

MILLER STRATVERT

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Counsel

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Reply to Santa Fe

150 Washington Ave., Suite 300
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* New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
** New Mexico Board of Specialization Recognized Specialist in Real Estate Law

April 28, 2004

VIA FACSIMILE

Will Jones
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case No. 13236; Application of Preston Exploration, LLC for
Compulsory Pooling, Eddy County, New Mexico

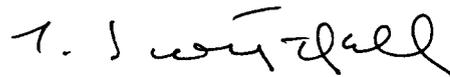
OK
4/28/04
WVW

Dear Mr. Jones:

On behalf of the Applicant, we agree to the request for continuance made on behalf of Chase Farms and Chase Oil Corporation. We ask that this case be set for hearing on the May 13, 2003 Examiner hearing docket.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb

cc: David Brooks (via facsimile)
William F. Carr, Esq. (via facsimile)
Mark Wheeler
Jesse Blue

LAW OFFICES

ALBUQUERQUE
(505) 842-1950

FARMINGTON
(505) 326-4521

LAS CRUCES
(505) 523-2481

SANTA FE
(505) 989-9614



April 27, 2004

VIA HAND DELIVERY

Ms. Joanna Prukop, Acting Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED

APR 27 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: **Oil Conservation Division Case No. 13236: Application of Preston
Exploration, L.L.C. for compulsory pooling, Eddy County, New Mexico.**

Dear Ms. Prukop:

Enclosed is the Motion of Chase Oil Corporation and Chase Farms seeking an order continuing the hearing in the above referenced case to the May 13, 2004 Examiner Hearing Docket.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

OK
wvx
4/27/04
Per Scott Hall

cc: Mr. Will Jones
Oil Conservation Division

J. Scott Hall, Esq.
Preston Exploration, L.L.C.

Mr. Ronald R. Lanning
Chase Oil Corporation and Chase Farms

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

RECEIVED

APR 27 2004

APPLICATION OF PRESTON EXPLORATION,
L.L.C. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

CASE NO. _____

MOTION FOR CONTINUANCE

CHASE OIL CORPORATION and CHASE FARMS ("Chase"), through its undersigned attorneys, files this motion for a continuance of the April 29, 2004, examiner hearing on this application, and in support of its motion states:

1. Chase Energy Corporation and Chase Farms are interest owners in the N/2 of Section 29, Township 17 South, Range 26 East which is the subject of the compulsory pooling application filed in this matter by Preston Exploration, L.L.C. ("Preston")

2. Preston seeks an order pooling the N/2 of Section 29. Mack Energy Corporation owns 33.33% working interest in the proposed spacing unit and Chase Farms owns a 4.1667% royalty interest and surface rights. The surface, with the exception of a small portion owned by Denis C. Riley, is owned by Chase Farms.

3. Preston staked the location for the well at a point 1480 feet from the North and West lines of Section 29. By letter dated February 18, 2004, Chase Farms advised Preston that this location was unacceptable. Since that time the parties have continued to negotiate.

4. In the course of these negotiations, Preston assured Chase Farms that they would not utilize the Chase Farms surface but would locate the well in the NW/4 NW/4 of Section 29. Attached to this Motion as Exhibit A is an e-mail from Preston's land representative assuring Chase Farm that their proposed well would not be located on the Chase Farm surface estate.

5. As of April 6, 2004, Chase Energy Corporation understood that Preston had agreed to move the surface location for this off the Chase Farms surface to a location 1200 feet from the North line and 1280 feet from the West line of Section 29. A copy of the last letter from

Preston Exploration, L.L.C., dated April 6, 2004, that shows this location is attached to this motion as Exhibit B.

6. On April 23, 2004, Chase received Preston's Pre-Hearing Statement in this case. This Pre-Hearing Statement is silent on the proposed well location. A copy of this Pre-Hearing Statement is attached to this Memorandum as Exhibit C.

7. On April 27, 2004, Chase was advised for the first time that Preston no longer proposes to drill at a location in the NW/4 NW/4 of this Section as it had agreed but, instead, was moving the well to a location on the Chase surface 1450 feet from the North line and 1980 feet from the West line of Section 29, 2004.

8. Chase fully intends to participate in this pooling hearing. However, it relied on the representations of Preston, has been taken by surprise by this change in well location, and it is now impossible for its witnesses to be present in Santa Fe for the hearing on April 29, 2004.

WHEREFORE, Chase Oil Corporation and Chase Farms, moves the Division for a continuance of this case to the examiner hearing scheduled May 13, 2004.

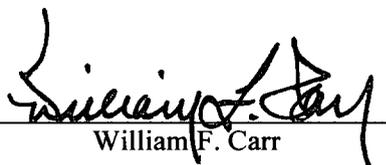
Respectfully submitted,

By: 
William F. Carr

ATTORNEY FOR CHASE OIL
CORPORATION AND CHASE FARMS

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of April, 2004, I caused a copy of this Motion for Continuance to be served by hand delivery on J. Scott Hall, Esq., Attorney for Preston Exploration, L.L.C.


William F. Carr

Ron Lanning

From: Bo Blue [bblue@prestonexpl.com]
Sent: Tuesday, March 30, 2004 1:58 PM
To: rlanning@mackenergycorp.com; 'Mark Wheeler (E-mail)'
Subject: RE: Roughneck Red Well

Ron, as I mentioned on the phone this afternoon, we will stay out of your orchard and utilize a location in the NW/4 NW/4 of Section 29, T17S, R26E. We are willing to acquire your leases at a reasonable cost under a term assignment whereby you turn a 75% net lease. We are not interested in a farmout of your interest with a 1/3 backin after payout.

Please call me should you have any questions.

-----Original Message-----

From: Ron Lanning [mailto:rlanning@mackenergycorp.com]
Sent: Tuesday, March 30, 2004 9:42 AM
To: Bo Blue (E-mail); Mark Wheeler (E-mail)
Subject: Roughneck Red Well

Bo:

We've discussed your proposal for surface use in the N/2 of Section 29, T17S, R26E. We also noticed you apparently are going to propose a different bottom hole location for your initial well.

For various reasons, your proposed surface location is unacceptable to Chase Farms. However, we are willing to begin negotiations with you based on the following general terms:

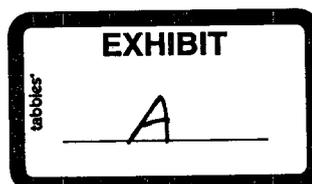
Drill your initial well in the W/2 of the spacing unit with your surface location in the area I recommended in the NW/4 NW/4. From there, you can drill a vertical hole or a directional hole to a bottom hole location of your choice.

If you desire to drill a subsequent well with a bottom hole location in the E/2 of the spacing unit (within an agreed time frame), Chase Farms will make a surface location available to you in the NE corner of the SE/4 NE/4, adjacent to US Hwy 285. This will allow you to drill directionally in a SW direction to your desired bottom hole location.

Chase Oil Corporation owns 1/3 of the leasehold in your N/2 spacing unit. Chase Oil does not desire to participate in your well(s). However, if you agree to the general terms above, Chase Oil will farmout its leasehold to you with no cash consideration or reserved overriding royalty, but with the option to back in to a proportionately reduced 1/3 working interest after payout of each well.

Please contact me if you have any questions.

Ronald W. Lanning
Land Manager
Mack Energy Corporation
Chase Oil Corporation
Caza Energy LLC



Preston Exploration, L.L.C.

April 6, 2004

Cactus Energy, Inc.
P.O. Box 2412
Midland, TX 79702
Attn: Mr. Richard H. Coats

MEC Petroleum Corp.
414 W. Texas, Suite 410
Midland, TX 79702

Saguaro Resources, Inc.
1409 S. Country Road 1130
Midland, TX 79706
Attn: Mr. Thomas R. Smith

Murchison Oil & Gas, Inc.
1100 Mira Vista Blvd.
Plano, TX 75093
Attn: Mr. Mike Daugherty, CPL

E3 Energy, Ltd.
P.O. Box 205
Midland, TX 79702
Mr. Wendell W. Iverson, Jr.

Chase Oil Corporation
Caza Energy LLC
Robert C. Chase
Richard L. Chase
Gerene Diane Chase Crouch
P.O. Box 1767
Artesia, NM 88211

Re: AFE to drill Roughneck Red "29" Com #1
N/2 of Section 29, T17S, R26E
Roughneck Red Prospect
Eddy County, New Mexico

Gentlemen:

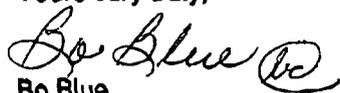
Reference is made to that certain letter dated January 13 wherein the referenced well was originally proposed. Because of surface considerations, we are having to drill this well directionally to the same bottom hole location. The surface location is 1200' FLN and 1280' FWL of Section 29. The bottom hole location is 1480' FNL and 1980' FWL of Section 29. The sidetrack portion added approximately \$100,000 to AFE.

Preston will operate the well. If you desire to participate, please execute and forward one (1) of the enclosed AFE's to the undersigned at your earliest convenience.

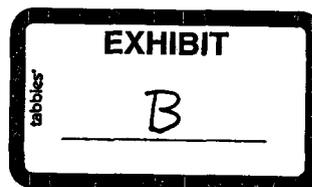
In the alternative, Preston would like to negotiate a term assignment of your leasehold right in the N/2 of Section 29.

Should you have any questions, please contact me.

Yours very truly,


Bo Blue
New Ventures Land Manager

BB:bc



RECEIVED

APR 12 2004

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

RECEIVED

APR 23 2004

IN THE MATTER OF THE APPLICATION OF PRESTON
EXPLORATION, L.L.C. FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO

HOLLAND & HART LLP
CASE NO. 13236

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Miller Stratvert P.A. (J. Scott Hall)
on behalf of Preston Exploration, L.L.C. as required by the Oil Conservation Division.

APPEARANCES

APPLICANT'S ATTORNEY

J. Scott Hall, Esq.
Miller Stratvert P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504
(505) 989-9614

APPLICANT

Preston Exploration, L.L.C.

RESPONDENTS' ATTORNEY

William F. Carr, Esq.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 9884421

RESPONDENTS

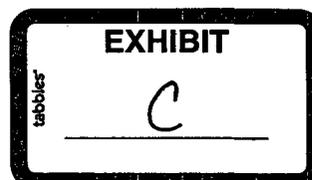
Chase Oil Corporation
and Chase Farms

James Bruce, Esq.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Murchison Oil Company

STATEMENT OF CASE

Applicant seeks an order pooling all mineral interests in the Strawn formation,
(Eagle Creek Strawn Gas Pool), Atoka and Morrow formations, (Eagle Creek East



Atoka-Morrow Gas Pool) and the Pennsylvanian formation (Eagle Creek Permo-Pennsylvanian Gas Pool) underlying the N/2 of Section 29, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, to form standard 320-acre spacing and proration units for each of the referenced formations and pools.

PROPOSED EVIDENCE

APPLICANT

WITNESSES:	Est. Time	No. of Exhibits
Jessie Blue	10 Minutes	2
Mark Wheeler	20 Minutes	6
Opposition or Other Parties:		

PROCEDURAL MATTERS

None.

Respectfully submitted,

MILLER STRATVERT P.A.

By: 
J. Scott Hall
Post Office Box 1986
Santa Fe, New Mexico 87504
(505) 989-9614
Attorneys for Preston Exploration, L.L.C.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following as indicated below on this 22 day of April, 2004:

William F. Carr, Esq.
Post Office Box 2208
Santa Fe, New Mexico 87504

James Bruce, Esq.
Post Office Box 1056
Santa Fe, New Mexico 87504



J. Scott Hall