



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

October 26, 2001

Lori Wrotenbery

Director

Oil Conservation Division

Texaco Exploration and Production Inc.
Hobbs Operating Unit
Attention: John Ayers
P. O. Box 3109
Midland, Texas 79702

RE: Administrative application of Texaco Exploration and Production Inc. ("Texaco") for an exception to Division Rule 104.D (3) (**application reference No. pKRV0-117827142**) initially filed with the New Mexico Oil Conservation Division ("Division") on June 22, 2001 by Ms. J. Denise Leake, as amended by your application dated July 25, 2001, for the existing A. B. Coats "C" Well No. 9 (**API No. 30-025-11731**), located at a standard surface gas well location 1980 feet from the South and East lines (Unit J) of Section 24, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, to be recompleted by directionally drilling into the Mid Justis-Abo Gas Pool (96543) to a standard subsurface gas well within an existing standard 160-acre gas spacing unit comprising the SE/4 of Section 24. Abo gas production from this well is to be simultaneously dedicated with Texaco's A. B. Coats "C" Well No. 15 (**API No. 30-025-11728**), located at a standard subsurface gas well location in Unit "P" of Section 24.

Dear Mr. Ayers:

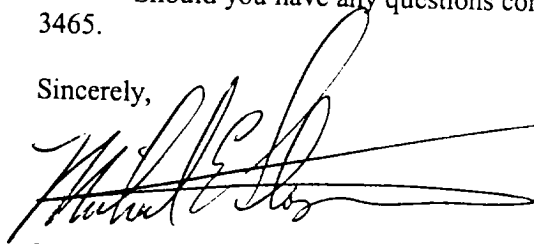
The Mid Justis-Abo Gas Pool is an unprorated gas pool that is subject to Division Rule 104.D (3), which states "exceptions to the provisions of statewide rules or special pool orders (meaning "special pool rules") concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing." This rule was further defined by a memorandum issued by the Director on October 25, 1999, which states, "Unless otherwise provided by special pool rules or amended Rule 104, only one well per spacing unit is permitted in non-prorated pools."

This application unfortunately cannot be processed administratively; therefore, this matter will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for December 6, 2001. I have prepared the following advertisement in this matter:

Application of Texaco Exploration and Production Inc. for an exception to Division Rule 104.D (3), Lea County, New Mexico. Applicant seeks an exception to Division Rule 104.D (3) in order to simultaneously dedicate production attributed to the Mid Justis-Abo Gas Pool (96543) within an existing 160-acre standard gas spacing unit comprising the SE/4 of Section 24, Township 25 South, Range 37 East, from the following two wells: (i) A. B. Coats "C" Well No. 9 (**API No. 30-025-11731**), located at a standard surface gas well location 1980 feet from the South and East lines (Unit J) of Section 24, to be recompleted into the Abo formation by kicking-off within the existing vertical wellbore in a southern direction and directionally drilling to a standard subsurface gas well in Unit "J" of Section 24; and (ii) A. B. Coats "C" Well No. 15 (**API No. 30-025-11728**), located at a standard surface gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 24 and completed within the Abo formation at standard subsurface gas well location in Unit "P" of Section 24. This unit is located approximately five miles east of Jal, New Mexico.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
William F. Carr, Legal Counsel for Texaco Exploration and Production Inc. - Santa Fe
Kathy Valdes, NMOCD - Santa Fe
J. Denise Leake, Texaco - Midland