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* New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
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February 20, 2004

HAND-DELIVERED

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: New Mexico Oil Conservation Case No. 13236 ; Application of Preston
Exploration, L.L.C. for Compulsory Pooling, Eddy County, New Mexico

Dear Ms. Wrotenbery:

Enclosed is an original and two copies of the Application of Preston Exploration, L.L.C. in the above referenced matter. On behalf of the Applicant, we request this matter be set for hearing on the March 18, 2004 Division Examiner hearing docket. Also enclosed on disk and in hard copy is a proposed advertisement for the case.

Thank you for your assistance.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb
Enclosures

RECEIVED

FEB 20 2004

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Santa Fe, NM 87505

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

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

CASE NO. 13236

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APPLICATION FEB 20 2004

PRESTON EXPLORATION, L.L.C., ^{Oil Conservation Division} undersigned attorneys, Miller, Stratvert P.A., (J. Scott Hall) hereby makes application ^{1220 S. St. Francis Drive Santa Fe, New Mexico} pursuant to NMSA 1978 Section 70-2-17 (1995) for 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. Applicant would show the Division:

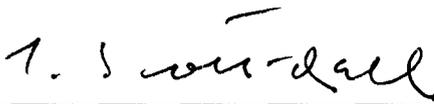
1. Applicant owns certain working interests in and under the N/2 of Section 29, and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled units to its Roughneck Red 29 Com No. 1 Well to be drilled at a standard gas well location 1480' from the North line and 1980' from the West line of said Section 29 to a depth sufficient to test the Atoka Morrow, Strawn and Pennsylvanian formations underlying the N/2 of Section 29.
3. Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formations underlying the N/2 of said Section 29.

4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing units, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on March 18, 2004 and that after notice and hearing as required by law, the Division enter its Order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, and the allocation of the cost thereof, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper.

MILLER STRATVERT P.A.

By: 

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

PROPOSED ADVERTISEMENT

CASE 13236: **Application of Preston Exploration, L.L.C. for compulsory pooling, Eddy County New Mexico.** Applicant seeks an order pooling all mineral interests 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 to form standard 320-acre gas spacing and proration units for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The units are to be dedicated to applicant's Roughneck Red 29 Com No. 1 Well to be located at a standard gas well location 1480' from the North line and 1980' from the West line of said Section 29. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Preston Exploration, L.L.C. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are to be located approximately 8 miles southeast of Artesia, New Mexico.

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Santa Fe, NM 87505