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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

September 27, 1993

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

10854

Re: Application of Phillips Petroleum Company
for a Special Oil Allowable for the Cabin Lake-
Delaware Oil Pool, Eddy County, New Mexico

Dear Mr. LeMay:

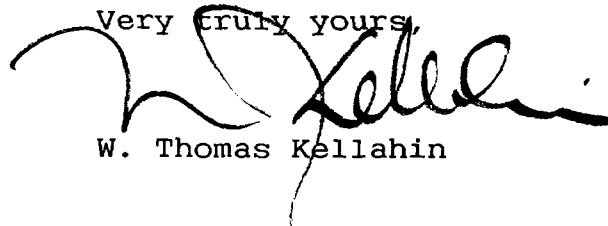
On behalf of Phillips Petroleum Company, please find enclosed our referenced application which we request be set for hearing at the next available Examiner's docket now scheduled for October 21, 1993. Our proposed advertisement to be used for the OCD docket is attached as enclosure (2).

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt request, 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. Failure to appear at the time of hearing and become a party of record will preclude you from challenging this application at a later date.

Oil Conservation Division
September 27, 1993
Page 2.

In addition, parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement with the Division and with a copy delivered to the applicant not later than 4:00 PM on Friday, October 15, 1993.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

cc: Phillips Petroleum Company
Elizabeth Harris, Esq.

cc: BY CERTIFIED MAIL-RETURN RECEIPT
to all parties listed in application

SUGGEST ADVERTISEMENT FOR OCD DOCKET

10854

CASE _____: Application of Phillips Petroleum Company for a Special Oil Allowable for the Cabin-Lake Delaware Oil Pool, Eddy County, New Mexico. Applicant seeks an order establishing a special oil allowable for 187 barrels of oil per day at a 2,000 to 1 GOR for the Cabin Lake-Delaware Oil Pool. Applicant further seeks the cancellation of any over production charged against any well in the pool as of the effective date of any order entered in this case. This pool is in the Nash Draw area and its center is located approximately 1 mile north of Smith, New Mexico

located in portions of
Townships 21 and
22 South, Range
30 East.

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

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY FOR
A SPECIAL OIL ALLOWABLE FOR THE
CABIN-LAKE DELAWARE OIL POOL,
EDDY COUNTY, NEW MEXICO

CASE: 10854

A P P L I C A T I O N

Comes now PHILLIPS PETROLEUM COMPANY, by and through its attorneys, Kellahin & Kellahin and applies to the New Mexico Oil Conservation Division for a Special Oil Allowable for the Cabin Lake-Delaware Pool, Eddy County, New Mexico,

AND IN SUPPORT STATES:

1. By Order R-8455 dated July 1, 1987, the Division created the Cabin Lake-Delaware Pool ("Pool"), whose vertical limits encompass the entire Delaware formation being an interval some 3,000 feet thick and consists of both the shallower Cherry Canyon member and the deeper Brush Canyon member.

2. The Pool's current horizontal limits comprise the following described area in Eddy County:

Township 21 South, Range 30 East, NMPM

Section 34: SE/4
Section 35: S/2
Section 36: SW/4

Township 22 South, Range 30 East, NMPM

Section 1: W/2 and SW/4
Section 2: S/2 and NE/4
Section 3: E/2
Section 11: NE/4
Section 12: NW/4

3. Applicant is the operator of twenty-four currently producing wells in the Pool.

4. Currently there are twenty-seven wells completed in and producing from the Pool.

5. Current oil allowables for the Pool are based upon the statewide depth bracket allowable assigned for wells from 5-6,000 feet resulting in a maximum of 107 barrels of oil per day at a gas-oil ratio limit of 2,000 to 1.

6. The Pool's oil allowable originally was established based upon the production from the shallower Cherry Canyon member of the Delaware formation.

7. The depth bracket for the Pool was based upon the James "A" #2 Well, located 1652 feet FSL and 1980 feet FEL, Section 2, T22S,, R30E, NMPM which was the discovery well and was initially completed on March 24, 1987 with perforations at depths between 5625 feet and 5940 feet in the Cherry Canyon member of the Delaware formation.

8. Since the initial discovery well's completion in the Cherry Canyon formation, some twenty-two wells have also been completed for production from the deeper Brushy Canyon member of the Delaware formation of the Pool.

9. Applicant's second well (the James "A" 33 Well completed on November 1, 1987) and all of Applicant's subsequent wells in the Pool (except one) were completed in the deeper Brushy Canyon member of the Delaware formation of the Pool.

10. If the discovery well had been completed in the deeper Brushy Canyon member of the Delaware formation of the Pool, the depth bracket oil allowable for the Pool would be base upon the statewide depth bracket oil allowable assigned for wells from 7000-8000 feet, resulting in a maximum pool oil allowable of 187 barrels of oil per day at a gas-oil ratio limit of 2,000 to 1.

11. Wells in the Pool have the capacity to produce in excess of the current depth bracket allowable for the Pool.

12. Applicant request a Special Oil Allowable for the Pool which would allow a proration and spacing unit to be assigned a maximum of 187 barrels of oil a day production BUT would continue with the statewide 2,000 to 1 GOR limit.

13. Applicant further requests that as of the effective date of the Order, any over production charges against any well in the Pool shall be canceled.

14. Approval of the requested Special Oil Allowable for the Pool would not be in excess of the most efficient rate of production for the proper development and depletion of the Pool.

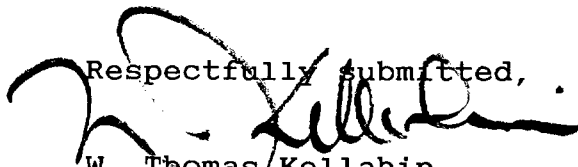
15. The names and addresses of the interested parties entitled to notice of this case as set forth on Exhibit A.

14. Applicant requests that this Application be set for hearing on the Examiner's docket now scheduled for October 21, 1993.

15. There exists a market for the oil to be produced at the requested Special Oil Allowable and production up to that requested rate would not be in excess of current market demand.

16. Approval of this application will not cause waste and will protect correlative rights.

Wherefore, Applicant requests that this Application be set for hearing and that after notice and hearing, the Application be granted as requested.

Respectfully submitted, .


W. Thomas Kellahin
KELLAHIN & KELLAHIN
and

Elizabeth Harris, Esq.
ATTORNEYS FOR PHILLIPS
PETROLEUM COMPANY

EXHIBIT A

Bass Enterprises Production Company
P.O. Box 2760
3700 Claydesta Nat'l Bk
6 Desta Drive
Midland, Texas 79701

Grace Energy Company
P.O. Box 207
Carlsbad, New Mexico 88220

Yates, Harvey E., Company
P.O. Box 1933
Roswell, New Mexico 88202

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