

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

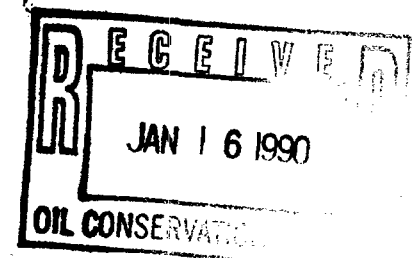
January 16, 1990

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047



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

Re: Application of TXO Production Corp.
for Compulsory Pooling, Eddy County,
New Mexico

9861

Dear Mr. LeMay:

On behalf of TXO Production Corp. please find enclosed our Application for Compulsory Pooling which we would request be set for hearing on the next available Examiner's docket now scheduled for February 7, 1990.

By copy of this letter to all parties to be pooled we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application. In addition, they are advised that the entry of a Compulsory Pooling Order will affect their rights to share in the production from the subject well.

Very truly yours,

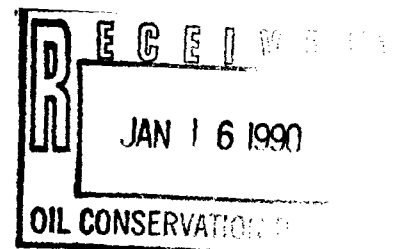
A handwritten signature in dark ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Thomas Kellahin

WTK/tic
Encl.

xc: Mr. Richard Coats
TXO Production Corp.
900 Wilco Building
Midland, Texas 79701

Certified Mail Return-Receipt
ARCO Oil and Gas Company
P.O. Box 1610
Midland, Texas 79702
Attn: Tim Dergio



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
TXO PRODUCTION CORP. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9861

A P P L I C A T I O N

COMES NOW, TXO PRODUCTION CORP, by and through its attorneys, KELLAHIN, KELLAHIN & AUBREY, and in accordance with Section 70-2-17(c) N.M.S.A. (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interest as follows: From the top of Wolfcamp Formation to base of the Pennsylvanian Formation, underlying the N/2 of Section 16, T18S, R31E, Eddy County, New Mexico, including, but not limited to the North Shugart Morrow Gas Pool, and the North Shugart Atoka Gas Pool, said unit being approximately 7.5 miles Southeast of Loco Hills, New Mexico, and in support thereof would show:

1. All the working interest owners in Section 16, T18S, R31E have reached a voluntary agreement for this well except as follows:

(1) ARCO Oil and Gas Company
P.O. Box 1610
Midland, Texas 79702
Attn: Tim Dergio
NE/4NE/4

40 acres

2. Applicant desires to be designated operator for a well to be drilled at standard location in NW/4 of Section 16.

3. Applicant has sought a voluntary agreement with all the working interest owners for the formation of appropriate spacing and proration unit for the drilling of the subject well, but has been unable to obtain a voluntary agreement from ARCO.

4. Pursuant to the Division notice requirements, Applicant has notified ARCO of this Application for compulsory pooling and the Applicant's request for a hearing before the Division to be set on February 7, 1990.


5. In order to obtain its just and equitable share of the potential production underlying the above tract, Applicant needs an order pooling the mineral interest involved in order to protect Applicant's correlative rights and prevent waste.

WHEREFORE, Applicant prays that this Application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving the pooling of the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for it to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision,

and a risk factor in an amount to be determined at the hearing for the drilling and completing of the well and for such other and further relief as may be proper.

Respectfully submitted

By:


W. Thomas Kellahin

KELLAHIN, KELLAHIN & AUBREY
Post Office Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

[illegible]

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TXO Production Corp.
Shogart State Com with No. 1
714 PSE - 2082 PSE
Good! 12/25/78
March Shogart Success Comptific
w/2 modifications
ended 12/11/83 changed to 5/2

Pool North Shugart - Atoka Gas

Range 31 East

NMPM

A 6x6 grid with numbers 1 through 36. The numbers are arranged in a boustrophedon pattern, starting from the top right (1) and ending at the bottom left (36). A path of 10 squares is highlighted with a thick black border. The path starts at square 20, goes down to 19, then right to 21, then down to 28, and finally right to 26.

Description: E/2 Sec 20(R-5609, 1-1-78)

Ext: $\frac{w}{2}$ Sec 21 (R-5838, 11-1-78) Ext: $\frac{w}{2}$ Sec. 20 (R-6211, 12-31-79)

Ext: $\frac{1}{2}$ Sec. 26, $\frac{1}{2}$ Sec. 27, $\frac{1}{2}$ Sec. 28 (R-7158, 12-8-82)