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December 8, 1986

Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Case 9052

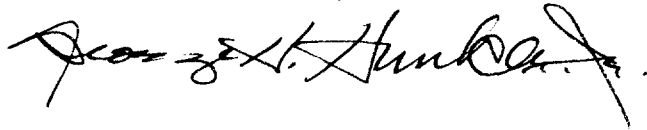
Re: Estoril - Application For
Compulsory Pooling and Unorthodox
Well Location
Lea County, New Mexico

Gentlemen:

We hand you herewith in triplicate Estoril Producing Corporation's Application for compulsory pooling and unorthodox well location, Case No. 9052.

Sincerely yours,

HUNKER-FEDRIC, P.A.



George H. Hunker, Jr.

GHH/as
Enclosure
cc: Estoril with
copy of Application
and letter to addressees

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 9052

APPLICATION OF ESTORIL PRODUCING CORPORATION
FOR COMPULSORY POOLING AND UNORTHODOX
WELL LOCATION, LEA COUNTY, NEW MEXICO

APPLICATION

Estoril Producing Corporation, 400 West Illinois, Suite 1600, Independence Plaza, Midland, Texas 79701, hereby makes Application For Approval of Compulsory Pooling and Approval of An Unorthodox Oil Well Location, Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico, and in support thereof shows:

A. Compulsory Pooling:

1. The applicant, Estoril Producing Corporation, seeks an order pooling all mineral interests from the surface to the base of the Northeast Lovington-Pennsylvanian Pool underlying Lots 1 (51.46 acres) and 2 (51.36 acres), Section 7, Township 16 South, Range 37 East, to form a nonstandard 102.82 acre spacing unit for any and all formations and/or pools developed on 80 acre spacing, said unit to be dedicated to a well drilled thereon.

2. That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

3. To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense, his just and fair share of the oil in any pool completion resulting from an order issued in this matter, an order should be issued approving the pooling of all mineral interests, whatever they may be, within said unit.

4. That the applicant, having the right to drill, should be designated the operator of the subject well and unit.

5. That any nonconsenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

6. That any nonconsenting interest owner who does not pay his share of estimated well costs should have withheld from production, his share of the reasonable well costs plus an additional 200% thereof, as a reasonable charge for the risk involved in the drilling of the well.

7. That any nonconsenting interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

8. That applicant proposes that a reasonable monthly fixed charge for supervision while drilling and producing should be \$5,550 and \$550 respectfully.

9. That the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each nonconsenting working interest and in addition thereto the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonably attributable to each nonconsenting working interest owner.

10. That operator plans to commence drilling of said well to which said unit is dedicated on or before March 1, 1987.

11. That any unsevered mineral interest shall be considered a 7/8th working interest and a 1/8th royalty interest for the purpose of allocating costs and charges under the terms of an order issued pursuant to this application. Charges are to be paid out of production from the working interest share of production and no costs or charges shall be withheld from production attributable to royalty interest.

B. UNORTHODOX LOCATION:

1. The pool rules for the Northeast Lovington-Pennsylvanian Pool provide for an 80 acre spacing and also provide that each well shall be located within 150' of the center of a governmental quarter quarter section or lot. Applicant desires to drill a well to test the Northeast Lovington Pennsylvanian formation underlying Lots 1, 2, Section 7, Township 16 South, Range 37 East, at an unorthodox location 600 feet from the west line and 1200 feet of the north line of Section 7, Township 16 South, Range 37 East. Said well is to be known as the "Christmas No. 1". That such unorthodox location is based upon geologic conditions.

2. That the drilling of said well at said unorthodox location will avoid drilling of unnecessary wells, protect correlative rights, avoid waste, and afford the owner of each interest in the well spacing unit an opportunity to recover or receive without unnecessary expense, his just and fair of the oil in any pool-completion resulting from the approval of this application.

3. Copies of this application are being mailed by Certified Mail to all operators of proration or spacing units offsetting the proposed unit for which the unorthodox location is sought, as well as those unleased mineral interest owners owning interests in the offsetting proration units, whose names and addresses are set forth in Exhibit "A" attached hereto. That certain persons named on Exhibit (after diligent search and inquiry) have no known address and no copy of the Application has been sent to those persons.

Applicant respectfully requests that this Application be heard before the Division at an early date and that approval be given immediately in order that Applicant may commence the test well before December 31, 1986.

Dated at Roswell, New Mexico this 8th day of December, 1986.

Respectfully submitted:

Estoril Producing Corporation

By: George H. Hunker, Jr.

George H. Hunker, Jr.

HUNKER-FEDRIC, P.A.

Attorneys for Applicant

P. O. Box 1837

Roswell, N.M. 88202-1837

505-622-2700

EXHIBIT "A"

Application of Estoril - Northeast Lovington-Pennsylvanian
Pool, Lea County, New Mexico:

OFFSET OPERATORS:

Mesa Operating Limited Partnership
P. O. Box 2009
Amarillo, TX 79189

Texaco, Inc.
P. O. Box 3109
Midland, TX 79702

Bechtel Investments
5400 Westheimer Court
Houston, TX 77056

Amerada Hess Corporation
Entex Building - 7th Floor
1200 Milam
Houston, TX 77002

Mobil Oil Corporation
P. O. Box 633
Midland, Tx 79702

American Cometra, Inc.
500 Throckmorton
Suite 2104
Fort Worth, TX 76102

UNLEASED - UNCOMMITTED INTERESTS:

Barton Brothers Land & Cattle
P. O. Box 978
Hobbs, NM 88240

Roy G. Barton, Jr. - Trustee
P. O. Box 978
Hobbs, NM 88240

Norma N. Barton
P. O. Box 729
Hobbs, NM 88240

Donald A. Brown
Route 1
Fayetteville, ARK 72701

UNLEASED - UNCOMMITTED INTERESTS (Continued):

Lynn R. Brown
5702 Woodlawn Avenue
North Seattle, WASH 98103

Alice B. Brown Huntington
c/o Dorothy Wright
6227 Camino Corto
San Diego, CA 92120

Estate of Carlton J. Carmichael
2211 South Eldridge
Lakewood, CO 80228

Gwen G. Hall
c/o John T. Echols
P. O. Box 162
Midland, TX 79701

First National Bank of Lubbock, Trustee u/w J. E. & Beulah
Simmons
P. O. Box 1241
Lubbock, TX 79408

Mary Scott Gould Horne
c/o Ralph B. Shank
4100 Thanksgiving Tower
Dallas, TX 75201

Mobil Oil Corporation
P. O. Box 633
Midland, TX 79702

Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88201

PERSONS OWNING MINERAL INTERESTS (ADDRESSES UNKNOWN):

Elizabeth Landry Guest

Adolph Schweizer

Ann Fox

Carroll Cobb

Harry H. Jung