

T 18 S

R-36-E

● AMOCO ST. IV

● HANAGAN PET. SUPERIOR ST.

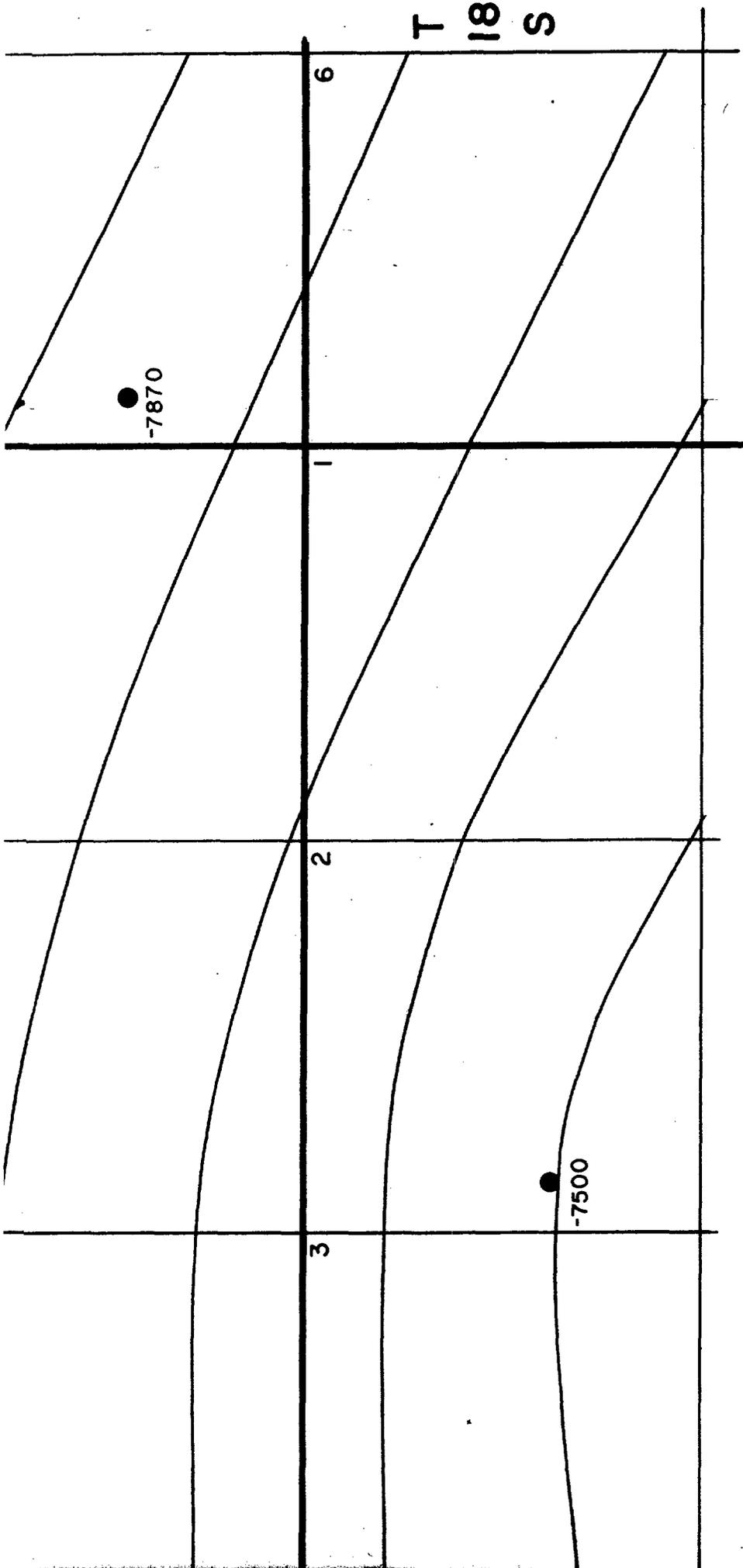
PHILLIPS PETROLEUM COMPANY

N. VACUUM-S. SHOE BAR FIELDS T-17-S, R-35-E LEA COUNTY, NEW MEXICO

See map in large exhibit. See Case 4351

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 4351/22 Exhibit No. 1
Submitted By: Phillips Petroleum Co.
Hearing Date: 7-14-88

oper formations



R-36-E

PHILLIPS PETROLEUM COMPANY
N. VACUUM - S. SHOE BAR FIELDS
 T-17-S, R-35-E LEA COUNTY, NEW MEXICO

*See map of land
 granted. See
 Case 4931*

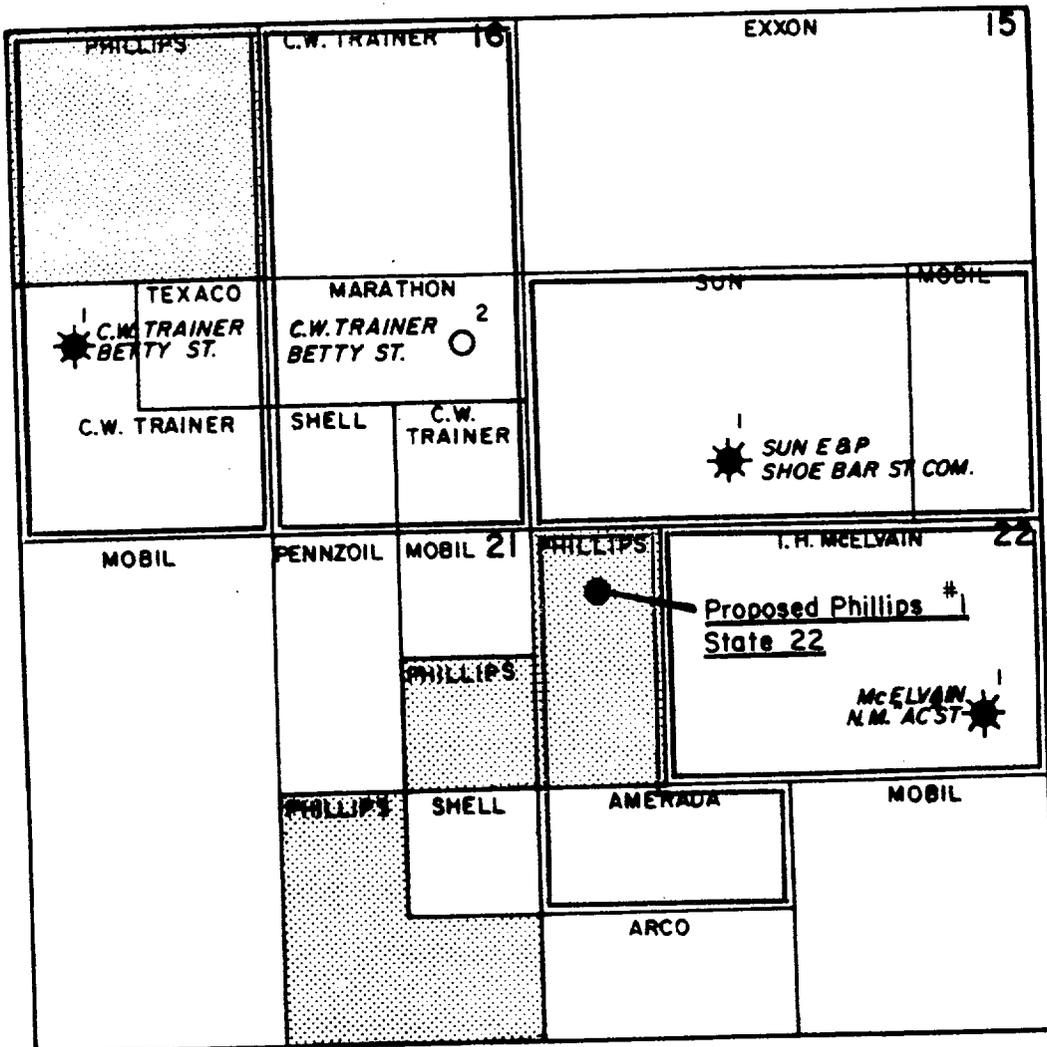
Structure on top of the Morrow Lime
 CI: 100' Scale 1" = 2000'

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 933 Exhibit No. 2
 Submitted By: Phillips Petroleum Co.
 Hearing Date: 7-14-88

or deeper formations

-E

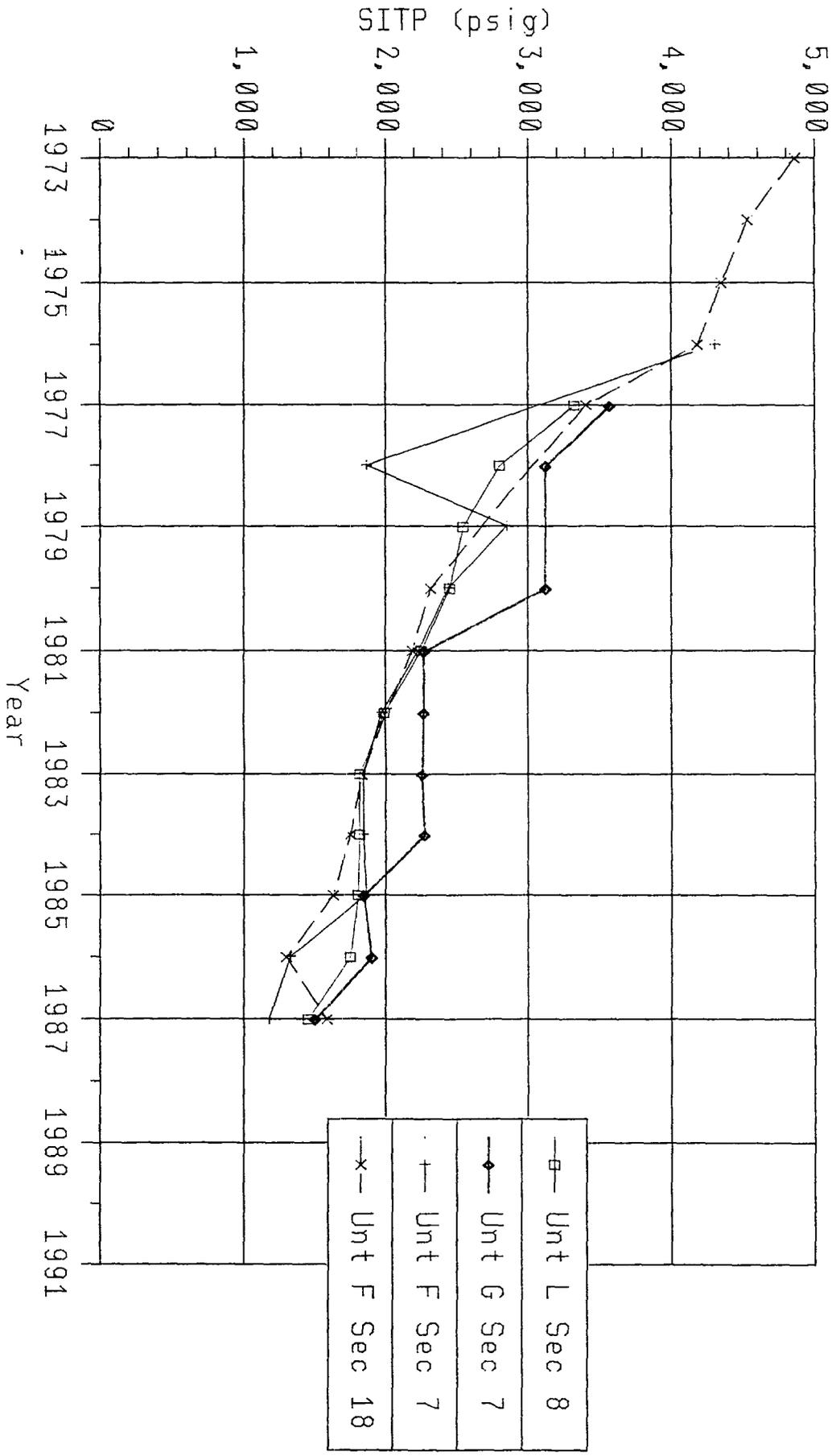
Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 73317421 Exhibit No. 5
 Submitted By: Ph. II, p. 1/110
 Hearing Date: 7/14/54



PHILLIPS PETROLEUM COMPANY
 N.VACUUM-S.SHOE BAR FIELDS
 T17S, R35E LEA CO., NEW MEXICO

Vacuum Atoka Morrow, North (Gas) Pool
 Shut-In Tubing Pressure
 Lea County, New Mexico

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 7531/8222 Exhibit No. 6
 Submitted by: PA. Williams, RMC
 Hearing Date: 7/24/88



SHUT-IN TUBING PRESSURE AND CUMULATIVE PRODUCTION DATA
 VACUUM ATOKA MORROW, NORTH (GAS) POOL
 LEA COUNTY, NEW MEXICO

Well	Year	Shut-in Tubing Pressure (psig)	Cumulative Production (Mcf)
Texaco Producing Co.			
New Mexico DK State Com No. 1	1973	4856	780,057
Unit F, Sec 18-17S-35E	1974	4525	2,558,940
	1975	4340	4,158,463
	1976	4175	4,439,113
	1977	3400	5,480,634
	1978	3025	6,359,723
	1979		7,172,513
	1980	2310	7,854,336
	1981	2181	8,372,793
	1982	1997	8,891,264
	1983	1825	9,289,400
	1984	1744	9,596,507
	1985	1623	9,852,766
	1986	1291	9,933,689
	1987	1577	10,037,174
Mobil Producing Texas and NM			
State UU Com No. 1	1976	4300	1,833,222
Unit F, Sec 7-17S-35E	1977		4,578,064
	1978	1865	6,615,475
	1979	2850	8,050,461
	1980	2440	9,345,625
	1981	2230	10,071,646
	1982	1970	11,320,943
	1983	1841	12,165,409
	1984	1841	12,598,917
	1985	1863	13,078,211
	1986	1325	13,187,135
	1987	1175	13,439,193

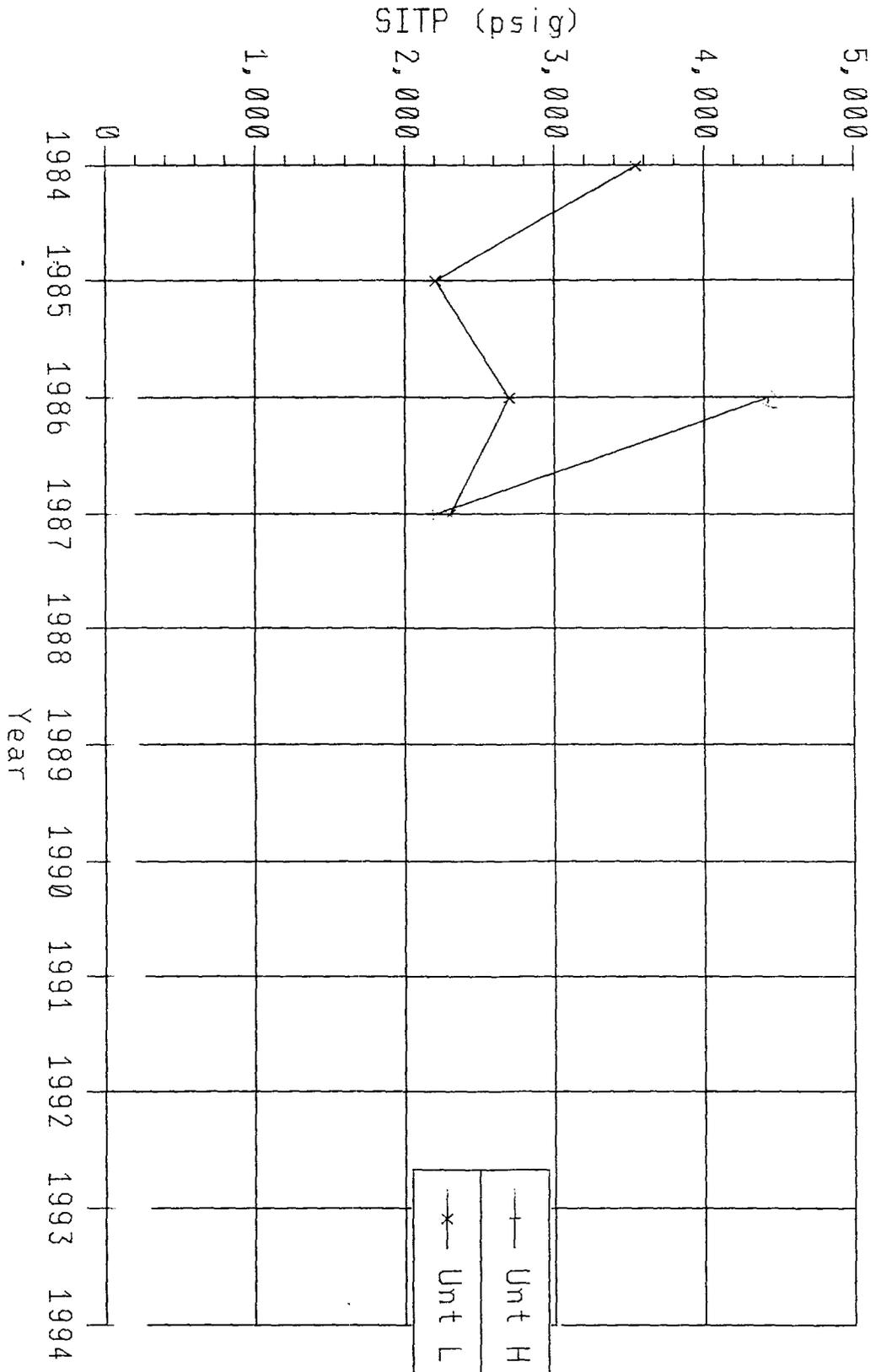
Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 9331/7422 Exhibit No. 7
 Submitted By: Phillips
 Hearing Date: 5/14/55

SHUT-IN TUBING PRESSURE AND CUMULATIVE PRODUCTION DATA
 VACUUM ATOKA MORROW, NORTH (GAS) POOL (Cont.)
 LEA COUNTY, NEW MEXICO

Well -----	Year ----	Shut-in Tubing Pressure (psig) -----	Cumulative Production (Mcf) -----
Marathon Oil Company			
State Sec 7 Com No. 1	1976		196,123
Unit G, Sec 7-17S-35E	1977	3577	2,610,095
	1978	3128	4,935,570
	1979		6,865,099
	1980	3128	8,923,113
	1981	2275	9,947,865
	1982	2275	12,017,793
	1983	2260	13,826,138
	1984	2280	15,128,754
	1985	1852	16,427,688
	1986	1909	16,724,978
	1987	1505	17,706,931
Mobil Producing Texas and NM			
State NN Com No. 1	1976		158,686
Unit L, Sec 8-17S-35E	1977	3322	1,715,435
	1978	2800	3,296,719
	1979	2544	4,672,249
	1980	2450	6,024,186
	1981	2250	7,122,853
	1982	1990	8,132,853
	1983	1815	8,915,371
	1984	1815	9,503,472
	1985	1805	10,055,079
	1986	1750	10,229,579
	1987	1450	10,419,969
Shell Western E & P Inc.			
State VI No. 1	1984	Exempt	716,782
Unit P, Sec 1-17S-34E	1985	Exempt	1,574,614
	1986	Exempt	2,031,284
	1987	Exempt	2,674,182

Shoe Bar Atoka, South (Gas) Pool
 Shut-In Tubing Pressure
 Lea County, New Mexico

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 237/5729 Exhibit No. 2
 Submitted By: Phillips Petroleum
 Hearing Date: 7/14/88



—+—	Unt H Sec 22
—*—	Unt L Sec 14

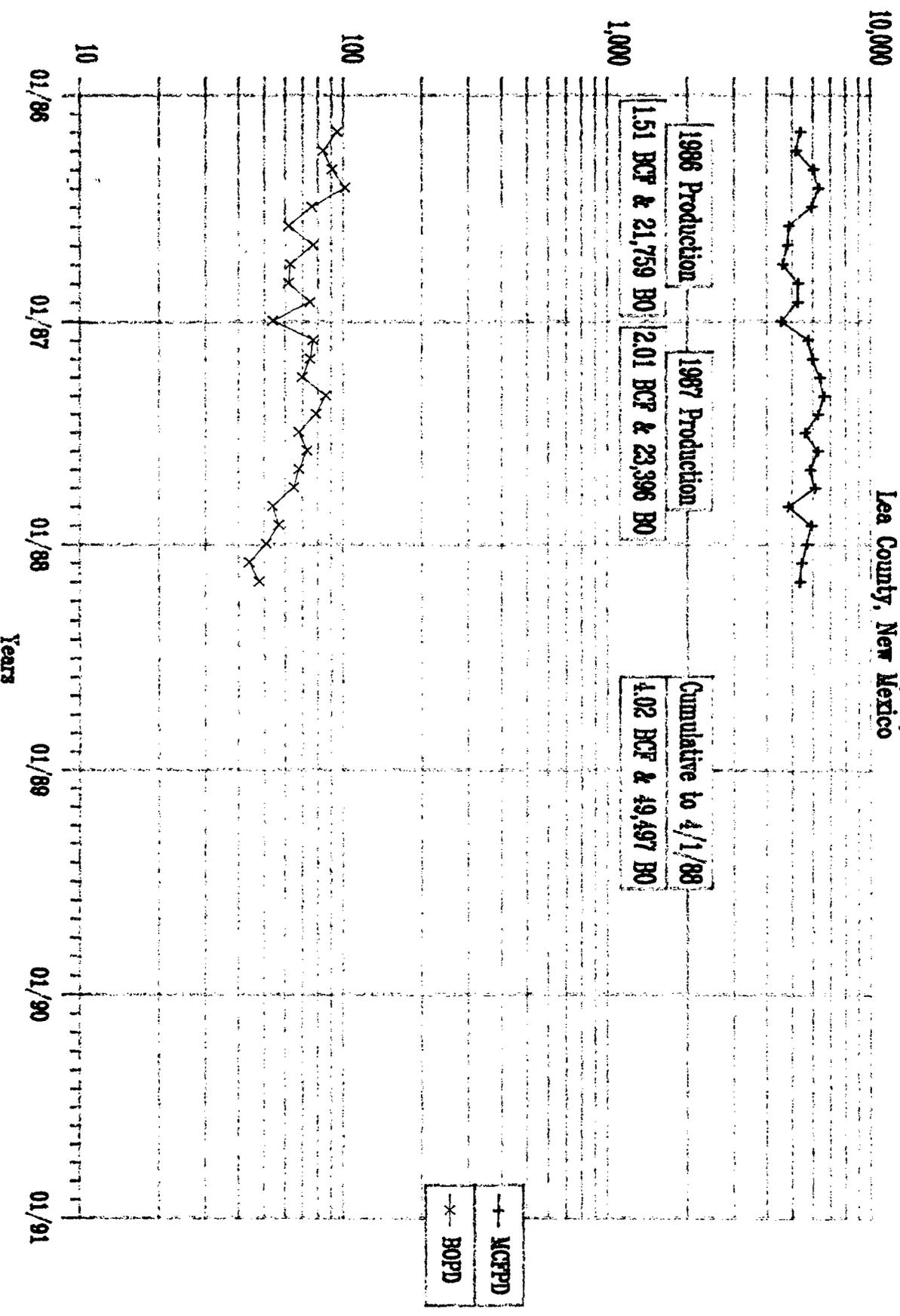
SHUT-IN TUBING PRESSURE AND CUMULATIVE PRODUCTION DATA
 SHOE BAR ATOKA, SOUTH (GAS) POOL
 LEA COUNTY, NEW MEXICO

Well	Year	Shut-in Tubing Pressure (psig)	Cumulative Production (Mcf)
Enron Oil & Gas Co.			
Shoe Bar 14 State Com No. 1	1984	3543	14,885
Unit L, Sec 14-17S-35E	1985	2204	123,988
	1986	2700	195,775
	1987	2300	277,013
T. H. McElvain Oil & Gas Properties			
New Mexico AC State No. 1	1986	4430	1,509,188
Unit H, Sec 22-17S-35E	1987	2190	3,514,563

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 9331/9429 Exhibit No. 9
 Submitted By: Phillips Tator
 Hearing Date: 7/17/85

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 937/EEZT Exhibit No. 10
 Submitted By: Palmas, Pina
 Hearing Date: 7/14/52

T. H. McElvain - New Mexico AC State No. 1
 South Shoe Bar Aloka (Gas) Pool
 Lea County, New Mexico



T. H. McElvain - New Mexico AC State No. 1
 South Shoe Bar Atoka (Gas) Pool
 Lea County, New Mexico

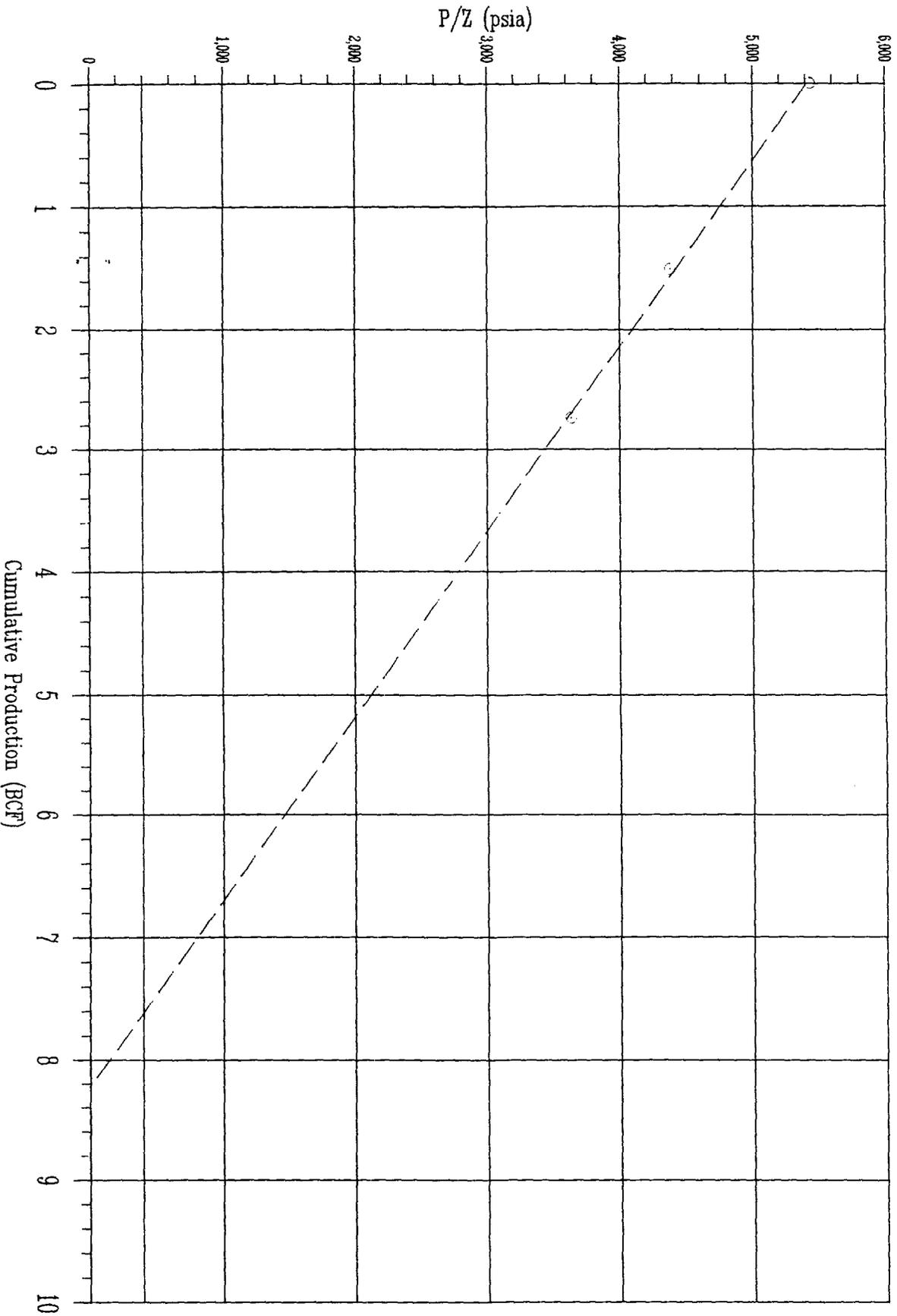
Production History

Year	Month	Condensate (Bbls)		Gas (Mcf)		
		Monthly	Cumulative	Monthly	Cumulative	
1986	3	1,419		81,195		
	4	2,517		156,094		
	5	2,833		188,224		
	6	3,048		190,465		
	7	2,347		185,117		
	8	1,544		122,275		
	9	2,153		135,272		
	10	1,938		143,491		
	11	1,873		159,183		
	12	2,087	21,759	147,872	1,509,188	
	1987	1	1,135		96,008	
		2	2,163		162,260	
3		2,322		186,833		
4		2,089		193,134	6035'D	
5		1,806		139,799		
6		2,380		190,080		
7		2,112		174,579		
8		2,203		189,086		
9		1,779		152,859		
10		2,018		190,622		
11		1,627		145,823		
12		1,762	45,155	184,292	3,514,563	
1988	1	1,592		177,406		
	2	1,266		158,506		
	3	1,484	49,497	166,815	4,017,290	

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 721 (7/29) Exhibit No. 11
 Submitted By: Phillipe Pitou
 Hearing Date: 7/14/88

T. H. McElvain New Mexico AC State No. 1
Lea County, New Mexico

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 733/1982 Exhibit No. 12
Submitted By: Phillip Price
Hearing Date: 2/17/85



SHUT-IN PRESSURE DATA
 NORTH VACUUM ATOKA MORROW (GAS) AND SOUTH SHOE BAR
 ATOKA (GAS) POOLS, LEA COUNTY, NEW MEXICO

WELL	SHUT-IN TUBING PRESSURES (PSIA)		
	1985	1986	1987
TEXACO INCORPORATED STATE DK NO. 1 UNIT F, SEC 18-17S-35E	1636	1304	1590
MARATHON OIL COMPANY STATE 17 COM NO. 1 UNIT F, SEC 17-17S-35E	--	--	1672*
C.W. TRAINER BETTY STATE NO. 1 UNIT L, SEC 16-17S-35E	--	--	1585*
SUN EXPLORATION & PRODUCTION SHOE BAR STATE COM NO. 1 UNIT N, SEC 15-17S-35E	--	--	approx 1910*
T.H. McELVAIN OIL & GAS NEW MEXICO AC STATE NO. 1 UNIT H, SEC 22-17S-35E	--	4443*	2203

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 25319729 Exhibit No. 13
 Submitted By: Phillips Petroleum
 Hearing Date: 7/11/88

*PRESSURE UPON INITIAL COMPLETION

APPENDIX

STATUTES RELATING TO
REGULATION OF OIL AND GAS

70-2-1. Short title.

Sections 70-2-1 through 70-2-36 NMSA 1978 may be cited as the "Oil and Gas Act."

70-2-2. Waste prohibited.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

70-2-3. Waste; definitions.

As used in this act the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas;

B. "surface waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand;

C. the production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products;

D. the nonratable purchase or taking of crude petroleum oil in this state. Such nonratable taking and purchasing causes or results in waste, as defined in the Subsections A, B, C of this section and causes waste by violating Section 12(a) [70-2-16 A NMSA 1978] of this act;

E. the production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be

fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

70-2-18. Spacing or proration unit with divided mineral ownership.

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

70-2-19. Common purchasers; discrimination in purchasing prohibited.

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines shall be a common purchaser thereof and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided, however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others, and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of the Oil and Gas Act [70-2-1 to 70-2-36 NMSA 1978] that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of the Oil and Gas Act; and it shall have the power, after notice and hearing as provided in Section 70-2-23 NMSA 1978, to make rules, regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds, as to such extension, that it is reasonably required and economically justified or, as to such extension of facilities, that the expenditures involved therein and the expense incident thereto are justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of the Oil and Gas Act, and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hearing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells or casing-head gas produced from oil wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells or casing-head gas produced from oil wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells or casing-head gas produced from oil wells in which he has an interest, direct or indirect, as against other production from gas wells or casing-head gas produced from oil wells in the same pool. For the purposes of the Oil and Gas Act, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of the Oil and Gas Act or of the rules, regulations or orders of the division; or

(2) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells or casing-head gas produced from oil wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division consistent with the Oil and Gas Act. The division, in promulgating such rules, regulations and orders, may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9351/7422 Exhibit No. 15
Submitted By: Phillips Petrol
Hearing Date: 7/14/88

CASE No. 3750
Order No. R-3418

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 24, 1968,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 29th day of May, 1968, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Pan American Petroleum Corporation,
seeks authority to drill its State "AZ" Well No. 4 at an unortho-
dox gas well location in the West Ranger Lake-Devonian Gas Pool
990 feet from the North line and 990 feet from the East line of
Section 34, Township 12 South, Range 34 East, NMPM, Lea County,
New Mexico, to be dedicated to a standard unit comprising the
E/2 of said Section 34.

(3) That a standard location for the subject well would
require the well to be located not closer than 660 feet to the
nearest side boundary of the dedicated tract nor closer than 1980
feet to the nearest end boundary nor closer than 330 feet to any
quarter-quarter section or subdivision inner boundary.

(4) That the evidence indicates that the subject pool is an
active water-drive reservoir.

CASE No. 3750
Order No. R-3418

(5) That the evidence indicates that a well located up-structure at the proposed non-standard location in said Section 34 should recover more gas than a well located at a standard location.

(6) That the correlative rights of some offset operators will be impaired if the entire E/2 of said Section 34 is dedicated to the subject well.

(7) That to offset the advantage to be gained over offset operators by the drilling of a well at the proposed non-standard location, the acreage to be dedicated to the subject well should be reduced by 18.75 percent.

(8) That approval of the proposed unorthodox location will not violate correlative rights and will afford the applicant the opportunity to produce its just and equitable share of the gas in the West Ranger Lake-Devonian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste, provided no more than 260 acres is dedicated to the subject well.

IT IS THEREFORE ORDERED:

(1) That the applicant, Pan American Petroleum Corporation, is hereby authorized to drill its State "AZ" Well No. 4 at an unorthodox gas well location in the West Ranger Lake-Devonian Gas Pool 990 feet from the North line and 990 feet from the East line of Section 34, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico;

PROVIDED HOWEVER, that no more than 260 acres shall be dedicated to said well, being the NE/4, N/2 SE/4, and the N/2 N/2 S/2 SE/4 of said Section 34.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

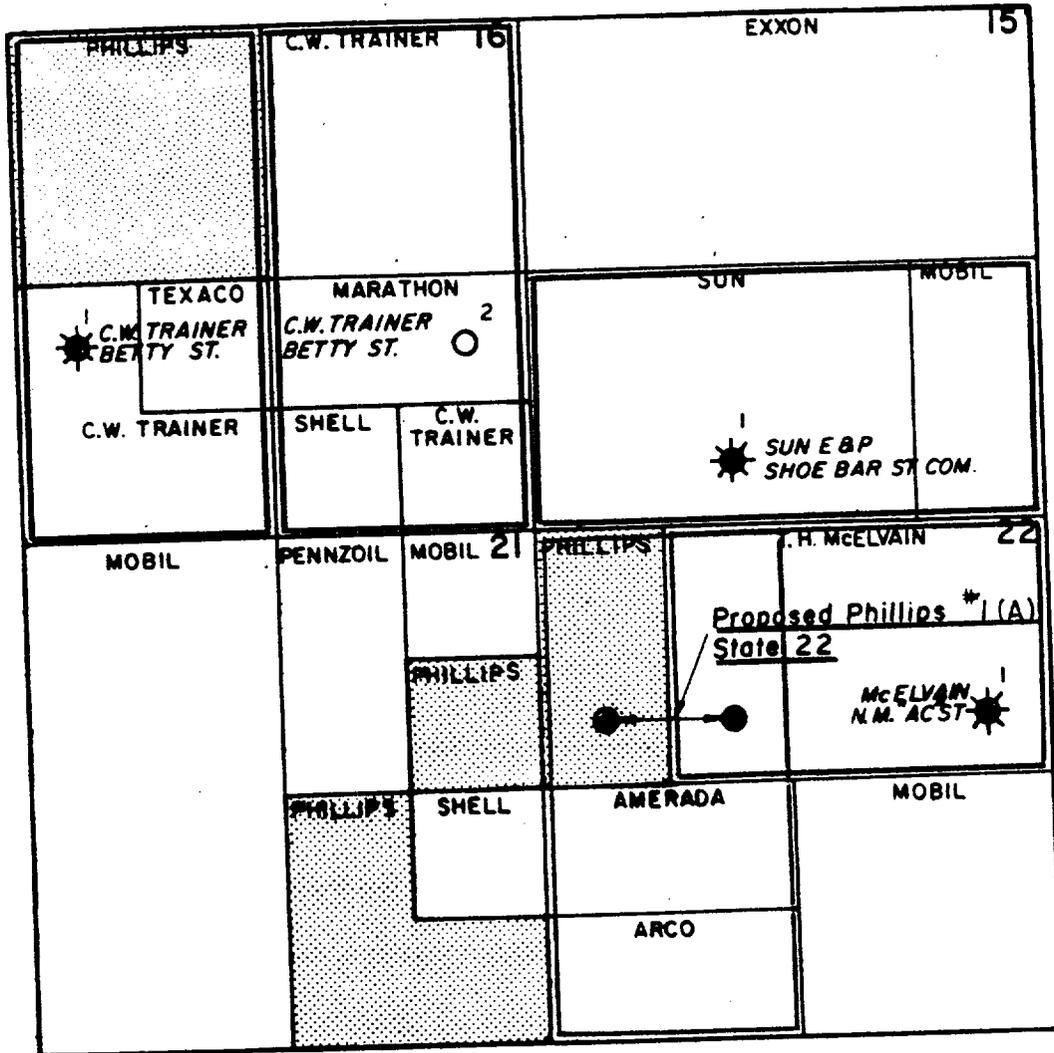
S E A L

GUYTON B. HAYS, Member

esr/

A. L. PORTER, Jr., Member & Secretary

Before the
OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 9331/9422 Exhibit No. 16
 Submitted By: Phill. 122 MTR
 Hearing Date: 7/17/53



PHILLIPS PETROLEUM COMPANY
N.VACUUM-S. SHOE BAR FIELDS
T17S, R35E LEA CO., NEW MEXICO



NORTH AMERICA E&P

COST ESTIMATE

A. F. E. No. _____

Location: State-22 Well No. 1 (A), Unit E or F, Section 22,
T17S, R35E, Lea County, New Mexico

Date June 19 88

Description of Job:
Drill a 12,650' Morrow gas well and equip to flow.

UNIT	CLASS	ITEM	DESCRIPTION	QTY.	UNIT PRICE	TOTAL
			TANGIBLES:			
			Wellhead			\$ 25,000
			Casing: 20"	40'		2,800
			13-3/8" 48# H-40	300'		6,600
			8-5/8" 24# & 32# K-55	4900'		57,670
			5-1/2" 17# N-80 & K-55'	12650'		104,225
			Tubing 2-7/8"	12100'		52,000
			Misc. Connections			2,100
			TOTAL TANGIBLES			\$250,395
			INTANGIBLES:			
			Drill Well: Footage	12650'	\$16.50	\$208,725
			Daywork			15,000
			Cement & Services			45,000
			Pipe Inspection			10,000
			Casing Equipment			15,000
			Casing Crews			12,000
			Logs			23,500
			Perforations			10,000
			Stimulation			10,000
			Mud & Chemical			18,000
			Location & Roads			20,000
			Damages			1,000
			Welding			1,500
			Misc. Rental Tools			15,000
			Packer & Wireline Services			10,000
			Well Service & Crew			15,000
			Trucking			10,000
			Transports			15,000
			Dirt Work			5,000
			Roustabout Labor			3,500
			Misc.			19,580
			PPCo. Supervision			3,500
			Vehicles			1,000
			Payroll Benefits			1,300
			District Expense			4,000
			TOTAL INTANGIBLES			\$492,605
TOTAL						\$743,000

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 23-15427 Exhibit No. 17
 Submitted By: Phillips 66
 Hearing Date: 7/14/88

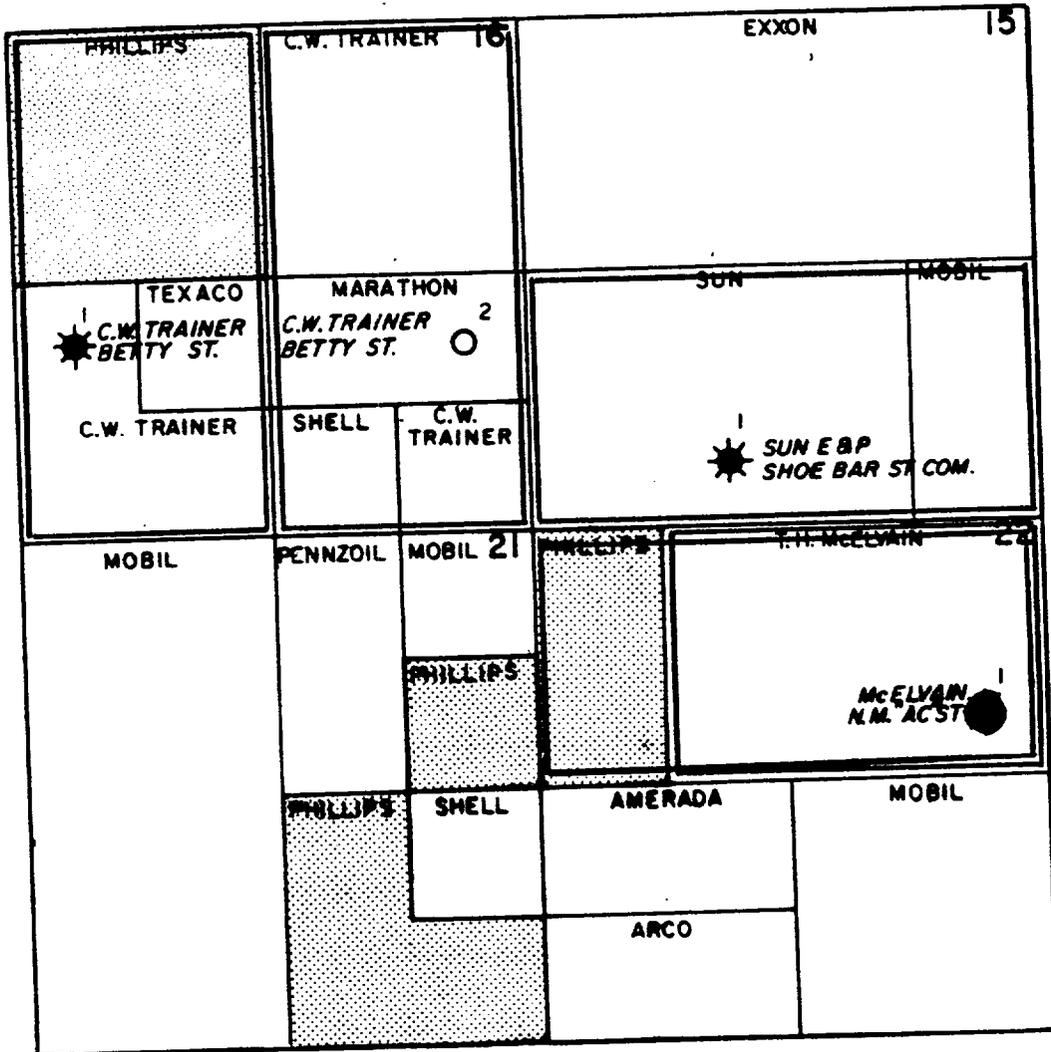
REQUESTED BY W. B. Berry

APPROVED _____

ESTIMATE GRADE _____ BY R. D. Standifer

CHECKED BY A. C. Sewell

Before the
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico
 Case No. 733/512 Exhibit No. 18
 Submitted By: Phillips Petroleum
 Hearing Date: 7/14/57



PHILLIPS PETROLEUM COMPANY
 N.VACUUM-S.SHOE BAR FIELDS
 T17S, R35E LEA CO., NEW MEXICO

June 8, 1988

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Amerada Hess Corporation
Attn: Mr. P. E. Bacon
1201 Louisiana, Ste. 700
Houston, Texas 77002-5681

Re: Lessees/Operators Meeting
Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

We request your attendance at a meeting of the Lessees/Operators owning leasehold operating rights and/or producing properties within Section 22, T-17S, R-35E, Lea County, New Mexico. Phillips Petroleum Company will be pleased to provide a conference room at its office at 4001 E. 42nd Street, Odessa, Texas, for this purpose. We suggest Wednesday, June 15, 1988, at 10:00 A.M. as a proposed meeting date.

The following is provided as background information:

1. T. H. McElvain Oil & Gas Properties operates an Atoka/Morrow gas well located 1980' FNL and 660' FEL Section 22, T-17S, R-35E, Lea County, New Mexico, identified as the New Mexico State "AC" #1. Both the unorthodox location and non-standard proration unit were approved by then NMOC Director R. L. Stamets on October 4, 1985. The well in question has 240 acres for proration purposes, being the NE/4 and E/2 NW/4 Section 22.
2. Phillips proposed to drill a well at an unorthodox location 660' FNL and 660' FWL Section 22, on a proration unit encompassing the W/2 NW/4 and SW/4 Section 22. Subsequent conversations revealed that Mobil had also proposed a well which would include all of the S/2 Section 22 in a standard proration unit. At such point, Phillips retracted its proposal to Arco and pursued a non-standard proration unit of either the W/2 NW/4 or W/2 NW/4 and N/2 SW/4 Section 22. It was expected that acreage leased by Amerada Hess would be farmed out to Phillips. Thus, at hearing No. 9331, Phillips requested approval of a non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9331/9429 Exhibit No. 19
Submitted By: Phillips
Hearing Date: 7/14/88

3. The application by Phillips Petroleum Company for an unorthodox gas well location and a non-standard proration unit was denied by Order No. R-8644 on April 27, 1988.

We believe it important to meet to discuss the options available. There are several commercial, engineering, legal, geological and land concerns affecting all parties.

While the following is not representative of a complete list of options, it does reflect several possibilities we believe should be discussed.

- A. Realignment of the acreage dedication for the "AC" State #1 well to exclude the E/2 NW/4 and include the SE/4 Section 22. If this option were pursued Mobil would be included in the "AC" State #1 in some fashion. Additionally, acreage would be "freed up" to allow for the drilling of an additional well in the W/2 Section 22.
- B. Realignment of the acreage dedication for the "AC" State #1 to include the W/2 NW/4 Section 22. This option would include Phillips' acreage in some fashion. This option would allow the S/2 Section 22 to be dedicated to an additional well.
- C. Pursuit of some configuration of acreage which results in three wells in Section 22.

Realistically, it is doubtful that any permutation of Option C will be looked upon favorably by the Commission. This will require that we be inventive in our approach.

Phillips Petroleum Company has requested a De Novo hearing before the Commission in Case No. 9331. The date for this hearing is expected to be July 14, 1988. At the same time we will request a force pooling hearing for the W/2 of Section 22 and the N/2 of Section 22 so that the Commission will have before it all possibilities which could affect Phillips so that a final decision can be reached.

Thank you in advance for your cooperation and kind assistance. Should you have any questions, comments or scheduling difficulties, please feel free to contact the undersigned at (915) 367-1371.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulse, III
Senior Landman



NORTH AMERICA E&P

COST ESTIMATE

A. F. E. No. _____

Location: State-22 Well No. 1 (A), Unit E or F, Section 22,
17S. R35E. Lea County, New Mexico

Date June 19 88

Description of Job:
Drill a 12,650' Morrow gas well and equip to flow.

INIT	CLASS	ITEM	DESCRIPTION	QTY.	UNIT PRICE	TOTAL
			TANGIBLES:			
			Wellhead			\$ 25,000
			Casing: 20"	40'		2,800
			13-3/8" 18# H-40	300'		6,600
			8-5/8" 24# & 32# K-55	4900'		57,670
			5-1/2" 17# N-80 & K-55	12650'		104,225
			Tubing 2-7/8"	12100'		52,000
			Misc. Connections			2,100
			TOTAL TANGIBLES			\$250,395
			INTANGIBLES:			
			Drill Well: Footage	12650'	\$16.50	\$208,725
			Daywork			15,000
			Cement & Services			45,000
			Pipe Inspection			10,000
			Casing Equipment			15,000
			Casing Crews			12,000
			Logs			23,500
			Perforations			10,000
			Stimulation			10,000
			Mud & Chemical			18,000
			Location & Roads			20,000
			Damages			1,000
			Welding			1,500
			Misc. Rental Tools			15,000
			Packer & Wireline Services			10,000
			Well Service & Crew			15,000
			Trucking			10,000
			Transports			15,000
			Dirt Work			5,000
			Roustabout Labor			3,500
			Misc.			19,580
			PPCo. Supervision			3,500
			Vehicles			1,000
			Payroll Benefits			1,300
			District Expense			4,000
			TOTAL INTANGIBLES			\$492,605
					TOTAL	\$743,000

REQUESTED BY W. B. Berry
ESTIMATE GRADE BY R. D. Standifer
CHECKED BY A. C. Sewell

APPROVED _____

June 8, 1988

Mobil Exploration & Producing U.S. Inc.
Attn: Mr. R. G. McCann
P. O. Box 633
Midland, Texas 79702

Re: Lessees/Operators Meeting
Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

We request your attendance at a meeting of the Lessees/Operators owning leasehold operating rights and/or producing properties within Section 22, T-17S, R-35E, Lea County, New Mexico. Phillips Petroleum Company will be pleased to provide a conference room at its office at 4001 E. 42nd Street, Odessa, Texas, for this purpose. We suggest Wednesday, June 15, 1988, at 10:00 A.M. as a proposed meeting date.

The following is provided as background information:

1. T. H. McElvain Oil & Gas Properties operates an Atoka/Morrow gas well located 1980' FNL and 660' FEL Section 22, T-17S, R-35E, Lea County, New Mexico, identified as the New Mexico State "AC" #1. Both the unorthodox location and non-standard proration unit were approved by then NMOCD Director R. L. Stamets on October 4, 1985. The well in question has 240 acres for proration purposes, being the NE/4 and E/2 NW/4 Section 22.
2. Phillips proposed to drill a well at an unorthodox location 660' FNL and 660' FWL Section 22, on a proration unit encompassing the W/2 NW/4 and SW/4 Section 22. Subsequent conversations revealed that Mobil had also proposed a well which would include all of the S/2 Section 22 in a standard proration unit. At such point, Phillips retracted its proposal to Arco and pursued a non-standard proration unit of either the W/2 NW/4 or W/2 NW/4 and N/2 SW/4 Section 22. It was expected that acreage leased by Amerada Hess would be farmed out to Phillips. Thus, at hearing No. 9331, Phillips requested approval of a non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9331/9429 Hearing No. 20
Submitted by: Phillips
Hearing Date: 7/14/88

3. The application by Phillips Petroleum Company for an unorthodox gas well location and a non-standard proration unit was denied by Order No. R-8644 on April 27, 1988.

We believe it important to meet to discuss the options available. There are several commercial, engineering, legal, geological and land concerns affecting all parties.

While the following is not representative of a complete list of options, it does reflect several possibilities we believe should be discussed.

- A. Realignment of the acreage dedication for the "AC" State #1 well to exclude the E/2 NW/4 and include the SE/4 Section 22. If this option were pursued Mobil would be included in the "AC" State #1 in some fashion. Additionally, acreage would be "freed up" to allow for the drilling of an additional well in the W/2 Section 22.
- B. Realignment of the acreage dedication for the "AC" State #1 to include the W/2 NW/4 Section 22. This option would include Phillips' acreage in some fashion. This option would allow the S/2 Section 22 to be dedicated to an additional well.
- C. Pursuit of some configuration of acreage which results in three wells in Section 22.

Realistically, it is doubtful that any permutation of Option C will be looked upon favorably by the Commission. This will require that we be inventive in our approach.

Phillips Petroleum Company has requested a De Novo hearing before the Commission in Case No. 9331. The date for this hearing is expected to be July 14, 1988. At the same time we will request a force pooling hearing for the W/2 of Section 22 and the N/2 of Section 22 so that the Commission will have before it all possibilities which could affect Phillips so that a final decision can be reached.

Thank you in advance for your cooperation and kind assistance. Should you have any questions, comments or scheduling difficulties, please feel free to contact the undersigned at (915) 367-1371.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulse, III
Senior Landman



NORTH AMERICA E&P

COST ESTIMATE

A. F. E. No. _____

Location: State-22 Well No. 1 (A), Unit E or F, Section 22,
T7S, R35E, Lea County, New Mexico

Date June 19 88

Description of Job:
Drill a 12,650' Morrow gas well and equip to flow.

NIT	CLASS	ITEM	DESCRIPTION	QTY.	UNIT PRICE	TOTAL
			TANGIBLES:			
			Wellhead			\$ 25,000
			Casing: 20"	40'		2,800
			13-3/8" 48# H-40	300'		6,600
			8-5/8" 24# & 32# K-55	4900'		57,670
			5-1/2" 17# N-80 & K-55	12650'		104,225
			Tubing 2-7/8"	12100'		52,000
			Misc. Connections			2,100
			TOTAL TANGIBLES			\$250,395
			INTANGIBLES:			
			Drill Well: Footage	12650'	\$16.50	\$208,725
			Daywork			15,000
			Cement & Services			45,000
			Pipe Inspection			10,000
			Casing Equipment			15,000
			Casing Crews			12,000
			Logs			23,500
			Perforations			10,000
			Stimulation			10,000
			Mud & Chemical			18,000
			Location & Roads			20,000
			Damages			1,000
			Welding			1,500
			Misc. Rental Tools			15,000
			Packer & Wireline Services			10,000
			Well Service & Crew			15,000
			Trucking			10,000
			Transports			15,000
			Dirt Work			5,000
			Roustabout Labor			3,500
			Misc.			19,580
			PPCo. Supervision			3,500
			Vehicles			1,000
			Payroll Benefits			1,300
			District Expense			4,000
			TOTAL INTANGIBLES			\$492,605
TOTAL						\$743,000

REQUESTED BY W. B. Berry

APPROVED _____

ESTIMATE GRADE BY R. D. Standifer

CHECKED BY A. C. Sewell

June 8, 1988

ARCO Oil & Gas Company
Attn: Mr. R. G. Alletag
P. O. Box 1610
Midland, Texas 79702

Re: Lessees/Operators Meeting
Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

We request your attendance at a meeting of the Lessees/Operators owning leasehold operating rights and/or producing properties within Section 22, T-17S, R-35E, Lea County, New Mexico. Phillips Petroleum Company will be pleased to provide a conference room at its office at 4001 E. 42nd Street, Odessa, Texas, for this purpose. We suggest Wednesday, June 15, 1988, at 10:00 A.M. as a proposed meeting date.

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2. Phillips proposed to drill a well at an unorthodox location 660' FNL and 660' FWL Section 22, on a proration unit encompassing the W/2 NW/4 and SW/4 Section 22. Subsequent conversations revealed that Mobil had also proposed a well which would include all of the S/2 Section 22 in a standard proration unit. At such point, Phillips retracted its proposal to Arco and pursued a non-standard proration unit of either the W/2 NW/4 or W/2 NW/4 and N/2 SW/4 Section 22. It was expected that acreage leased by Amerada Hess would be farmed out to Phillips. Thus, at hearing No. 9331, Phillips requested approval of a non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22.

9331/9429 Phillips 21
7/19/88

3. The application by Phillips Petroleum Company for an unorthodox gas well location and a non-standard proration unit was denied by Order No. R-8644 on April 27, 1988.

We believe it important to meet to discuss the options available. There are several commercial, engineering, legal, geological and land concerns affecting all parties.

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- B. Realignment of the acreage dedication for the "AC" State #1 to include the W/2 NW/4 Section 22. This option would include Phillips' acreage in some fashion. This option would allow the S/2 Section 22 to be dedicated to an additional well.
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Realistically, it is doubtful that any permutation of Option C will be looked upon favorably by the Commission. This will require that we be inventive in our approach.

Phillips Petroleum Company has requested a De Novo hearing before the Commission in Case No. 9331. The date for this hearing is expected to be July 14, 1988. At the same time we will request a force pooling hearing for the W/2 of Section 22 and the N/2 of Section 22 so that the Commission will have before it all possibilities which could affect Phillips so that a final decision can be reached.

Thank you in advance for your cooperation and kind assistance. Should you have any questions, comments or scheduling difficulties, please feel free to contact the undersigned at (915) 367-1371.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulse, III
Senior Landman



NORTH AMERICA E&P

COST ESTIMATE

A. F. E. No. _____

Location: State-22 Well No. 1 (A), Unit E or F, Section 22,
T7S, R35E, Lea County, New Mexico

Date June 19 88

Description of Job:
Drill a 12,650' Morrow gas well and equip to flow.

NIT	CLASS	ITEM	DESCRIPTION	QTY.	UNIT PRICE	TOTAL
			<u>TANGIBLES:</u>			
			Wellhead			\$ 25,000
			Casing: 20"	40'		2,800
			13-3/8" 48# H-40	300'		6,600
			8-5/8" 24# & 32# K-55	4900'		57,670
			5-1/2" 17# N-80 & K-55	12650'		104,225
			Tubing 2-7/8"	12100'		52,000
			Misc. Connections			2,100
			TOTAL TANGIBLES			\$250,395
			<u>INTANGIBLES:</u>			
			Drill Well: Footage	12650'	\$16.50	\$208,725
			Daywork			15,000
			Cement & Services			45,000
			Pipe Inspection			10,000
			Casing Equipment			15,000
			Casing Crews			12,000
			Logs			23,500
			Perforations			10,000
			Stimulation			10,000
			Mud & Chemical			18,000
			Location & Roads			20,000
			Damages			1,000
			Welding			1,500
			Misc. Rental Tools			15,000
			Packer & Wireline Services			10,000
			Well Service & Crew			15,000
			Trucking			10,000
			Transports			15,000
			Dirt Work			5,000
			Roustabout Labor			3,500
			Misc.			19,580
			PPCo. Supervision			3,500
			Vehicles			1,000
			Payroll Benefits			1,300
			District Expense			4,000
			TOTAL INTANGIBLES			\$492,605
TOTAL						\$743,000

REQUESTED BY W. B. Berry

APPROVED _____

ESTIMATE GRADE BY R. D. Standifer

CHECKED BY A. C. Sewell

June 8, 1988

T. H. McElvain Oil & Gas Properties
Attn: Mr. George B. Broome
P. O. Box 2148
Santa Fe, New Mexico 87504-2148

Re: Lessees/Operators Meeting
Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

We request your attendance at a meeting of the Lessees/Operators owning leasehold operating rights and/or producing properties within Section 22, T-17S, R-35E, Lea County, New Mexico. Phillips Petroleum Company will be pleased to provide a conference room at its office at 4001 E. 42nd Street, Odessa, Texas, for this purpose. We suggest Wednesday, June 15, 1988, at 10:00 A.M. as a proposed meeting date.

The following is provided as background information:

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2. Phillips proposed to drill a well at an unorthodox location 660' FNL and 660' FWL Section 22, on a proration unit encompassing the W/2 NW/4 and SW/4 Section 22. Subsequent conversations revealed that Mobil had also proposed a well which would include all of the S/2 Section 22 in a standard proration unit. At such point, Phillips retracted its proposal to Arco and pursued a non-standard proration unit of either the W/2 NW/4 or W/2 NW/4 and N/2 SW/4 Section 22. It was expected that acreage leased by Amerada Hess would be farmed out to Phillips. Thus, at hearing No. 9331, Phillips requested approval of a non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9331/9429 Hearing No. 22
Submitted By: Phillips
Hearing Date: 7/19/88

3. The application by Phillips Petroleum Company for an unorthodox gas well location and a non-standard proration unit was denied by Order No. R-8644 on April 27, 1988.

We believe it important to meet to discuss the options available. There are several commercial, engineering, legal, geological and land concerns affecting all parties.

While the following is not representative of a complete list of options, it does reflect several possibilities we believe should be discussed.

- A. Realignment of the acreage dedication for the "AC" State #1 well to exclude the E/2 NW/4 and include the SE/4 Section 22. If this option were pursued Mobil would be included in the "AC" State #1 in some fashion. Additionally, acreage would be "freed up" to allow for the drilling of an additional well in the W/2 Section 22.
- B. Realignment of the acreage dedication for the "AC" State #1 to include the W/2 NW/4 Section 22. This option would include Phillips' acreage in some fashion. This option would allow the S/2 Section 22 to be dedicated to an additional well.
- C. Pursuit of some configuration of acreage which results in three wells in Section 22.

Realistically, it is doubtful that any permutation of Option C will be looked upon favorably by the Commission. This will require that we be inventive in our approach.

Phillips Petroleum Company has requested a De Novo hearing before the Commission in Case No. 9331. The date for this hearing is expected to be July 14, 1988. At the same time we will request a force pooling hearing for the W/2 of Section 22 and the N/2 of Section 22 so that the Commission will have before it all possibilities which could affect Phillips so that a final decision can be reached.

Thank you in advance for your cooperation and kind assistance. Should you have any questions, comments or scheduling difficulties, please feel free to contact the undersigned at (915) 367-1371.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulse, III
Senior Landman



NORTH AMERICA E&P

COST ESTIMATE

A. F. E. No. _____

Location: State-22 Well No. 1 (A), Unit E or F, Section 22,
T17S, R35E, Lea County, New Mexico

Date June 19 88

Description of Job:
Drill a 12,650' Morrow gas well and equip to flow.

UNIT	CLASS	ITEM	DESCRIPTION	QTY.	UNIT PRICE	TOTAL
			<u>TANGIBLES:</u>			
			Wellhead			\$ 25,000
			Casing: 20"	40'		2,800
			13-3/8" 48# H-40	300'		6,600
			8-5/8" 24# & 32# K-55	4900'		57,670
			5-1/2" 17# N-80 & K-55	12650'		104,225
			Tubing 2-7/8"	12100'		52,000
			Misc. Connections			2,100
			TOTAL TANGIBLES			\$250,395
			<u>INTANGIBLES:</u>			
			Drill Well: Footage	12650'	\$16.50	\$208,725
			Daywork			15,000
			Cement & Services			45,000
			Pipe Inspection			10,000
			Casing Equipment			15,000
			Casing Crews			12,000
			Logs			23,500
			Perforations			10,000
			Stimulation			10,000
			Mud & Chemical			18,000
			Location & Roads			20,000
			Damages			1,000
			Welding			1,500
			Misc. Rental Tools			15,000
			Packer & Wireline Services			10,000
			Well Service & Crew			15,000
			Trucking			10,000
			Transports			15,000
			Dirt Work			5,000
			Roustabout Labor			3,500
			Misc.			19,580
			PPCo. Supervision			3,500
			Vehicles			1,000
			Payroll Benefits			1,300
			District Expense			4,000
			TOTAL INTANGIBLES			\$492,605
					TOTAL	\$743,000

REQUESTED BY W. B. Berry
ESTIMATE GRADE BY R. D. Standifer
CHECKED BY A. C. Sewell

APPROVED _____

Vacuum Packer - MATTHEW

6/15/88

SFC 22 Operations Meeting

<u>NAME</u>	<u>Company</u>	<u>Telephone</u>
Bill Mulline	Phillips PETR	(915) 367-1313
R Danny Campbell	ARCO Oil & Gas	(915) 688-5348
KICK ALLIANCE	ARCO OIL & GAS	(915) 688-5237
STEVE DUNKER	Phillips Petroleum	(915) 367-1252
Rick Haller	Phillips Pet	915 367 1442
Mark Mosbell	Mobil	915 688 2002
T.L. Hill	MOBIL	915 688 2064
PATRICK J. WHELAN	MOBIL	915 688 2143
MARK A. HARALSON	Mobil	915 688 2082
FRANK Hulse	Phillips Pet	915 367-1371
Jim Gallagher	Phillips	915 367-1278

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. _____ Exhibit No. 23
Submitted By: _____
Hearing Date: _____

June 22, 1988

Arco Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

Attn: R. G. Alletag

Re: State 22 #1
G.F. 29260
W/2 Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

As you are aware either from the meeting Phillips hosted on June 15, 1988, or by telephone conversation of that date and my letter of June 7, Phillips has requested a de novo hearing of its application for a non-standard proration unit and unorthodox location for the drilling of the captioned well. In the event we are unable to secure approval for this well on a 160 acre non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22, we will attempt to secure approval of a standard proration unit encompassing the W/2 Section 22. A compulsory pooling will be required to accomplish this since the E/2 NW/4 is currently dedicated to the T. H. McElvain New Mexico "AC" State #1. We will also request a compulsory pooling of the N/2 Section 22 which would bring Phillips Petroleum Company into the New Mexico "AC" State #1. It is also a possibility, and quite likely, that Mobil Exploration & Producing U.S. Inc. will request the compulsory pooling of the E/2 Section 22 at the same time. Hopefully, the variety of options involved above will provide the NMOCD a complete set of alternatives with which to reach a decision.

The enclosed A.F.E. is provided for your review in the event a W/2 proration unit is determined to be the course of action approved by the NMOCD. We recognize it will be difficult if not impossible for you to sign or approve such an A.F.E. until a decision is rendered by the regulatory authority. However, if you would be so kind, we would very much appreciate your input as to your position with regard to participation in this well.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 93219429 Exhibit No. 24
Submitted By: Phillips
Hearing Date: 7/14/88

State 22 #1
June 22, 1988
Page 2

Thank you for your cooperation and assistance.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulse, III
Senior Landman

WFH:mb

June 22, 1988

Mr. C. W. Trainer
P. O. Box 369
Kingsland, Texas 78639

Re: State 22 #1
G.F. 20250
W/2 Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

As you are aware either from the meeting Phillips hosted on June 15, 1988, or by telephone conversation of that date and my letter of June 7, Phillips has requested a de novo hearing of its application for a non-standard proration unit and unorthodox location for the drilling of the captioned well. In the event we are unable to secure approval for this well on a 160 acre non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22, we will attempt to secure approval of a standard proration unit encompassing the W/2 Section 22. A compulsory pooling will be required to accomplish this since the E/2 NW/4 is currently dedicated to the T. H. McElvain New Mexico "AC" State #1. We will also request a compulsory pooling of the N/2 Section 22 which would bring Phillips Petroleum Company into the New Mexico "AC" State #1. It is also a possibility, and quite likely, that Mobil Exploration & Producing U.S. Inc. will request the compulsory pooling of the E/2 Section 22 at the same time. Hopefully, the variety of options involved above will provide the NMOCD a complete set of alternatives with which to reach a decision.

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Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9321/1929 Exhibit No. 25
Submitted By: Phillips
Hearing Date: 7/19/88

State 22 #1
June 22, 1988
Page 2

Thank you for your cooperation and assistance.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulce, III
Senior Landman

WFH:mb

June 22, 1988

T. H. McElvain Oil & Gas Properties
P. O. Box 2113
Santa Fe, New Mexico 87501-0113

Attn: George Brown

Re: State #1
A.F. 20260
W/2 Section 22, T-17R, R-35E
Los Alamos County, New Mexico

Gentlemen:

As you are aware either from the meeting Phillips hosted on June 17, 1988, or by telephone conversation of that date and my letter of June 7, Phillips has requested a de novo hearing of its application for a non-standard proration unit and unorthodox location for the drilling of the captioned well. In the event we are unable to secure approval for this well on a 160 acre non-standard proration unit encompassing the W/2 NW/4 and W/2 SW/4 Section 22, we will attempt to secure approval of a standard proration unit encompassing the W/2 Section 22. A compulsory pooling will be required to accomplish this since the E/2 NW/4 is currently dedicated to the T. H. McElvain New Mexico "AC" State #1. We will also request a compulsory pooling of the W/2 Section 22 which would bring Phillips Petroleum Company into the New Mexico "AC" State #1. It is also a possibility, and quite likely, that Mobil Exploration & Producing U.S. Inc. will request the compulsory pooling of the E/2 Section 22 at the same time. Hopefully, the variety of options involved above will provide the MNOCD a complete set of alternatives with which to reach a decision.

The enclosed A.F.E. is provided for your review in the event a W/2 proration unit is determined to be the course of action approved by the MNOCD. We recognize it will be difficult if not impossible for you to sign or approve such an A.F.E. until a decision is rendered by the regulatory authority. However, if you would be so kind, we would very much appreciate your input as to your position with regard to participation in this well.

ILLEGIBLE

9371/9429 Phillips
7/14/88

State 22 51
June 22, 1922
Page 2

Thank you for your cooperation and assistance.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Wilson, III
Senior Landman

WFH:mb

ILLEGIBLE

June 22, 1988

Amerada Hess Corporation
1201 Louisiana, Ste. 700
Houston, Texas 77002-5681

Attn: Henry Hansen

Re: State 22 #1
G.F. 29260
W/2 Section 22, T-17S, R-35E
Lea County, New Mexico

Gentlemen:

As you are aware either from the meeting Phillips hosted on June 15, 1988, or by telephone conversation of that date and my letter of June 7, Phillips has requested a de novo hearing of its application for a non-standard proration unit and unorthodox location for the drilling of the captioned well. In the event we are unable to secure approval for this well on a 160 acre non-standard proration unit encompassing the W/2 NW/4 and N/2 SW/4 Section 22, we will attempt to secure approval of a standard proration unit encompassing the W/2 Section 22. A compulsory pooling will be required to accomplish this since the E/2 NW/4 is currently dedicated to the T. H. McElvain New Mexico "AC" State #1. We will also request a compulsory pooling of the N/2 Section 22 which would bring Phillips Petroleum Company into the New Mexico "AC" State #1. It is also a possibility, and quite likely, that Mobil Exploration & Producing U.S. Inc. will request the compulsory pooling of the E/2 Section 22 at the same time. Hopefully, the variety of options involved above will provide the NMOCD a complete set of alternatives with which to reach a decision.

The enclosed A.F.E. is provided for your review in the event a W/2 proration unit is determined to be the course of action approved by the NMOCD. We recognize it will be difficult if not impossible for you to sign or approve such an A.F.E. until a decision is rendered by the regulatory authority. However, if you would be so kind, we would very much appreciate your input as to your position with regard to participation in this well.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 9331/9429 Exhibit No. 37
Submitted By: Phillips
Hearing Date: 7/14/88

State 22 #1
June 22, 1988
Page 2

Thank you for your cooperation and assistance.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

W. Frank Hulse, III
Senior Landman

WFH:mb

Blind Note to Henry Hansen: Based upon our telephone conversation of June 14, 1988, it is my understanding that Amerada Hess will still farmout to Phillips its interest in the N/2 SW/4 Section 22, if we secure approval of a non-standard or standard proration unit, which includes some configuration of acreage that includes your acreage. Likewise, if we ultimately secure a compulsory pooling of the entire W/2 Section 22, you will farmout to Phillips. Both situations would result in a farmout under the same basic terms found in Peter Bacon's May 3, 1988, letter. Is this a correct statement of your position.

Phillips Case 9331 - De Novo

● **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 ¹(Extra charge)†

3. Article Addressed to:

T. H. McELvain, Jr.
P. O. Box 2148
Santa Fe, NM 87504

4. Article Number
P955 861 649

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Addressee
X

6. Signature - Agent
X *Agan B*

7. Date of Delivery

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

Phillips Case 9331 - De Novo

● **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 ¹(Extra charge)†

3. Article Addressed to:

C. W. Trainer
P. O. Box 755
Hobbs, New Mexico 88240

4. Article Number
P955 861 652

Type of Service:
 Registered Insured
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Addressee
X

6. Signature - Agent
X *Calvin D. Murray*

7. Date of Delivery
6/27/88

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

Before the
OIL CONSERVATION COMMISSION
Case No. *9429* Exhibit No. *25*
Submitted By: *Phillips*
Hearing Date: *7/19/88*

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

Article Addressed to:

ARCO Oil & Gas Company
 P. O. Box 1610
 Midland, Texas 79702

Signature - Addressee: *[Signature]*
 Signature - Agent: *[Signature]*
 Date of Delivery: 6-23-88

4. Article Number: P955 861 651
 Type of Service:
 Registered Insured
 Certified COD
 Express Mail
 Always obtain signature of addressee or agent and DATE DELIVERED.
 8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
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 Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)†

Article Addressed to:

Amerada Hess Corporation
 Regional Office
 P. O. Box 840
 Seminole, Texas 79360

Signature - Addressee: *[Signature]*
 Signature - Agent: *[Signature]*
 Date of Delivery: 6-23-88

4. Article Number: P955 861 653
 Type of Service:
 Registered Insured
 Certified COD
 Express Mail
 Always obtain signature of addressee or agent and DATE DELIVERED.
 8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

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

Article Addressed to:

Sun Exploration and Production Company
 P. O. Box 1861
 Midland, Texas 79702

Signature - Addressee: *[Signature]*
 Signature - Agent: *[Signature]*
 Date of Delivery: 6-23-88

4. Article Number: P955 861 648
 Type of Service:
 Registered Insured
 Certified COD
 Express Mail
 Always obtain signature of addressee or agent and DATE DELIVERED.
 8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

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

Article Addressed to:

Mobil Producing Texas & New Mexico, Inc.
 Nine Greenway Plaza #2700
 Houston, Texas 77046

Signature - Addressee: *[Signature]*
 Signature - Agent: *[Signature]*
 Date of Delivery: 6-23-88

4. Article Number: P955 861 650
 Type of Service:
 Registered Insured
 Certified COD
 Express Mail
 Always obtain signature of addressee or agent and DATE DELIVERED.
 8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 932-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

June 21, 1988

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

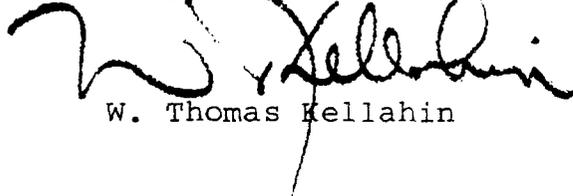
Re: Application of Phillips Petroleum Company
for Compulsory Pooling, Lea County, New Mexico

Dear Mr. LeMay:

Our firm represents Phillips Petroleum Company and will present to the Commission on July 14, 1988 the DeNovo Case 9331 requesting the approval of a 160-acre non-standard proration and spacing unit within Section 22, T17S, R35E, Lea County, New Mexico.

We respectfully request that the enclosed compulsory pooling application be docketed for hearing on the same docket for consideration by the Commission. As a first alternative to the non-standard unit set forth in Case 9331. The enclosed application requests the formation of a W/2 spacing unit with the corresponding deletion of 80 acres from the 240 acres dedicated to the T. H. McElvain well. As a second alternative, the application seeks to compulsory pool the N/2 of the section to include the Phillips 80 acres with the current spacing unit for the McElvain well.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Jim Gallogly, Esq. (Phillips-Odessa)

William F. Carr, Esq.
Campbell & Black, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87504

KELLAHIN, KELLAHIN & AUBREY

Mr. William J. LeMay
June 21, 1988
Page 2

W. Perry Pearce, Esq.
Montgomery & Andrews
P. O. Box 2307
Santa Fe, New Mexico 87504

Jerry Losee, Esq.
P. O. Drawer 239
Artesia, New Mexico 88210

("Certified-Return Receipt Requested")

All parties listed in Exhibits "B" "C" and "D"

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY FOR
COMPULSORY POOLING AND THE DELETION OF
ACREAGE FROM AN EXISTING NON-
STANDARD PRORATION AND SPACING
UNIT, OR IN THE ALTERNATIVE, FOR
THE TERMINATION OF THE NON-STANDARD
PRORATION UNIT FOR THE T. H. MCELVAIN
NEW MEXICO "AC" STATE WELL #1 AND THE
CONCOMITANT COMPULSORY POOLING OF 320
ACRES FOR THE SUBJECT WELL,
LEA COUNTY, NEW MEXICO.

CASE:

A P P L I C A T I O N

Comes now PHILLIPS PETROLEUM COMPANY, by and through
its attorneys, Kellahin, Kellahin & Aubrey, and applies
to the New Mexico Oil Conservation Commission as follows:

Applicant seeks an order pooling all mineral
interest from the top of the Wolfcamp to the base of the
Pennsylvanian formations underlying the W/2 of Section
22, T17S, R35E, NMPM, forming a standard 320-acre spacing
and proration unit for a well to be drilled at a standard
gas well location in either Unit E or Unit F of said
Section 22 with the corresponding deletion of the E/2NW/4
(80 acres) from the existing 240 acre non-standard
spacing and proration unit now consisting of the NE/4 and
the E/2NW/4 of said Section 22 dedicated to the T. H.
McElvain New Mexico "AC" State Well #1 located 1980 feet
FNL and 660 feet FEL (Unit H).

In the alternative, Applicant seeks an order terminating the existing 240 acre non-standard spacing and proration unit now dedicated to the T. H. McElvain New Mexico "AC" State Well #1 consisting of the NE/4 and the E/2NW/4 of said Section 22 and the concomitant compulsory pooling of the N/2 of Section 22 forming a standard 320 acre spacing and proration unit to be dedicated to the T. H. McElvain New Mexico "AC" State Well #1 located 1980 feet FNL and 660 feet FEL of said Section 22.

In support thereof applicant alleges that:

1. On January 4, 1986 T. H. McElvain completed his New Mexico "AC" State Well #1 located 1980 feet FNL and 660 feet FEL of Section 22, T17S, R35E, NMPM, Lea County, New Mexico and dedicated a 240 acre non-standard proration and spacing unit for the subject T. H. McElvain well consisting of the E/2NW/4 and NE/4 of said Section 22.

2. On February 12, 1988, Phillips Petroleum Company filed an application with the Division seeking the approval of a non-standard proration and spacing unit consisting of 160 acres being the W/2NW/4 and the N/2SW/4 of said Section 22 for the drilling of a well at an unorthodox well location 660 feet FNL and 660 feet FWL.

3. On March 16 and April 13, 1988 the Division held hearings on the Phillips' application (OCD Case 9331) and

on April 27, 1988 entered Order R-8644 denying the Phillips' application.

4. On May 18, 1988, Phillips filed an application for a DeNovo hearing in Case 9331 which hearing is now set for July 14, 1988, before the Commission.

5. As a first alternative remedy to approving the application in Case 9331, Phillips seeks the compulsory pooling of the W/2 of said Section 22 to form a standard 320 acre spacing and proration unit for a well to be drilled at a standard gas well location in either Unit E or Unit F of said Section 22, and in accordance therewith applicant has:

(a) Sought either voluntary agreements for pooling for farmout from the mineral and working interest owners in the applicable spacing and proration unit;

(b) Is unable to obtain a voluntary agreement from T. H. McElvain/Trainer for the deletion of the E/2NW/4 (80 acres) from the non-standard proration and spacing unit dedicated to the McElvain New Mexico "AC" State Well #1;

(c) Is unable to obtain a voluntary agreement from the remaining owners in the W/2;

(d) Shown on Exhibit "A" attached hereto a plat of the section;

(e) Shown on Exhibit "B" attached hereto are the names and addresses of the parties affected by the first alternative application for compulsory pooling;

(f) Shown on Exhibit "C" are the names and addresses of those offset operators who may be affected by the unorthodox well location requested; and

(g) Further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling the subject well and for completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well.

7. As a second alternative remedy, applicant has sought to include on a voluntary basis its 80-acre (W/2NW/4 of Section 22) into the existing T. H. McElvain New Mexico State "AC" Well #1 and the reformation of the non-standard spacing unit so that a standard spacing unit consisting of the N/2 of said section can be dedicated to the well, and in accordance therewith applicant:

(a) Sought a voluntary agreement with T. H. McElvain/Trainer for participation in the subject well but has been unable to obtain a voluntary agreement from the operator;

(b) Seeks to participate in the subject well from the date of first production from the well by paying its proportionate share of the actual original costs of drilling, completing and equipping the well;

(c) Shown on Exhibit "D" the names and addresses of the parties affected by the second alternative application for compulsory pooling; and

(d) Desires to participate in the subject well by paying its share of costs and by executing a standard form Model Operating Agreement.

8. Pursuant to Division notice requirements applicant has notified all the parties listed in Exhibit "B", "C", and "D" of this application for compulsory pooling and the applicant's request for a hearing before the Commission to be set on July 14, 1988.

WHEREFORE, applicant requests that this application be set for hearing and that after notice and hearing its requested relief be granted.

Respectfully submitted:

By 
W. Thomas Kellahin, Esq.
P. O. Box 2265
Santa Fe, NM 87504

EXHIBIT "A"

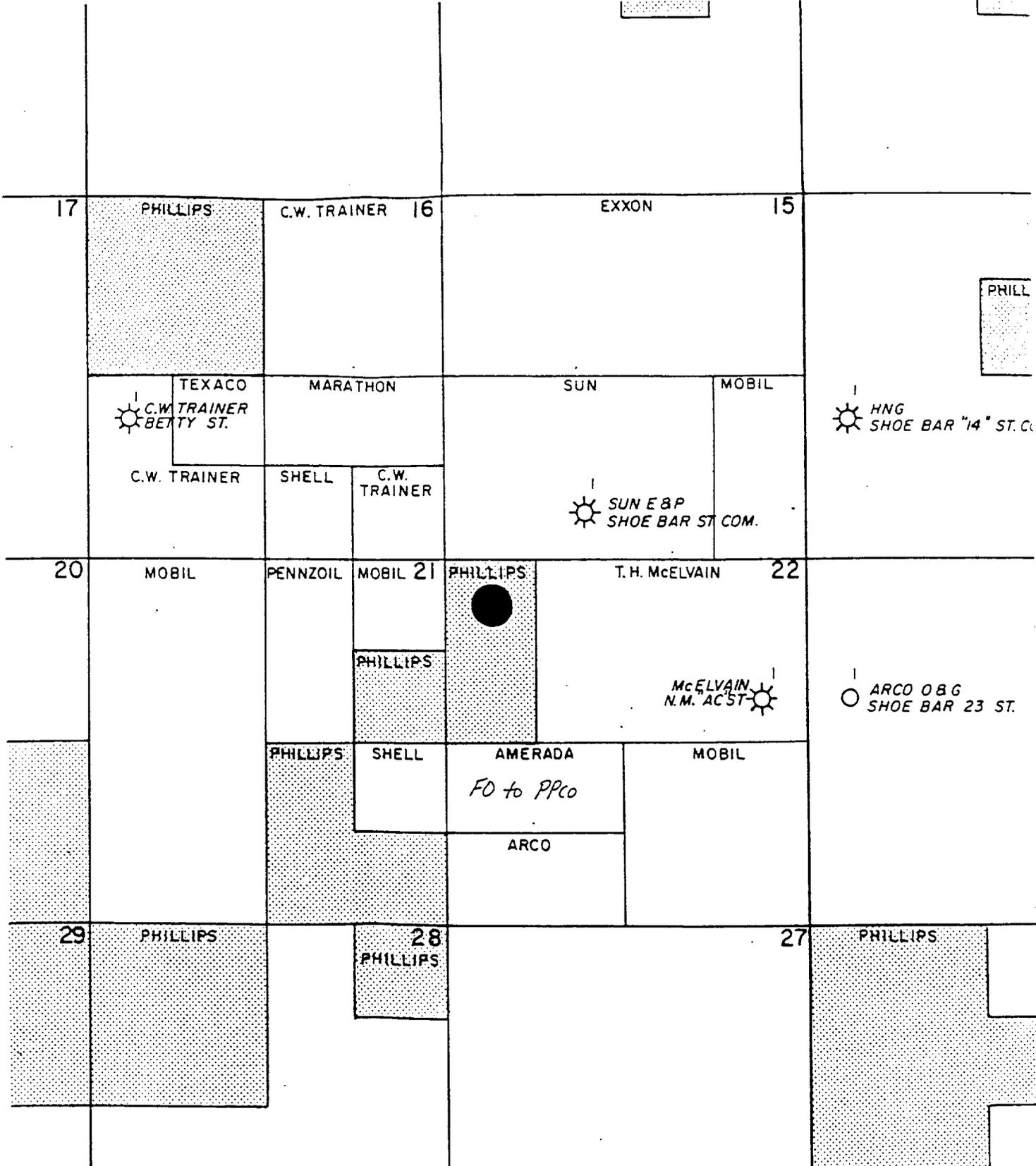


EXHIBIT "B"

W/2 OWNERS

Amerada Hess Corporation
Regional Office
P. O. Box 840
Seminole, Texas 79360

ARCO Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702

McElvain, T. H., Jr.
P. O. Box 2148
Santa Fe, New Mexico 87504-2148

Trainer, C. W.
P. O. Box 755
Hobbs, New Mexico 88240

EXHIBIT "C"

OFFSET OPERATORS

Mobil Producing Texas and New Mexico, Inc.
Nine Greenway Plaza, Suite 2700
Houston, Texas 77046

Sun Exploration and Production Company
Southwestern Production District
P. O. Box 1861
Midland, Texas 79702

Trainer, C. W.
P. O. Box 755
Hobbs, New Mexico 88240

EXHIBIT "D"

N/2

Trainer, C. W.
P. O. Box 755
Hobbs, New Mexico 88240

McElvain, T. H., Jr.
P. O. Box 2148
Santa Fe, New Mexico 87504-2148