, and prior to hearing, Yates also completed its Pathfinder "AFT" State No. 6 Well located 1980 feet from the North and West lines, Unit F, of Section 21 in this common source of supply.

(5) The geologic and engineering evidence and testimony at the hearing establish that the three wells in this pool have discovered and are completed in a separate common source of supply in the Fusselman formation.

(6) Yates Petroleum Corporation appeared at the hearing in opposition to Stevens application and recommended 90-day temporary pool rules for this pool which included 320-acre spacing, a gas oil ratio of 2,000 to one and an oil production limitation of 222 barrels per day.

(7) Although each well in this pool was originally classified by the operators thereof as a gas well and each has a 320-acre spacing unit dedicated to it, subsequent production rates are atypical for gas wells in this formation and tend to show that this pool is an oil pool as defined by Division Rules.

(8) Although there were differing estimates of the geologic size of this pool, there was no disagreement between the parties that (1) all wells in this pool are in communication, (2) that there is a substantial volume of oil under the acreage dedicated to Stevens McBride State Com. No. 1 Well, and (3) that none of this oil can be produced by the Stevens well with the gas-oil ratio limitation proposed by Yates unless Stevens makes physical changes in the well that could harm the wellbore, would result in its being completed in a zone with lower permeability and nearer to the oil-water contact in the reservoir, and, because of the highly fractured nature of the Fusselman formation, probably would not increase the well's ability to produce oil from this pool.

(9) The effect of the higher producing rates proposed by Stevens can only be ascertained with additional data on the reservoir concerning the water drive mechanism in this pool, the extent to which the rock in the gas column is oil saturated and the effect of gas production on reservoir performance.

(10) The testimony of both parties to the hearing was in agreement that there is limited information available on this pool and that additional testing is necessary to determine what are the most efficient methods for development of this reservoir.

(11) Temporary rules should be adopted for the pool that authorize production rates which will provide sufficient flexibility to the operators in the pool to develop data necessary to determine how to most efficiently produce this common source of supply.

(12) The rules proposed by Yates Petroleum Corporation are too restrictive and for too short a period of time to permit operators in the pool to obtain meaningful data on the reservoir.

(13) A temporary gas-oil ratio of 20,000 to one will authorize higher producing rates which will permit the Stevens McBride State Com. No. 1 Well to be produced at rates that will lift the oil from the pool and thereby permit testing and the acquisition of data necessary to determine the most efficient methods for producing the reservoir thereby preventing waste. A temporary 20,000 to one gas-oil ratio should therefore be approved.

(14) No evidence was presented which demonstrated that wells in this pool will drain either 320-acres or 160-acres. Furthermore, 80-acre spacing is normal for oil proration units at this depth until reservoir data is available to fully determine the characteristics of the pool.

(15) The more complete seismic and geological evidence submitted by Yates Petroleum Corporation suggests that on 160-acre or 320-acre spacing with 660 feet setbacks, that no well could be completed by Stevens in which the gas zone could be drilled, preventing the acquisition of reservoir data necessary to determine the maximum efficient gas-oil ratio.

(16) The production limitation of 222 barrels of oil per day proposed by Yates is the standard depth bracket allowable for wells at this depth on 80-acre spacing. Stevens recommended a nine months daily gas production rate of 2,500 mcf of gas per day per well which at current gas-oil ratios in its McBride State Com. No. 1 Well would result in an approximate producing rate of 222 barrels of oil per day.

(17) Adoption of temporary pool rules which provide for:

- (a) 80-acre spacing, and
- (b) Well location requirements which require wells to be located no closer than 330 feet from the outer boundary of the proration unit (unless said unit is offset directly by a tract with different ownership, in which case a well shall be located no closer than 660 feet from the outer boundary of the proration unit offsetting said tract) and 10 feet from any interior quarter-quarter subdivision inner boundary

will encourage additional development, will provide greater flexibility to operators of the reservoir in developing this pool without impairing correlative rights, has the additional advantage of resulting in all wells currently completed in this reservoir, being at standard locations, including the Yates Pathfinder No. 3, and should therefore be approved.

(18) The oil allowables for wells in the pool should be the depth bracket allowable for wells on 80-acre spacing at this depth as set forth in Division Rule 505(a) or 222 barrels per day.

(19) The temporary special rules and regulations promulgated herein should remain in effect for a period of nine (9) months in order to allow the operators in the pool to gather sufficient reservoir information to determine how the subject pool can be most efficiently and economically drained and developed.

(20) This case should be reopened at an Examiner hearing in December, 1990, at which time the operators in the pool should be prepared to appear and present the data they have acquired and make recommendations to the Division for permanent pool rules.

(21) Should the information acquired on this pool prior to December, 1990, demonstrate that this reservoir is being materially damaged by the producing rates authorized by the temporary special rules and regulations promulgated herein, the Division Director should have the authority to reopen this case at an earlier date.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Stevens Operating Corporation, a new pool in Chaves County, New Mexico, classified as an oil pool for Fusselman production, is hereby created and designated the Diablo Fusselman Oil Pool, with horizontal limits comprising the following described acreage:

Township 10 South, Range 27 East, N.M.P.M.

Section 21: S/2

Section 28: N/2

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
DIABLO FUSSELMAN OIL POOL**

RULE 1. Each well completed or recompleted in the Diablo Fusselman Oil Pool or in the Fusselman formation within one mile thereof, and not nearer to or within the limits of another designated Fusselman Pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80-acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section, being a legal subdivision of the United States Public Lands Survey. For purposes of these rules, a spacing or proration unit consisting of between 79 and 81 contiguous surface acres shall be considered a standard spacing or proration unit. No non-standard spacing or proration unit shall be authorized except after notice and hearing.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Director", may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit comprising all of two governmental quarter-quarter sections but comprising less than 79 acres or more than 81 acres resulting from a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within thirty (30) days after the Director has received the application.

RULE 4. Each well shall be located no closer than 330 feet from the outer boundary of the unit nor closer than 10 feet to any quarter-quarter subdivision inner boundary provided, however, that if a unit is offset directly by a tract with different ownership, the well shall be located no closer than 660 feet from the outer boundary of the unit toward said offsetting tract. Nothing contained herein shall be construed as permitting the drilling of more than one well on a spacing unit.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within twenty (20) days after the Director has received the application.

RULE 6. A standard spacing or proration unit in the Diablo Fusselman Oil Pool (79 through 81 acres) shall be assigned a top allowable of 222 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80-acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Diablo Fusselman Oil Pool or in the Fusselman formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty (30) days from the date of this Order.

(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A., 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Diablo Fusselman Oil Pool shall have dedicated thereto 80-acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80-acres to a well or to obtain a non-standard unit approved by the Division within sixty (60) days from the date of this Order shall subject the well to cancellation of allowable until a non-standard proration unit has been approved and, subject to said sixty (60) day limitation, each well presently drilling to or completed in the Diablo Fusselman Oil Pool or within one mile thereof, shall receive no more than one-half of a standard allowable for said pool.

(5) This case shall be reopened at an Examiner hearing in December, 1990, at which time the operator(s) in the subject pool shall appear and present the data they have acquired on this reservoir and make recommendations to the Division for permanent pool rules.

(6) Should continued development in this area prior to December, 1990, demonstrate that this reservoir is being materially damaged by the producing rates authorized by the temporary special rules and regulations promulgated herein, the Division Director shall have authority to reopen this case at an earlier date.

(7) The effective date of the special rules and regulations promulgated herein shall be March 1, 1990.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9854

Order No. R-_____

Page 8

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

WILLIAM J. LeMAY
Director

S E A L

OIL CONSERVATION DIVISION

LAW OFFICES

RECEIVED

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL

300 YATES PETROLEUM BUILDING

JOEL M. CARSON

P. O. DRAWER 239

JAMES E. HAAS

ARTESIA, NEW MEXICO 88211-0239

A. J. LOSEE

DEAN B. CROSS

TELEPHONE

(505) 746-3508

TELECOPY

(505) 746-6316

JUN 27 AM 9 06

June 25, 1990

Mr. William J. LeMay, Director
Oil Conservation Division
Energy, Minerals and Natural
Resource Dept.
P. O. Box 2088
Santa Fe, NM 87504

Re: Application of Stevens Operating Corporation
Case No. 9854, de novo.

Dear Mr. LeMay:

On behalf of our client, Yates Petroleum Corporation, this will confirm our telephone request that the above case set for hearing on June 21, 1990 be continued until the next commission hearing for the reason that the pending order of the examiner hearing may well dispose of all conflicts. Mr. Carr joined with me in requesting this continuance.

Very truly yours,


A. J. Losee

AJL:cgc

cc: Mr. Bill Carr
Mr. Randy Patterson

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

July 31, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

CERTIFIED - RETURN
RECEIPT REQUESTED

Stevens Operating Corporation
P. O. Box 2088
Roswell, New Mexico 88201

Gentlemen:

In accordance with the provisions of Division Order No. R-9131-A/R-5353-K entered on August 3, 1990, the Oil Conservation Division is reopening Case No. 9854 in order to give all operators in the Diablo-Fusselman Associated Pool in Chaves County, New Mexico, the opportunity to appear and show cause why said pool should not be reclassified as either a gas pool or oil pool, to be governed by applicable statewide rules, or to make any recommendations regarding the proper spacing and development for said pool on a permanent basis.

This case will be heard before an examiner on August 22, 1991, in the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, at 8:15 a.m. A copy of the advertisement for this hearing is enclosed.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson
OC Staff Specialist

enc.

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

July 31, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

CERTIFIED - RETURN
RECEIPT REQUESTED

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

Gentlemen:

In accordance with the provisions of Division Order No. R-9131-A/R-5353-K entered on August 3, 1990, the Oil Conservation Division is reopening Case No. 9854 in order to give all operators in the Diablo-Fusselman Associated Pool in Chaves County, New Mexico, the opportunity to appear and show cause why said pool should not be reclassified as either a gas pool or oil pool, to be governed by applicable statewide rules, or to make any recommendations regarding the proper spacing and development for said pool on a permanent basis.

This case will be heard before an examiner on August 22, 1991, in the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, at 8:15 a.m. A copy of the advertisement for this hearing is enclosed.

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

enc.

NEW MEXICO OIL CONSERVATION DIVISION
90 FEB 19 AM 9:18

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
A. J. LOSEE
DEAN B. CROSS

300 YATES PETROLEUM BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
(505) 746-3508
TELECOPY
(505) 746-6316

February 16, 1990

Mr. David R. Catanach
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

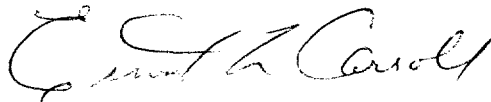
Re: In the Matter of the Application of
Stevens Operating Corporation for Pool
Creation and Special Pool Rules; No. 9854

Dear Mr. Catanach:

Pursuant to your request at the February 8, 1990 hearing on the
above-referenced matter, I am enclosing Yates Petroleum
Corporation's proposed Order, in triplicate.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth
Enclosures

xc w/encl: William F. Carr
Randy Patterson, Yates Petroleum Corporation

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9854
Order No. _____

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 8, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of _____, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Stevens Operating Corporation, seeks approval of a new pool for the production of oil from the Fusselman (Siluro-Devonian) formation comprising the S/2 of Section 21, and the N/2 of Section 28, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico.

(3) The applicant further seeks an interim test period of nine months, the promulgation of special rules and regulations therefore, including provisions for 320-acre oil spacing and

proration units, designated well location requirements, special gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, and a special 320-acre oil allowable of 650 barrels per day.

(4) The applicant maintained that these special rules are necessary to enable it to produce oil from the McBride State Com #1, and that workover procedures to lower the producing gas-oil ratios are very risky.

(5) Yates Petroleum Corporation ("Yates"), who currently operates the Pathfinder "AFT" #3 Well in the S/2 of Section 21, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico, and Marsh Operating Company, ("Marsh") who is a leasehold interest holder in Section 20, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico, both appeared at the hearing, with Yates appearing in opposition to the Application.

(6) The Applicant presented geologic evidence which indicates that the reserves from which its McBride State Com #1 Well is producing underlies Sections 21, 28 and 33.

(7) The Applicant further presented evidence which indicates that the reservoir from which its McBride State Com #1 Well is producing has both a gas cap and water drive furnishing the energy for production of oil therefrom.

(8) Yates also presented geologic evidence and testimony, based upon the drilling of its Pathfinder "AFT" State #6 and its Pathfinder "AFT" State #3, both located in Section 21, Township 10 South, Range 27 East, N.M.P.M., which indicates the size of the pool from which the McBride State Com #1, Pathfinder "AFT"

significantly smaller than applicant contends. Yates calculated original oil in place as approximately 9.1 million barrels of oil, and original gas in place as approximately 16.4 billion cubic feet. Yates' geologic and engineering evidence indicates that the adoption of a special gas ratio oil limitation of 20,000 cubic feet of gas per barrel of oil and an oil allowable of 650 barrels per day for a period of nine months could produce upwards to 43% of the gas in place in this pool.

(9) Yates presented evidence that the Commission should adopt a 320-acre oil spacing and production unit, the normal statewide gas-oil ratio limitation of 2,000 cubic feet of gas per barrel of oil, and a special 320-acre oil allowable of 222 barrels per day. Yates requested that said pool be comprised of all of Section 21 and Section 28, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico

(10) Yates also requested that said special pool rules should be in effect for a period of 90 days to allow for continued testing to determine whether oil can be produced efficiently from said reservoir at a normal gas-oil ratio. Yates' evidence showed that producible oil reserves from said reservoir can approach three million barrels of oil with a 2,000 gas-oil ratio, while such reserves are less than one million barrels of oil when the gas-oil ratio is 20,000.

(11) The geological and engineering testimony presented by Yates was based upon information not available to applicant at the time of its application and more accurately predicts probable harm to the reservoir should applicants proposals be adopted.

(12) Applicant's testimony indicated Applicant's ultimate risk would be the lost opportunity to presently produce significant amounts of oil. The ultimate risk testified to by Yates would be the destruction of a major portion of the energy in the gas cap with a corresponding loss of oil reserves to all parties.

(13) Approval of the recommendations of Yates will better enable the operators in said designated pool to produce a greater portion of the oil and gas in the Siluro-Devonian reservoir, and will prevent the economic loss and waste caused by the depletion of the drive mechanisms now contained in said reservoir. At the end of said 90-day period, the Division Director should re-open this case to determine whether or not said temporary pool rules should be continued, altered, or abandoned.

(14) Approval of the recommendations of Yates will afford each operator the opportunity to produce its just and equitable share of the oil and gas in this Siluro-Devonian reservoir, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Special Field rules are hereby adopted for Sections 21 and 28, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico, allowing for 320-acre oil spacing and proration units with an allowable of 222 barrels per day. The gas-oil ration limitation shall be 2,000 cubic feet of gas per barrel of oil.

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(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
Oil Conservation Division

William J. LeMay, Director

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9854

Order No. _____

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 8, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of _____, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
Oil Conservation Division

William J. LeMay, Director

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9854

Order No. _____

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES.

ORDER OF THE DIVISION

BY THE DIVISION:

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
Oil Conservation Division

William J. LeMay, Director

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

January 3, 1990

HAND-DELIVERED

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

RECEIVED

JAN 3 1990

OIL CONSERVATION DIV.
SANTA FE

9854

Re: In the Matter of the Application of Stevens Operating Corporation for Pool
Creation and Special Pool Rules, Chaves County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Stevens Operating Corporation in the above-referenced case. Stevens Operating Corporation respectfully requests that this matter be placed on the docket for the Examiner hearings scheduled on January 24, 1990.

Very truly yours,


WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enc.: Mr. Don Stevens
Stevens Operating Corporation

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

IN THE MATTER OF THE APPLICATION
OF STEVENS OPERATING CORPORATION
FOR POOL CREATION AND SPECIAL
POOL RULES, CHAVES COUNTY, NEW MEXICO.

RECEIVED

JAN 3 1990
CASE NO. 9854
OIL CONSERVATION DIV.
SANTA FE

APPLICATION

COMES NOW STEVENS OPERATING CORPORATION, by their undersigned attorneys, hereby makes application for an order designating a new oil pool as a result of the discovery of hydrocarbons in the Fusselman formation in its No. 1 McBride State Well located in Unit C of Section 28, Township 10 South, Range 27 East, Chaves County, New Mexico and for the promulgation of Special Pool Rules, including (1) 320-acre spacing or proration units on a permanent basis or, in the alternative, on a temporary basis, (2) a 20,000 to 1 gas-oil ratio, and (3) a special 320-acre oil allowable and in support of this application states:

1. Applicant has recently completed its No. 1 McBride State Well in the Fusselman formation capable of producing oil and gas in paying quantities located 660 feet from the North line and 1,980 feet from the West line of Section 28, Township 10 South, Range 27 East, Chaves County, New Mexico. The No. 1 McBride State Well is completed in the Fusselman formation with perforations from 6,218 feet to 6,364 feet and is the second well in this pool. The first well is the Yates Petroleum Corporation Pathfinder No. 3 Well located 1,650 feet from the South line and 2,310 feet from the West line, Unit K,

of Section 21, Township 10 South, Range 27 East, Chaves County, New Mexico. Both wells are shut-in waiting on a pipeline connection.

2. Applicant believes that the following described lands are reasonably proven to be productive of oil and gas in paying quantities from the Fusselman formation and should be included in the original definition of the new pool:

Township 10 South, Range 27 East, N.M.P.M.

Section 21: S/2

Section 28: N/2

3. In order to prevent economic loss caused by the drilling of unnecessary wells, to avoid augmentation of risk arising from the drilling of an excessive number of wells and to otherwise prevent waste and protect correlative rights, Special Pool Rules and Regulations providing for 320-acre spacing units should be promulgated for the pool.

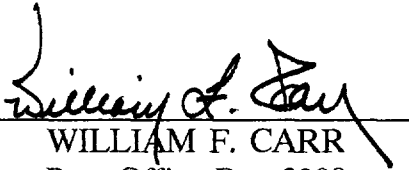
4. Applicant requests that the Special Pool Rules provide that each well should be located on a standard unit containing 320-acres more or less, consisting of either the N/2 or the S/2 of a governmental section.

5. Applicant requests that a gas-oil ratio of 20,000 to 1 be set for the pool and a special 320-acre oil allowable of 650 barrels per day.

WHEREFORE, Stevens Operating Corporation requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on January 24, 1990, and that, after notice and hearing as required by law and the rules of the Division, the application be approved.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS
OPERATING CORPORATION

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

RECEIVED

IN THE MATTER OF THE APPLICATION OF STEVENS OPERATING CORPORATION FOR POOL CREATION AND SPECIAL POOL RULES, CHAVES COUNTY, NEW MEXICO.

JAN 3 1990

OIL CONSERVATION DIV.
SANTA FE

CASE NO. 9854

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CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS
OPERATING CORPORATION

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

JAN 3 1990

IN THE MATTER OF THE APPLICATION
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FOR POOL CREATION AND SPECIAL
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OIL CONSERVATION DIV.
SANTA FE

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Section 28: N/2

3. In order to prevent economic loss caused by the drilling of unnecessary wells, to avoid augmentation of risk arising from the drilling of an excessive number of wells and to otherwise prevent waste and protect correlative rights, Special Pool Rules and Regulations providing for 320-acre spacing units should be promulgated for the pool.

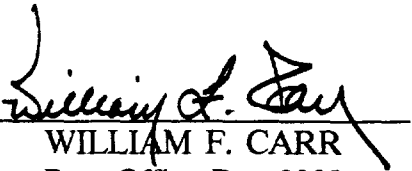
4. Applicant requests that the Special Pool Rules provide that each well should be located on a standard unit containing 320-acres more or less, consisting of either the N/2 or the S/2 of a governmental section.

5. Applicant requests that a gas-oil ratio of 20,000 to 1 be set for the pool and a special 320-acre oil allowable of 650 barrels per day.

WHEREFORE, Stevens Operating Corporation requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on January 24, 1990, and that, after notice and hearing as required by law and the rules of the Division, the application be approved.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR STEVENS
OPERATING CORPORATION

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9854
Order No. R-9131

APPLICATION OF STEVENS OPERATING
CORPORATION FOR POOL CREATION AND
SPECIAL POOL RULES, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of March, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Stevens Operating Corporation (Stevens), seeks the creation of a new pool for the production of oil from the Fusselman formation comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico, and for the promulgation of special rules and regulations therefore including provisions for 320-acre oil spacing and proration units, designated well location requirements, a special gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, and a special 320-acre oil allowable of 650 barrels per day.

(3) In addition, the applicant requests that the above-described special pool rules be instituted for a temporary period of nine months in order to allow the

operators in the pool time to gather additional reservoir data.

(4) The evidence presented indicates that the Yates Petroleum Corporation Pathfinder "AFT" State Well No. 3 located 1650 feet from the South line and 2310 feet from the West line (Unit K) of said Section 21, which was drilled and completed in 1988, has discovered a separate common source of supply in the Fusselman formation.

(5) In addition, there are currently two other wells which have recently been drilled to and completed in the Fusselman formation in this area, these being the Stevens Operating Corporation McBride State Com Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of said Section 28, and the Yates Petroleum Corporation Pathfinder "AFT" State Well No. 6 located 1980 feet from the North and West lines (Unit F) of said Section 21.

(6) All three of the above-described wells were drilled on 320-acre gas spacing in accordance with Division General Rule No. 104 (C)(II) in anticipation of encountering a gas pool within said Fusselman formation.

(7) The geologic and engineering evidence currently available indicates that the subject reservoir is actually an oil pool which contains a significant gas cap, has definable oil-gas and oil-water contacts, and is bounded by north-south trending faults which limit the extent of the reservoir to portions of Sections 21, 28 and possibly 33.

(8) Yates Petroleum Corporation (Yates), the only other operator in the pool at the present time, appeared at the hearing in opposition to Steven's proposed gas-oil ratio limitation, oil allowable, and nine-month test period and in support of ninety-day temporary special pool rules including 320-acre well spacing, a gas-oil ratio limitation of 2,000 cubic feet of gas per barrel of oil and an oil allowable of 222 barrels per day.

(9) Stevens contends that its proposed gas-oil ratio limitation and oil allowable as described above are necessary: (1) in order to produce liquid hydrocarbons from its McBride State Com Well No. 1, which, according to production test data, is currently incapable of producing oil at a gas producing rate of less than 0.7 MMCFG per day, and (2) in order to obtain necessary test data to determine the most efficient gas-oil ratio and rate of production for the subject reservoir.

(10) The producing characteristics exhibited by the McBride State Com Well No. 1 are due, at least in part, to

its current completion, which, according to the evidence presented, may be improper for this type of reservoir.

(11) The gas-oil ratio and oil allowable proposed by Yates, if approved, would preclude the production of oil from the McBride State Com Well No. 1 unless physical changes in the well's completion are performed.

(12) Although physical changes in the wellbore of said McBride State Com Well No. 1 may ultimately be determined necessary in order to efficiently produce the liquid hydrocarbons from the subject reservoir, there is some evidence available at the present time which indicates that the subject reservoir may be vertically fractured which ~~may~~ *could* in fact render any workover operations on the subject well ineffective.

(13) According to the more complete geologic and seismic evidence presented by Yates in this case, the subject reservoir is limited to an area of approximately 355 acres.

(14) Both Yates and Stevens presented original oil and gas in place estimates for the subject reservoir, and, ~~inasmuch as~~ *because* these estimates are critical in determining oil and gas allowables for the subject pool, the more conservative estimates provided by Yates should be utilized.

(15) According to Yate's estimates, the original oil and gas in place within the subject reservoir is approximately 9.1 million barrels of oil and 16.4 BCF of gas.

(16) *The* oil allowable and gas-oil ratio limitation ~~such~~ *as* proposed by Stevens, which would amount to a gas allowable of 13 MMCFG per day, may cause serious and irreversible damage to the reservoir by depleting, during the proposed nine month test period, upwards to 43% of the gas contained within the gas cap, which may in turn result in a substantial amount of oil left unrecovered in the reservoir, thereby causing waste.

(17) According to testimony by Stevens ~~however~~, the producing gas rate during the test period would not likely exceed 2.5 MMCFG per day which indicates that the gas-oil ratio and oil allowable proposed by Stevens in this case are excessive and unnecessary.

(18) In addition, according to testimony by Yates, a test period of ninety days should be sufficient time to gather additional reservoir data needed to determine the proper temporary spacing and most efficient rate of production for the subject pool.

(19) The nine-month test period, oil allowable, and gas-oil ratio limitation proposed by Stevens in this case are unnecessary, excessive, and may cause reservoir damage, and should therefore be effectively reduced.

(20) At the present time, there is insufficient information regarding the appropriate well spacing for the subject pool; however, the geologic evidence presented suggests that due to the limited extent of the reservoir, the proposed 320-acre well spacing is excessive.

(21) In order to prevent the drilling of unnecessary wells during the interim test period and until further data is obtained regarding the appropriate spacing for this pool, the subject pool should be drilled and spaced on 160-acre oil proration units, and the subject pool should be assigned a depth bracket allowable of 382 barrels of oil per day in accordance with the depth bracket allowable provisions of Division General Rule No. 505.

(22) A new pool classified as an oil pool for Fusselman production should be created and designated the Diablo-Fusselman Pool, with horizontal limits comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

(23) Temporary ninety-day special rules and regulations should be promulgated for the Diablo-Fusselman Pool which provide for 160-acre oil proration units, an oil allowable of 382 barrels of oil per day, and a gas-oil ratio limitation of 6,500 cubic feet of gas per barrel of oil, which will: ✓
(1) allow Stevens the opportunity to test and produce its McBride State Com Well No. 1, (2) ~~will~~ allow sufficient time for both operators to gather additional reservoir data, and (3) should not cause reservoir damage inasmuch as the total volume of gas produced during this test period for the entire pool is approximately 2.7% of the original gas in place.

(24) The temporary special rules and regulations should also provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(25) This case should be reopened at an examiner hearing in May, 1990, at which time the operators in the subject pool should be prepared to appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for the Diablo-Fusselman Pool.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Chaves County, New Mexico, classified as an oil pool for Fusselman production, is hereby created and designated the Diablo-Fusselman Pool, with horizontal limits comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, NMPM.

(2) Stevens Operating Corporation's proposed temporary special rules and regulations for the Diablo-Fusselman Pool, including provisions for 320-acre well spacing, a gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, an oil allowable of 650 barrels of oil per day, and a nine-month test period are hereby modified as described below.

(3) Ninety-day Temporary Special Rules and Regulations for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
DIABLO-FUSSELMAN ~~POOL~~ POOL

RULE 1. Each well completed or recompleted in the Diablo-Fusselman ~~Pool~~ Pool or in the Fusselman formation within one mile thereof, and not nearer to or within the limits of another designated Fusselman Pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a governmental quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the outer boundary of the proration unit or 330 feet to any governmental quarter-quarter section line or

subdivision inner boundary; nor nearer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 382 barrels per day with a corresponding gas-oil ratio limitation of 6,500 cubic feet of gas per barrel of oil, and in the event there is more than one well on an 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The locations of all wells presently drilling to or completed in the Diablo-Fusselman Pool or in the Fusselman formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia district office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(4) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1987 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the Diablo-Fusselman Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been

approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Diablo-Fusselman Pool or in its corresponding vertical limits within one mile thereof, shall receive no more than one-half of a standard allowable for said pool.

(5) This case shall be reopened at an examiner hearing in May, 1990, at which time the operators in the subject pool should be prepared to appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for the Diablo-Fusselman Pool.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☒ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Stevens Operating Corporation P. O. Box 2408 Roswell, New Mexico 88201	4. Article Number P 918 402 227
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X	Always obtain signature of addressee or agent and DATE DELIVERED.
6. Signature - Agent X <i>Nancy Curry</i>	8. Addressee's Address (ONLY if requested and fee paid)
7. Date of Delivery <i>4-30-90</i>	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P 918 402 227

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Stevens Operating Corp.	
Street and No. P. O. Box 2408	
P.O., State and ZIP Code Roswell, N. M. 88201	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985

Fold at line over top of envelope to the right of the return address.



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

GARREY CARRUTHERS
GOVERNOR

April 27, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

CERTIFIED - RETURN
RECEIPT REQUESTED

Stevens Operating Corporation
P. O. Box 2408
Roswell, New Mexico 88201

Gentlemen:

In accordance with the provisions of Division Order No. R-9131 entered on March 2, 1990, the Oil Conservation Division is reopening Case No. 9854 in order to give all operators in the Diablo-Fusselman Pool in Chaves County, New Mexico, the opportunity to appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for said pool.

This case will be heard before an examiner on May 16, 1990, in the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, at 8:15 a.m. A copy of the advertisement for this hearing is enclosed.

Sincerely,

Florene Davidson
OC Staff Specialist

enc.

SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☒ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Petroleum Corporation 105 S. Fourth Street Artesia, New Mexico 88210	4. Article Number P 918 402 228 Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 4-30-90	

PS Form 3811, Mar. 1988

* U.S.G.P.O. 1988-212-865

DOMESTIC RETURN RECEIPT

P 918 402 228
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

Sent to	
Yates Petroleum Corp.	
Street and No.	
105 S. Fourth Street	
P.O., State and ZIP Code	
Artesia, New Mexico 88210	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985

Fold at line over top of envelope to the right of the return address



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

GARREY CARRUTHERS
GOVERNOR

April 27, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

CERTIFIED - RETURN
RECEIPT REQUESTED

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, New Mexico 88210

Gentlemen:

In accordance with the provisions of Division Order No. R-9131 entered on March 2, 1990, the Oil Conservation Division is reopening Case No. 9854 in order to give all operators in the Diablo-Fusselman Pool in Chaves County, New Mexico, the opportunity to appear and present evidence, testimony and recommendations regarding the proper spacing and most efficient rate of production for said pool.

This case will be heard before an examiner on May 16, 1990, in the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, at 8:15 a.m. A copy of the advertisement for this hearing is enclosed.

Sincerely,

Florene Davidson
OC Staff Specialist

enc.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



90 APR 17 AM 8:36

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 12, 1990

New Mexico Oil & Gas Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87503-2088

Case 9854

Attention: William J. LeMay, Director

RE: Stevens Operating Corporation
McBride State Com. #2
28-T10S-R27E
Chaves County, New Mexico

Gentlemen:

The purpose of this letter is to respond to Stevens Operating Corporation's letter to you of April 5, 1990, concerning the captioned. Please be advised it was never the intent of Yates Petroleum Corporation to "kill" the well and follow the procedure as outlined in said letter.

Briefly, our proposed plan is as follows:

- 1) After well has been completed for production rig up 3000 psi lubricator on wellhead.
- 2) Run DIG 1.75" gyro survey tool through and below tubing to total depth of well. Please note that this will require that no restriction can be placed in the tubing string or packer that will prevent the survey tool from passing through.

We hope this will clear up any possible misunderstanding connected with the deviation survey on this well.

Thank you for your time.

Very truly yours,

YATES PETROLEUM CORPORATION


Randy G. Patterson
Land Manager

RGP:cp

cc: Stevens Operating Corporation
P. O. Box 2408
Roswell, New Mexico 88201
Attn: Donald Stevens

File # 9854

STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA
P. O. BOX 2408
ROSWELL, NEW MEXICO 88201
(505-622-7121)

TO: Mr. William J. LeMay
Director

COMPANY: Oil Conservation Div.

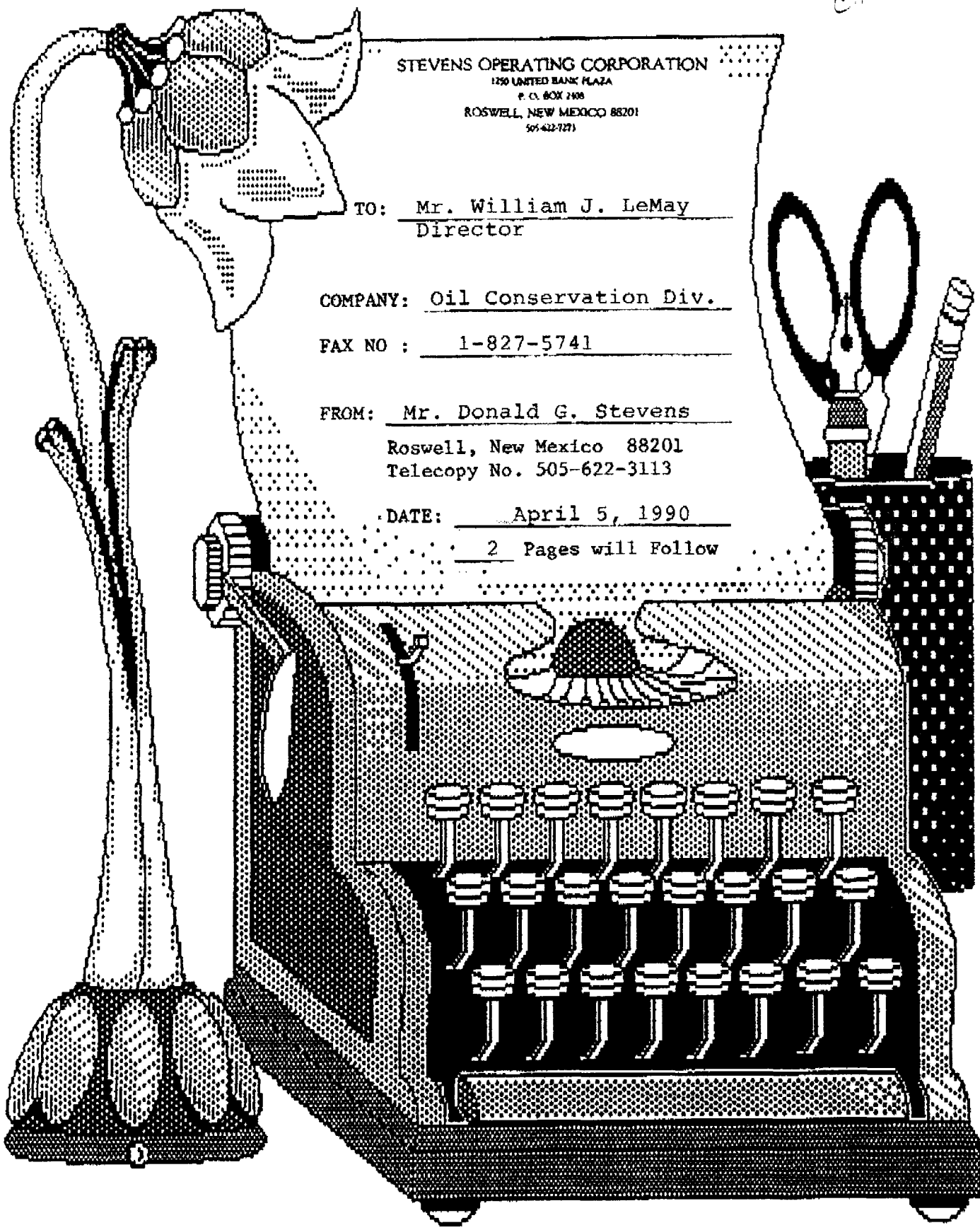
FAX NO : 1-827-5741

FROM: Mr. Donald G. Stevens

Roswell, New Mexico 88201
Telecopy No. 505-622-3113

DATE: April 5, 1990

2 Pages will Follow



STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA

P. O. BOX 2408

ROSWELL, NEW MEXICO 88201

505-622-7273

April 5, 1990

VIA FACSIMILE AND U. S. MAIL

Mr. William J. LeMay, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Our McBride State Com #2
Township 10 South, Range 27 East NMPM
Section 28: NWNE
Chaves County, New Mexico
Directional Survey

Dear Mr. LeMay:

Your letter of March 29, 1990, requested under Division Rule 111 that we schedule the directional survey as soon as possible after drilling the well to total depth and notify the Artesia Office of the OCD and Yates Petroleum Corporation. The letter of Yates Petroleum requesting the survey dated March 20, 1990, requested that we make the directional survey after completion of the well inasmuch as the stated purpose for the survey was because "the open hole completion gives rise the possibility that the well be deviated from its bottom hole location" as stated in the Yates' letter. We presume your directive in Paragraph 111 was in error and should have read that we schedule a survey and notify the parties as soon as possible after the well is completed.

Inasmuch as our current plans are to drill to 6355', run logs, run 7" casing, cement with a DV tool and thereafter drill out the DV tool, cement and the bottom hole plug and drill an additional 15 feet of open hole below the bottom of the 7" casing to 6370', our presumption is the Yates' request for surveying after completion controls, and we will so notify after completion unless we are notified by you otherwise.

Please let us know which is correct, the Yates request after completion or the Division letter after reaching TD.

-2-


April 5, 1990

Although in our letter of March 28, we, thinking we had no choice in the matter, agreed to the directional surveys being run, we have since decided to protest of the running of such an unnecessary survey based on the very real risk of damage to the well's producing capabilities and inuring to the detriment of Stevens Operating Corporation's well and to the benefit of Yates Petroleum Corporation's lease offsetting the #2 McBride.

Such protest shall be forthcoming forthwith.

Yours very truly,

STEVENS OPERATING CORPORATION


Donald G. Stevens
President

DGS/sp
Enclosures

cc: Mr. A. J. Losee
Mr. Peyton Yates
Mr. Mike Slater
Dr. Dave Boneau
Ms. Leslie Bentz

STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA

P. O. BOX 1408

ROSWELL, NEW MEXICO 88201

505-622-7175

TO: Mr. William J. LeMay
Director

COMPANY: Oil Conservation Div.

FAX NO : 827-5741

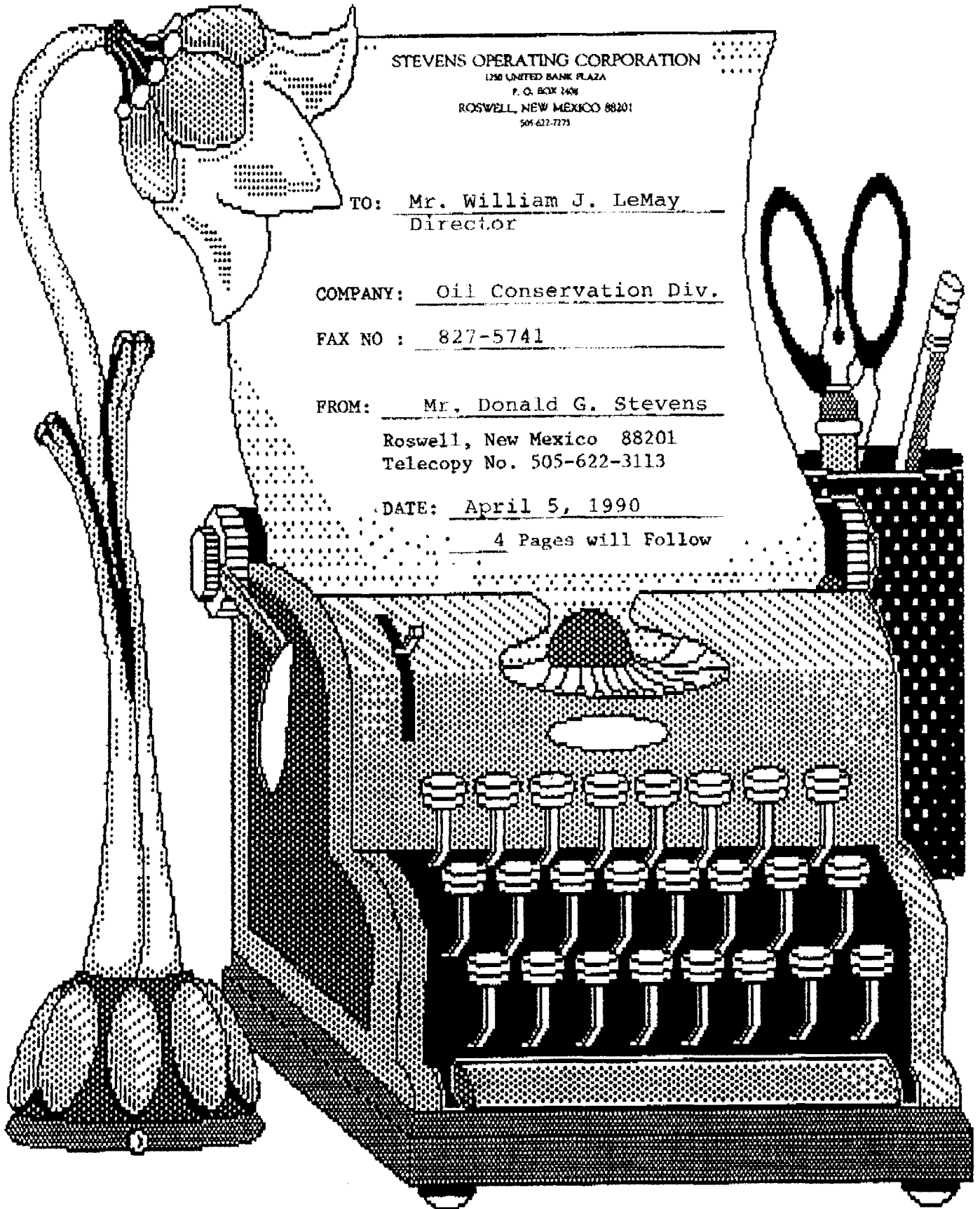
FROM: Mr. Donald G. Stevens

Roswell, New Mexico 88201

Telecopy No. 505-622-3113

DATE: April 5, 1990

4 Pages will Follow



STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA

P. O. BOX 2408

ROSWELL, NEW MEXICO 88201

505-622-7773

April 5, 1990

VIA FACSIMILE AND U. S. MAIL

Mr. William J. LeMay, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Stevens Operating Corporation
McBride State Com #2
Township 10 South, Range 27 East, NMPM
Section 28: NWNE

Dear Mr. LeMay:

Stevens Operating Corporation hereby protests the acquiescence of the Oil Conservation Division to Yates Petroleum Corporation in its request to directionally survey the above well. The Yates' request specifically states such survey is to be run after the well is completed which would require killing the well with water, pulling the tubing and packer, blowout preventor, running the survey, rerunning newly dressed packer and tubing, and bringing the well back in, a complicated, expensive, dangerous and risky procedure; a procedure never promiscuously performed by knowledgeable operators.

In Industry consensus, killing a viable, especially flowing well, runs a considerable risk of damaging the well's producing capabilities either by partial plugging of permeability by the water injected to kill the well or inducement of coning of gas or water through vertical fractures by the water injected to kill the well. Indeed, the principal purpose of the open hole completion is precisely to avoid the injection of water or acid which tends to cause coning in perforated or fluid injected wells. While my personal observation is that the risk of such damage is not necessarily high, the loss of productivity to the well and reserves the well could produce could be exorbitant if such damage should occur. The enclosed AFE lists costs of such a procedure far in excess of the \$5,000 bond required by the State. Additional costs, if damage occurred, could range from the cost of drilling an entire new well, some \$350,000, to the ultimate loss, if the well is continued to produce in a damaged manner, ranging from hundreds of thousands to millions of dollars. Not only does this risk of

April 5, 1990

damage apply to the owners of the McBride State Com #2 well but any damage to such well could well accrue, through drainage, to the benefit of the adjacent offsetting lease owned by Yates Petroleum Corporation, the requesting party herein.

Rule 111 states that the Division Director, at the request of an offset operator, may require an operator to make a directional survey of the well. May, by definition, means the request is in the discretion of the Director. We feel the discretion should be exercised if, in fact, there is a possibility that Division rules have been violated. In the instant case however, no Division rules have ever been intentionally violated by this corporation and its officers thereunder and such is our reputation in the oil community. There is no evidence to suggest that the Division rule would be violated; only a vaguely worded assertion by the offset operator requesting the survey that the proposed open hole "completion gives rise to the possibility that the well will be deviated from its bottom hole location". There are probably 10,000 open hole completions in the State of New Mexico and, to my knowledge, no such open hole completion ever gave rise to such a possibility as quoted in the requesting operator's letter. We feel the discretion of the Division Director to require such a survey and procedure with its attendant risks should be denied unless the requesting operator can come forth with cogent reasoning, such as would require, not request, the Director to exercise his discretion in requiring such survey.

Absent such reasoning industry consensus would be that the killing of a well to run such survey would not only not be reasonably prudent but would be derelict.

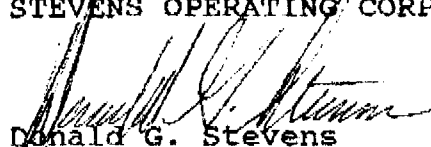
Our principal concern is the protection of our reserves, correlative rights and the prevention of the economic waste that would accrue to the State Land Office, the State of New Mexico and the leaseowners if damage to the well occurred through what, on its face, is a frivolous and unreasonable request. The possible damage to the reservoir always is difficult of proof and might require years of litigation. We urge the Director to reconsider his granting of the request to directionally survey this well under the conditions requested, and if he still, in his discretion, grants such request, then require Yates Petroleum to guarantee payment of the enclosed costs and any damage to the well.

April 5, 1990

Your early attention to this protest is requested in that the well should be ready for completion attempt next week.

Yours very truly,

STEVENS OPERATING CORPORATION



Donald G. Stevens
President

DGS/sp
Enclosure-1

cc Mr. Peyton Yates
Mr. A. J. Losee
Mr. Mike Slater
Dr. Dave Boneau
Ms. Leslie Bentz

AUTHORIZATION FOR EXPENDITURE
Associated Cost of A Directional Survey

McBride State Com #2

660' FNL/2220' FEL
Township 10 South, Range 27 East
Elavation 3813', Spud 3-1-90

Third Party surveying well after 7" Csg set @ ±6355' and initial flow test (4 point, GOR, bottom hole build up, etc) using gyroscopic multi-shot.

Pulling Unit	12 Hrs	\$ 1,200.00
2% KCL Water	240± BBL	908.00
Kill Truck & Transport	10 Hrs	1,240.00
Rental Blow Out Preventer		275.00
Gyro Survey (Tools & Wireline Truck) Directional		
Investment Guidance, Midland,Tx		2,850.00
Service and Replacement 7" Pkr Rubbers		1,110.00
Third Party Retesting Well		
(GOR,Poss. 4 Point)to determine		
damage, John West Engineering		2,743.00
Completion-Direct Employee		
Completion Superintendent		200.00
Administrative Overhead		100.00
		10,626.00
Gross Receipts		624.28
Estimated Loss of Production		
during 24 hrs test interval-presume		
220 BO plus 440,000 cfg(excluding		
Royalty to State)		3,921.00
		15,171.28
Plus 10% contingency		1,517.13
		\$16,688.41
		=====

No estimate is herein made as to the possible losses and reserves in the event the well is damaged by killing the well.

MARTIN YATES, III
1912-1985
FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. R. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 12, 1990

New Mexico Oil & Gas Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87503-2088

Attention: William J. LeMay, Director

RE: Stevens Operating Corporation
McBride State Com. #2
28-T10S-R27E
Chaves County, New Mexico

Gentlemen:

The purpose of this letter is to respond to Stevens Operating Corporation's letter to you of April 5, 1990, concerning the captioned. Please be advised it was never the intent of Yates Petroleum Corporation to "kill" the well and follow the procedure as outlined in said letter.

Briefly, our proposed plan is as follows:


- 1) After well has been completed for production rig up 3000 psi lubricator on wellhead.
- 2) Run DIG 1.75" gyro survey tool through and below tubing to total depth of well. Please note that this will require that no restriction can be placed in the tubing string or packer that will prevent the survey tool from passing through.

We hope this will clear up any possible misunderstanding connected with the deviation survey on this well.

Thank you for your time.

Very truly yours,

YATES PETROLEUM CORPORATION


Randy G. Patterson
Land Manager

RGP:cp

cc: Stevens Operating Corporation
P. O. Box 2408
Roswell, New Mexico 88201
Attn: Donald Stevens



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

GARREY CARRUTHERS
GOVERNOR

April 10, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

VIA FACSIMILE AND U.S. MAIL

Stevens Operating Corporation
P.O. Box 2408
Roswell, New Mexico 88201

Case 9854

Re: Mc Bride State Com #2
Directional Survey

Dear Mr. Stevens:

I am replying to your letter of April 5, 1990. The Division has exercised its discretion in granting Yates' request to require a directional survey, and in doing so the Division recognizes that there may be valid reasons to run the survey either before or after the well is completed. It was the Division's intent that Stevens, as operator of the well, is responsible for scheduling the survey after reaching TD.

The Division does not intend to micro-manage this matter. It is Stevens' option to schedule the survey before setting production casing or after completion. Yates' obligation is to pay for all costs incurred in making the survey.

Please notify the Artesia office when the survey is scheduled.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is fluid and cursive, with a long vertical line extending downwards from the end of the name.

William J. LeMay,
Director

cc: Yates Petroleum Corporation
OCD Artesia

STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA

P. O. BOX 2408

ROSWELL, NEW MEXICO 88201

505-622-7273

April 5, 1990

VIA FACSIMILE AND U. S. MAIL

Case 9854

Mr. William J. LeMay, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Our McBride State Com #2
Township 10 South, Range 27 East NMPM
Section 28: NWNE
Chaves County, New Mexico
Directional Survey

Dear Mr. LeMay:

Your letter of March 29, 1990, requested under Division Rule 111 that we schedule the directional survey as soon as possible after drilling the well to total depth and notify the Artesia Office of the OCD and Yates Petroleum Corporation. The letter of Yates Petroleum requesting the survey dated March 20, 1990, requested that we make the directional survey after completion of the well inasmuch as the stated purpose for the survey was because "the open hole completion gives rise the possibility that the well be deviated from its bottom hole location" as stated in the Yates' letter. We presume your directive in Paragraph 111 was in error and should have read that we schedule a survey and notify the parties as soon as possible after the well is completed.

Inasmuch as our current plans are to drill to 6355', run logs, run 7" casing, cement with a DV tool and thereafter drill out the DV tool, cement and the bottom hole plug and drill an additional 15 feet of open hole below the bottom of the 7" casing to 6370', our presumption is the Yates' request for surveying after completion controls, and we will so notify after completion unless we are notified by you otherwise.

Please let us know which is correct, the Yates request after completion or the Division letter after reaching TD.


April 5, 1990

Although in our letter of March 28, we, thinking we had no choice in the matter, agreed to the directional surveys being run, we have since decided to protest of the running of such an unnecessary survey based on the very real risk of damage to the well's producing capabilities and inuring to the detriment of Stevens Operating Corporation's well and to the benefit of Yates Petroleum Corporation's lease offsetting the #2 McBride.

Such protest shall be forthcoming forthwith.

Yours very truly,

STEVENS OPERATING CORPORATION


Donald G. Stevens
President

DGS/sp
Enclosures

cc: Mr. A. J. Losee
Mr. Peyton Yates
Mr. Mike Slater
Dr. Dave Boneau
Ms. Leslie Bentz

STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA
P. O. BOX 2408
ROSWELL, NEW MEXICO 88201
505-622-7273

RECEIVED
OIL CONSERVATION DIVISION
190 APR 9 AM 9 11

April 5, 1990

Case 9854

VIA FACSIMILE AND U. S. MAIL

Mr. William J. LeMay, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Stevens Operating Corporation
McBride State Com #2
Township 10 South, Range 27 East, NMPM
Section 28: NWNE

Dear Mr. LeMay:

Stevens Operating Corporation hereby protests the acquiescence of the Oil Conservation Division to Yates Petroleum Corporation in its request to directionally survey the above well. The Yates' request specifically states such survey is to be run after the well is completed which would require killing the well with water, pulling the tubing and packer, blowout preventor, running the survey, rerunning newly dressed packer and tubing, and bringing the well back in, a complicated, expensive, dangerous and risky procedure; a procedure never promiscuously performed by knowledgeable operators.

In Industry consensus, killing a viable, especially flowing well, runs a considerable risk of damaging the well's producing capabilities either by partial plugging of permeability by the water injected to kill the well or inducement of coning of gas or water through vertical fractures by the water injected to kill the well. Indeed, the principal purpose of the open hole completion is precisely to avoid the injection of water or acid which tends to cause coning in perforated or fluid injected wells. While my personal observation is that the risk of such damage is not necessarily high, the loss of productivity to the well and reserves the well could produce could be exorbitant if such damage should occur. The enclosed AFE lists costs of such a procedure far in excess of the \$5,000 bond required by the State. Additional costs, if damage occurred, could range from the cost of drilling an entire new well, some \$350,000, to the ultimate loss, if the well is continued to produce in a damaged manner, ranging from hundreds of thousands to millions of dollars. Not only does this risk of

April 5, 1990

damage apply to the owners of the McBride State Com #2 well but any damage to such well could well accrue, through drainage, to the benefit of the adjacent offsetting lease owned by Yates Petroleum Corporation, the requesting party herein.

Rule 111 states that the Division Director, at the request of an offset operator, may require an operator to make a directional survey of the well. May, by definition, means the request is in the discretion of the Director. We feel the discretion should be exercised if, in fact, there is a possibility that Division rules have been violated. In the instant case however, no Division rules have ever been intentionally violated by this corporation and its officers thereunder and such is our reputation in the oil community. There is no evidence to suggest that the Division rule would be violated; only a vaguely worded assertion by the offset operator requesting the survey that the proposed open hole "completion gives rise to the possibility that the well will be deviated from its bottom hole location". There are probably 10,000 open hole completions in the State of New Mexico and, to my knowledge, no such open hole completion ever gave rise to such a possibility as quoted in the requesting operator's letter. We feel the discretion of the Division Director to require such a survey and procedure with its attendant risks should be denied unless the requesting operator can come forth with cogent reasoning, such as would require, not request, the Director to exercise his discretion in requiring such survey.

Absent such reasoning industry consensus would be that the killing of a well to run such survey would not only not be reasonably prudent but would be derelict.

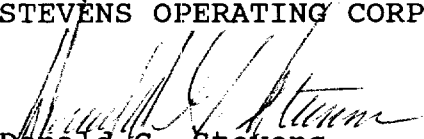
Our principal concern is the protection of our reserves, correlative rights and the prevention of the economic waste that would accrue to the State Land Office, the State of New Mexico and the leaseowners if damage to the well occurred through what, on its face, is a frivolous and unreasonable request. The possible damage to the reservoir always is difficult of proof and might require years of litigation. We urge the Director to reconsider his granting of the request to directionally survey this well under the conditions requested, and if he still, in his discretion, grants such request, then require Yates Petroleum to guarantee payment of the enclosed costs and any damage to the well.

April 5, 1990

Your early attention to this protest is requested in that the well should be ready for completion attempt next week.

Yours very truly,

STEVENS OPERATING CORPORATION



Donald G. Stevens
President

DGS/sp
Enclosure-1

cc Mr. Peyton Yates
Mr. A. J. Losee
Mr. Mike Slater
Dr. Dave Boneau
Ms. Leslie Bentz

AUTHORIZATION FOR EXPENDITURE

Associated Cost of A Directional Survey

McBride State Com #2

660' FNL/2220' FEL
Township 10 South, Range 27 East
 Elavation 3813', Spud 3-1-90

Third Party surveying well after 7" Csg set @ ±6355' and initial flow test (4 point, GOR, bottom hole build up, etc) using gyroscopic multi-shot.

Pulling Unit	12 Hrs	\$ 1,200.00
2% KCL Water	240± BBL	908.00
Kill Truck & Transport	10 Hrs	1,240.00
Rental Blow Out Preventer		275.00
Gyro Survey (Tools & Wireline Truck) Directional		
Investment Guidance, Midland,Tx		2,850.00
Service and Replacement 7" Pkr Rubbers		1,110.00
Third Party Retesting Well		
(GOR,Poss. 4 Point)to determine		
damage, John West Engineering		2,743.00
Completion-Direct Employee		
Completion Superintendent		200.00
Administrative Overhead		100.00
		<u>10,626.00</u>
Gross Receipts		624.28
Estimated Loss of Production		
during 24 hrs test interval-presume		
220 BO plus 440,000 cfg(excluding		
Royalty to State)		<u>3,921.00</u>
		15,171.28
Plus 10% contingency		<u>1,517.13</u>
		\$16,688.41
		=====

No estimate is herein made as to the possible losses and reserves in the event the well is damaged by killing the well.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

RECEIVED
90 APR 4 AM 8



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 2, 1990

MS,
Case 9854

Stevens Operating Company
P. O. Box 2408
Roswell, New Mexico 88201

Re: McBride State Com No. 2 Well
NW/4NE/4, Sec. 28, T10S-R27E
Directional Survey

Gentlemen:

Pursuant to New Mexico Oil Conservation Division letter, dated March 29, 1990 received by us today, we hereby designate:

Directional Investment Guidance (DIG)
Midland, Texas
(915) 697-1490

as the well survey company which we intend to use to perform directional survey on the captioned well. As per paragraph 3 of NMOCD letter, please notify us as far in advance as possible of the scheduled time for the survey.

Very truly yours,

YATES PETROLEUM CORPORATION

Randy G. Patterson
Land Manager

RGP/mw

cc: New Mexico Oil Conservation Division
Attention: Mr. William J. LeMay, Director
Mr. A. J. Losee
Mr. Peyton Yates
Mr. Mike Slater
Dr. Dave Boneau
Ms. Leslie Bentz

STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA
P. O. BOX 2408
ROSWELL, NEW MEXICO 88201
505-622-7273

COMMISSION
90 MAR 30 AM 9 50

March 28, 1990

Case 9854

Mr. William J. LeMay, Director
Oil Conservation Division
Energy, Minerals and Natural
Resource Department
P. O. Box 2088
Santa Fe, New Mexico 87504

Dear Mr. LeMay:

We received the enclosed copy of a letter from Yates Petroleum March 26, requesting a directional survey of our currently drilling well, McBride State Com. #2. Our calls to the writer have not been returned.

We shall be happy to comply with their requested directional survey being made of the well after completion with the understanding as stated in the Rules and the letter that the survey and all associated costs, including rig, kill truck, other direct and administrative overhead, loss of production, plus possible damages to the well's productivity caused by killing the well, shall be at Yates Petroleum Corporation's expense.

I see no reason, as stated in the last sentence of the Yates' letter's first paragraph, why the proposed open hole completion gives rise to the possibility that the well will be deviated from its bottom hole location. The rules provide a deviation from staked location so long as drilling deviation does not exceed 5 degrees (Rule 111). Our #1 McBride well was completed within 2 degrees, per affidavit of Drilling Contractor, thus #2 McBride should be well within the 5 degree limit as will be attested to by Drilling Contractor as required by OCD rules.

The open hole completion was specifically designed to minimize the chances of gas and water coning, as has been experienced in our first well, and for the further purpose that should such gas and water coning yet occur we may seek Commission approval for a short radius horizontal well with the horizontal well going in a component of southerly direction away from the offsetting Yates

Petroleum lease. Such horizontal drilling would be after notice has been sent to Yates Petroleum and hearing before the OCD as required by the OCD rules, and in any case is conjectural at this juncture. This possibility of horizontal drilling had previously been discussed with Yates and I find it impossible of belief that Yates should think we are not cognizant of the Division Rules requiring notice, hearing and Division approval prior to such horizontal drilling. I can only presume the survey is desired for some other, unstated, purpose.

The attached letter is in error in that Stevens Operating Corporation commenced drilling on its McBride State Com. #2 on March 1, 1990 , not March 5, as set out in Yates's letter, after having received its approved C-101, Notice of Intention to Drill, from the Commission the morning March 1. Enclosed are copies of C-101 and C-103 forms showing drilling progress.

Yours very truly,

STEVENS OPERATING CORPORATION



Donald G. Stevens
President

DGS/sp
Enclosures

cc Yates Petroleum Corporation

RECEIVED MAR 26 1990

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

March 20, 1990

Mr. William J. LeMay, Director
Oil Conservation Division
Energy, Minerals and Natural Resources
Department
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: In the Matter of the Application of
Stevens Operating Corporation for Pool
Creation and Special Pool Rules; No. 9854

Dear Mr. LeMay:

On March 5, 1990, Stevens Operating Corporation commenced drilling its McBride State Com No. 2 Well in the Diablo-Fusselman pool at a location in the NW/4 NE/4 Section 28, Township 10 South, Range 27 East, N.M.P.M., Chaves County, New Mexico. The Application for Permit to Drill indicates that if production is encountered, the well will be completed in open hole. The proposed completion gives rise to the possibility that the well will be deviated from its bottom-hole location.

Pursuant to Rule 111(A) of the Oil Conservation Division, Yates Petroleum Corporation, as an offset operator to the McBride State Com No. 2 Well, hereby give notice that, upon completion of the well, it will request the Division to require Stevens Operating Corporation to make a directional survey of its said well. We understand said survey and all associated costs shall be at our expense. After completion of this well, we will designate a well survey company, and request that the survey be witnessed by the Division and Yates.

Very truly yours,

Yates Petroleum Corporation

By: 

xc: Stevens Operating Corporation

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies

State of New Mexico
Energy, Minerals and Natural Resources Department
RECEIVED
OIL CONSERVATION DIVISION
P.O. Box 2088
SANTA FE, New Mexico 87504-2088

Form C-101
Revised 1-1-89

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

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

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

O. C. D.
ARTESIA, OFFICE

API NO. (assigned by OCD on New Wells)

5. Indicate Type of Lease

STATE ☒

FEE ☐

6. State Oil & Gas Lease No.

LG-7426

7. Lease Name or Unit Agreement Name

McBride State Com.

8. Well No.

2

9. Pool name or Wildcat

Diablo Fusselman

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:

DRILL ☒

RE-ENTER ☐

DEEPEN ☐

PLUG BACK ☐

b. Type of Well:

OIL
WELL ☒

GAS
WELL ☐

OTHER ☐

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. Name of Operator

Stevens Operating Corporation

3. Address of Operator

P. O. Box 2408, Roswell, New Mexico 88201

4. Well Location

Unit Letter B : 660 Feet From The North Line and 2220 Feet From The East Line

Section 28

Township 10S

Range 27E

NMPM

Chaves

County

10. Proposed Depth

6600'

11. Formation

Fusselman

12. Rotary or C.T.

Rotary

13. Elevations (Show whether DF, RT, GR, etc.)

3813' GR

14. Kind & Status Plug. Bond

Statewide

15. Drilling Contractor

Frank's Rathole/L&M Drilling

16. Approx. Date Work will start

3/1/90

17.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
18"	14"		31'	Redi mix	
12 1/4"	9 5/8"	36#	1000'	Cir. to surface	
8 3/4"	7"	23#	6340'	2000 sxs	2 Stage 900'

Propose to drill to a depth of 6600'. All potential zones will be evaluated. If commercial production is indicated, well will be cased to approximately 6340', cemented 2 stage back to surface casing with cement plug on bottom and tested open hole.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Donald P. Stevens TITLE President DATE 3/1/90

TYPE OR PRINT NAME Donald P. Stevens

TELEPHONE NO. 622-7273

(This space for State Use)

ORIGINAL SIGNED BY
MIKE WILLIAMS

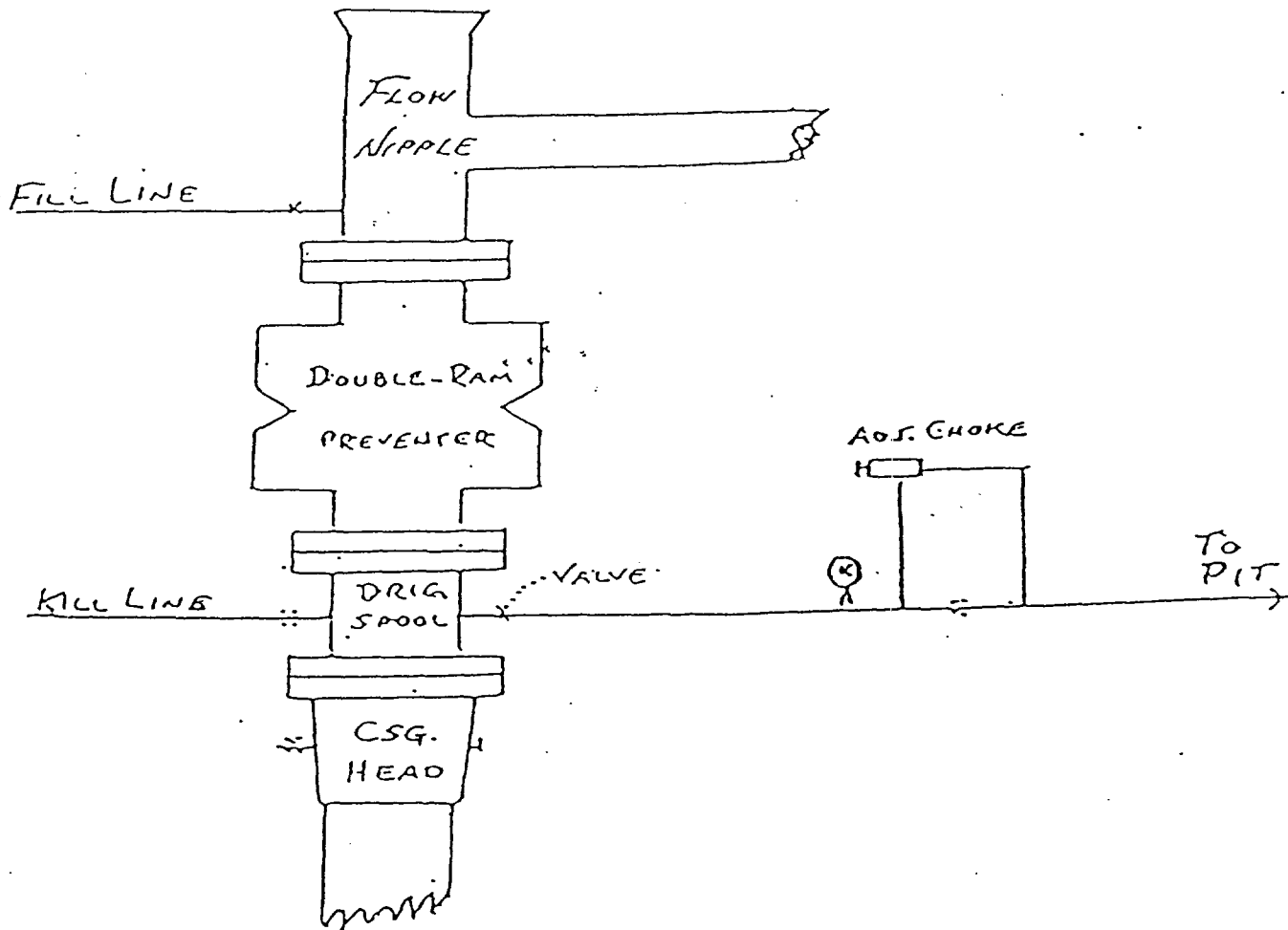
APPROVED BY SUPERVISOR, DISTRICT II

TITLE

DATE NAR 1 1990

CONDITIONS OF APPROVAL, IF ANY:

B O P & CHOKE MANIFOLD
SERIES 900



STEVENS OPERATING CORPORATION
McBride State Com. #2
Unit Letter B, Sec. 28, T-10-S, R-27-E
Chaves County, New Mexico

Appropriate
Office
Lease - 4 copies
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

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

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

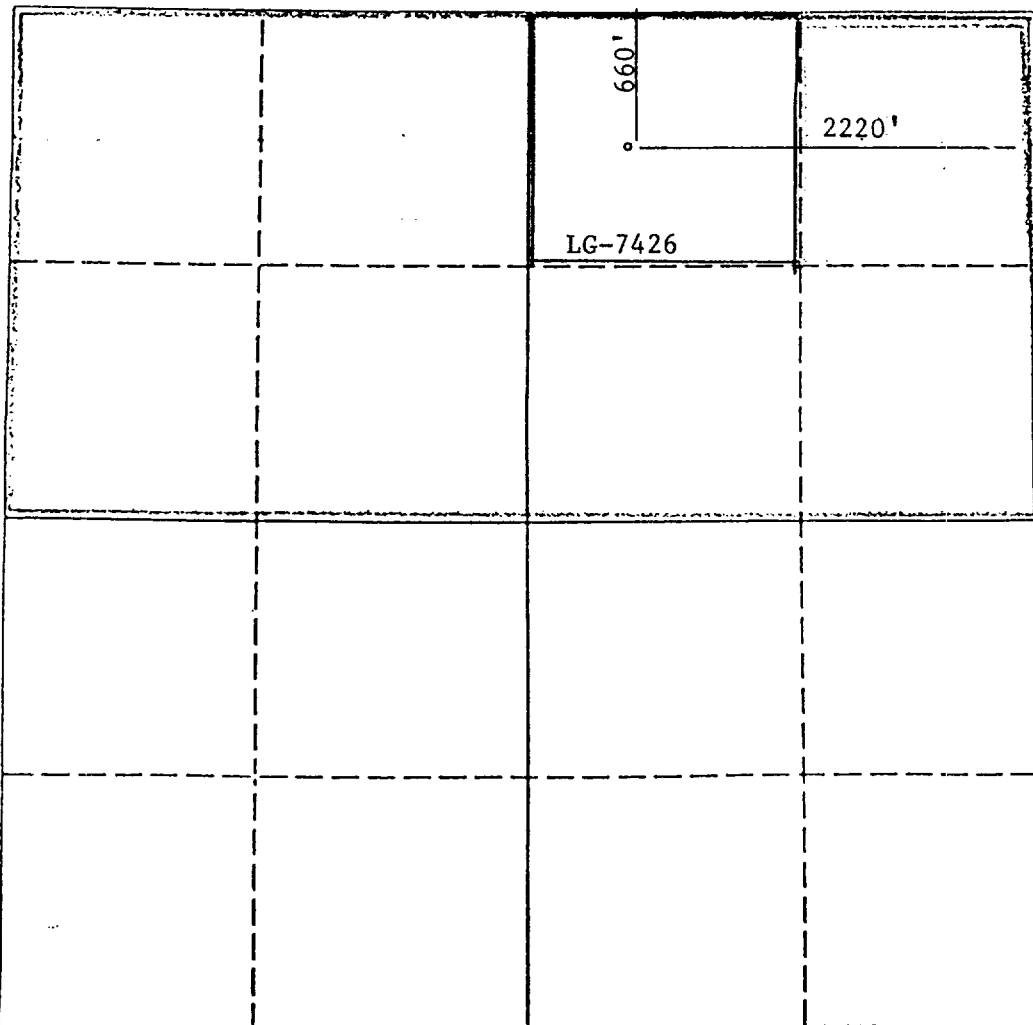
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Stevens Operating Company			Lease McBride State Com.		Well No. 2
Unit Letter B	Section 28	Township 10 South	Range 27 East	County Chaves	
Actual Footage Location of Well: 660 feet from the North line and 2220' feet from the East line					
Ground level Elev. 3813'	Producing Formation Fusselman	Pool Diablo Fusselman		Dedicated Acreage: 40.0 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 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 necessary).
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.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature *Patricia T. Greenwade*
Printed Name Patricia T. Greenwade
Position General Manager
Company Stevens Operating Corporation
Date February 1, 1990

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed February 1, 1990
Signature & Seal of Professional Surveyor *P.R. Patton*
P.R. Patton
Certificate No. 8112

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

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

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

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

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO.

5. Indicate Type of Lease

STATE ☒

FEE ☐

6. State Oil & Gas Lease No.

LG-7426

7. Lease Name or Unit Agreement Name

McBride State Com

8. Well No.

2

9. Pool name or Wildcat

Diablo Fusselman

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"
(FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:

OIL
WELL ☒

GAS
WELL ☐

OTHER

2. Name of Operator

Stevens Operating Corporation

3. Address of Operator

P. O. Box 2408, Roswell, NM 88202

4. Well Location

Unit Letter B : 660 Feet From The North Line and 2220 Feet From The East Line

Section

28

Township

10S

Range

27E

NMPM

Chaves

County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)

3813' GR

11.

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☒ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☒

OTHER: ☐

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

March 1, 1990

Frank's Rat Hole drilled 31' with air. Set 31' 14" csg. Cement to surface with Redi-Mix.

Prep to change rigs and drill surface hole using United Drilling Company air rig to avoid loss circulation zone.

Below intermediate string, remainder of hole will be drilled by L & M Drilling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

TITLE General Manager

DATE 3/5/90

TYPE OR PRINT NAME

TELEPHONE NO.

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

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

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

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

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO.

5. Indicate Type of Lease

STATE ☒

FEE ☐

6. State Oil & Gas Lease No.
LG 7426

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"
(FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name

McBride State Com

1. Type of Well:

OIL
WELL ☒

GAS
WELL ☐

OTHER

2. Name of Operator

Stevens Operating Corporation

8. Well No.
#2

3. Address of Operator

P. O. Box 2408, Roswell, New Mexico 88201

9. Pool name or Wildcat

Diablo Fusselman

4. Well Location

Unit Letter B : 660' Feet From The North Line and 2220' Feet From The East Line

Section 28

Township

10S

Range

27E

NMPM

Chaves

County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)
3813 GR

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☒

OTHER: ☐

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

March 8, 1990

Drilled 1017' 12 1/4" hole with air, ran 27 Jts 9 5/8" 36# K-55 Csg, set @ 1017', Cmt with 235 sxs 35/65 POZ/A 6% D20, 2% CaCl2 1 1/2#/SK D20, plus 150 sxs Class "C" + 2% CaCl2. Temp survey shows Cmt top 50' below surface. Ran 2 yds redi-mix to surface per verbal communicate with OCD Representative, March 7, 1990.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

Donald G. Stevens

TITLE

President

DATE 3/9/90

TYPE OR PRINT NAME

TELEPHONE NO. 622-7273

(This space for State Use)

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:



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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

March 29, 1990

VIA FACSIMILE AND U.S. MAIL

Stevens Operating Company
P.O. Box 2408
Roswell, NM 88201

Case 9854

re: Your McBride State Com No. 2 Well
NW/4 NE/4, S. 28, T. 10 S., R. 27 E., NMPM
Directional Survey

Gentlemen:

Pursuant to the Rule 111(a) of the Oil Conservation Division Rules and Regulations, Yates Petroleum Corporation has requested that the Division Director require you to perform a directional survey of the above well upon reaching total depth of the above well. The Director finds that this request may be properly granted.

Stevens Operating Company is hereby directed to perform a directional survey of the above identified well as soon as practical after reaching total depth of the well, subject to the following conditions:

(1) Yates shall, within 24 hours of receipt of this letter, designate to Stevens a well survey company.

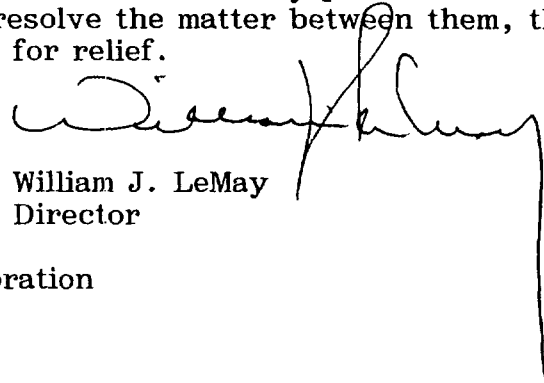
(2) Yates shall, by the end of the next banking day following receipt of this letter, deposit in a commercial bank in the State of New Mexico the sum of five thousand dollars (\$5,000.00) and shall provide an assignment of the account to Stevens Operating Company and the Oil Conservation Division conditioned upon the payment by Yates of all costs associated with performing the required survey.

(3) Stevens shall immediately contact the designated survey company to schedule the survey as soon as possible after drilling the well to total depth and shall notify the Artesia office of the OCD and Yates as far in advance as possible of the scheduled time for the survey.

(4) As soon as practical after completion of the survey, Stevens shall bill Yates for all costs incurred in making the survey, including additional rig

Stevens Operating Company
March 29, 1990
Page 2

time not otherwise necessary for well operations, and Yates shall pay said bill within thirty days after receipt, provided however that if any part of the bill is challenged, and the parties are unable to resolve the matter between them, they may apply to a court of proper jurisdiction for relief.



William J. LeMay
Director

cc via fax and mail: Yates Petroleum Corporation

K-21-105-27E

Case No
6854

PATHFINDER AFT STATE #3

=====

DATE: 9/25/90

ENGR: PMC

TECH: AC

DATE	OIL (BPD)	GAS (MCFD)	WATER (BPD)	GOR (MCF/STB)	FTP (PSI)	CHOKE (1/64")	REMARKS
8/1	28.08	565	72	20.12	640	15	
8/2	22.23	565	45	25.42	640	15	RECEIVED
8/3	10.53	375	23	35.61	600	15	
8/4	29.25	576	60	19.69	700	15	
8/5	39.78	565	60	14.20	600	15	
8/6	26.91	521	87	19.36	610	15	SEP 25 '90
8/7	28.08	516	84	18.38	650	15	
8/8	26.91	516	72	19.18	600	15	
8/9	22.23	521	72	23.44	590	15	O. C. D.
8/10	22.23	521	72	23.44	590	15	ARTESIA, OFFICE
8/11	28.37	521	60	18.36	590	15	
8/12	22.23	521	66	23.44	610	15	
8/13	22.23	521	45	23.44	580	15	
8/14	21.06	521	60	24.74	600	15	
8/15	38.61	521	84	13.49	580	15	
8/16	25.74	516	72	20.05	530	18	
8/17	24.57	516	63	21.00	550	18	
8/18	23.40	516	72	22.05	550	15	
8/19	25.74	565	72	21.95	560	15	
8/20	18.72	565	66	30.18	630	15	
8/21	24.57	516	72	21.00	630	15	
8/22	17.55	516	66	29.40	560	15	
8/23	16.38	516	66	31.50	600	15	
8/24	17.55	461	66	26.27	530	15	
8/25	19.89	461	84	23.18	580	15	
8/26	16.38	461	72	28.14	570	15	
8/27	20.47	461	54	22.52	560	15	
8/28	18.72	461	66	24.63	660	15	
8/29	23.40	536	70	22.91	600	16	
8/30	16.38	530	66	32.36	550	16	
8/31	17.55	517	66	29.46	580	16	
9/1	22.23	530	75	23.84	560	17	
9/2	18.72	530	60	28.31	590	17	
9/3	21.06	530	72	25.17	580	17	
9/4	18.72	530	66	28.31	100	17	
9/5	21.06	530	72	25.17	530	18	
9/6	32.00	588	81	18.38	600	21	
9/7	24.00	724	69	30.17	510	21	
9/8	23.00	663	78	28.83	600	21	
9/9	28.00	663	66	23.68	510	32	
9/10	26.00	663	84	25.50	510	32	
9/11	46.00	840	84	18.26	190	32	COMPRESSOR ON
9/12	30.42	777	96	25.54	210	32	COMPRESSOR ON
9/13	23.40	720	102	30.77	300	32	COMPRESSOR ON
9/14	34.00	852	108	25.06	200	32	COMPRESSOR ON
9/15	28.00	718	108	25.64	320	32	COMPRESSOR ON
9/16	23.00	741	105	32.22	200	32	COMPRESSOR ON
9/17	29.50	852	108	28.88	200	32	COMPRESSOR ON
9/18	29.00	741	108	25.55	180	32	COMPRESSOR ON
9/19	15.00	601	78	40.07	510	32	
9/20	11.00	660	78	60.00	510	32	
9/21	8.00	517	66	64.63	510	18	
9/22	15.00	663	99	44.20	550	22	
9/23	14.00	574	99	41.00	530	22	
9/24	11.00	517	75	47.00	540	22	
9/25	14.00	574	63	41.00	560	22	

PATHFINDER #3
CASING REPORT

DATE	OIL (BBLs)	GAS (MCF)
=====		
8/01	4.68	2,010
8/02	11.70	2,010
8/03	5.85	1,435
8/04	16.38	2,383
8/05	11.70	1,953
8/06	19.89	2,084
8/07	16.38	2,059
8/08	17.55	2,119
8/09	15.21	2,109
8/10	17.55	2,109
8/11	16.38	2,054
8/12	14.04	2,114
8/13	16.38	2,114
8/14	12.87	2,114
8/15	0.00	2,114
8/16	0.00	1,038
8/17	0.00	1,003
8/18	0.00	1,002
8/19	0.00	855
8/20	0.00	864
8/21	1.17	1,004
8/22	15.79	1,002
8/23	7.02	1,002
8/24	3.51	959
8/25	4.68	976
8/26	4.68	959
8/27	12.87	959
8/28	5.85	976
8/29	SI	SI
8/30	SI	SI
8/31	SI	SI
9/01	SI	SI
9/02	SI	SI
9/03	SI	SI
9/04	SI	SI
9/05	SI	SI
9/06	SI	SI
9/07	SI	SI
9/08	SI	SI
9/09	SI	SI
9/10	SI	SI
9/11	SI	SI
9/12	SI	SI
9/13	SI	SI
9/14	SI	SI
9/15	SI	SI
9/16	SI	SI
9/17	SI	SI
9/18	SI	SI
9/19	SI	SI
9/20	SI	SI
9/21	SI	SI
9/22	SI	SI
9/23	SI	SI
9/24	SI	SI
9/25	SI	SI

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

January 22, 1990

HAND-DELIVERED

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

RECEIVED

JAN 22 1990

OIL CONSERVATION DIV.
SANTA FE

9854
case
MS.

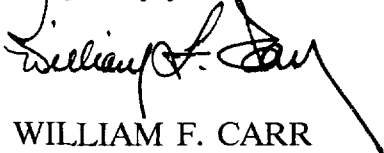
Re: In the Matter of the Application of Stevens Operating Corporation for Pool
Creation and Special Pool Rules, Chaves County, New Mexico

Dear Mr. LeMay:

I would appreciate the Division continuing the above-referenced hearing from the January
24, 1990 Examiner docket to the February 7, 1990 Examiner docket.

Your assistance in this matter is appreciated.

Very truly yours,


WILLIAM F. CARR

WFC:mlh

cc: Mr. Don Stevens