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February 5, 1988

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

EB 5 10

CONSERVATION DIVISION

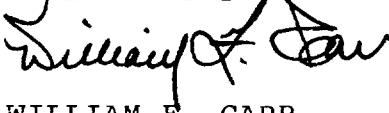
Re: OCD Case No. 9272; Order R-8579  
In the Matter of the Application of Mitchell  
Energy Corporation for Compulsory Pooling and  
Unorthodox Well Location, Lea County, New Mexico

Dear Mr. LeMay:

Enclosed for your information is our Motion for New Hearing filed on behalf of ARCO Oil & Gas Company in the above-captioned matter.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC/mlh

Enclosure

cc w/enclosure: W. Thomas Kellahin, Esq.

*Re: Case No. 9272  
Upon application of  
ARCO Oil & Gas Company*

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

RECEIVED

FEB 5 1988

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
MITCHELL ENERGY CORPORATION FOR  
COMPULSORY POOLING AND AN UNORTHODOX  
WELL LOCATION, LEA COUNTY, NEW MEXICO.

CASE NO. 9272  
ORDER NO. R-8579

MOTION FOR NEW HEARING

ARCO Oil & Gas Company, through its undersigned attorneys, moves the Oil Conservation Division for a new hearing in this case and in support thereof would show the Division:

1. ARCO Oil & Gas Company ("ARCO") owns a working interest in the NE/4 Section 3, Township 15 South, Range 35 East, N.M.P.M., Lea County, New Mexico ("the subject lands") which is the subject of the above-referenced compulsory pooling case.

2. Mitchell Energy Corporation ("Mitchell") contacted ARCO on October 2, 1987 concerning the development of the subject lands and asked ARCO to either participate in a proposed well or, if ARCO elected not to participate, to lease its interest to Mitchell. A copy of Mitchell's October 2, 1987 letter is attached hereto as Exhibit A.

3. By letter dated October 8, 1987 ARCO offered to farmout to Mitchell its interest in the subject lands, and by letter dated October 14, 1987, Mitchell approved the terms of the farmout proposed by ARCO. These letters are attached hereto as Exhibits B and C.

4. On or about November 27, 1987, ARCO, through its landman, Rita A. Buress discussed the farmout agreement and Mitchell's December 2, 1987 hearing for compulsory pooling of the subject lands with Joe R. Lazenby, district landman for Mitchell. In this conversation it was agreed between ARCO and Mitchell that ARCO would not appear at the December 2, 1987 pooling hearing since an agreement had been reached for the voluntary development of the subject lands. See Affidavit of Rita A. Buress which is attached hereto as Exhibit E.

5. Ms Buress, wrote Mitchell on November 30, 1987 and set out the terms of the farmout agreement. This letter is attached hereto as Exhibit D.

6. On December 2, 1987 Mitchell's application for compulsory pooling of the subject lands came up for hearing before an Examiner of the Oil Conservation Division. ARCO did not appear at the hearing.

7. By cover letter dated December 23, 1987, the agreement covering the subject lands was mailed to Mitchell by ARCO. Copies of this letter and agreement are attached hereto as Exhibits F and G.

8. Order R-8579 was entered by the Division on January 11, 1988 pooling the subject lands and designating Mitchell operator thereof. Order R-8579 is attached hereto as Exhibit H.

9. By letter dated January 12, 1988 from W. Thomas Kellahin, attorney for Mitchell, a copy of Order R-8579 was mailed to ARCO, and ARCO was advised that its interest had been pooled. This letter also notified ARCO that it had thirty (30) days within which to pay its share of the costs of the subject well or be subject to a 200% risk penalty. Mr. Kellahin's letter of January 12, 1988 is attached hereto as Exhibit I.

10. Subsequent to receiving the January 12, 1988 letter, ARCO has contacted Mitchell which advises that it will not now enter the farmout agreement with ARCO and that ARCO's interest have been pooled by the Oil Conservation Division. See Affidavit of Rita A. Buress attached hereto as Exhibit E.

11. Section 70-2-17 (C), N.M.S.A. (1978) provides in part for the pooling of interests where the owners thereof have been unable to reach a voluntary agreement for the development of these interests.

12. In this case, either (I) voluntary agreement had been reached between ARCO and Mitchell for the development of the subject lands and the interest of ARCO therefore is not subject to compulsory pooling or (II) Mitchell acted in bad faith to cause ARCO not to appear at the December 2, 1987 hearing in opposition to its application.

WHEREFORE, ARCO hereby moves the Division to order a new hearing in Case 9272 to permit it to appear in opposition to the application of Mitchell for compulsory pooling of the subject lands and to grant such other relief as it deems appropriate.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

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

Attorneys for ARCO Oil  
& Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Motion for New Hearing was hand-delivered to W. Thomas Kellahin, Esq., 117 North Guadalupe Street, Santa Fe, New Mexico 87501 on this 5th day of February, 1988.

William F. Carr  
William F. Carr