

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

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APR 20 2004

IN THE MATTER OF THE APPLICATION
OF PALADIN ENERGY CORPORATION
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

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

CASE NO. 13263

APPLICATION

PALADIN ENERGY CORPORATION ("Paladin"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations below the base of the Devonian formation underlying the S/2 of Section 26, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent for a wildcat gas well in the McKee formation. In support of this application Paladin states:

1. Paladin is a working interest owner in the S/2 of Section 26 and has a right to drill thereon.
2. Paladin proposes to dedicate the above-referenced spacing or proration unit to the South Vacuum 26 Well No. 1, an abandoned Devonian oil well located 660 feet from the West and South lines (Unit M) of Section 26. Paladin proposes to deepen and sidetrack this well in a northeasterly direction to a bottom-hole location no further than 1380 feet from the West and South lines and at a depth of approximately 14,000 feet.
3. Applicant has sought and been unable to obtain a voluntary agreement for the development of these lands from the interest owners in the subject spacing units identified on Exhibit A to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent

waste and will protect correlative rights.

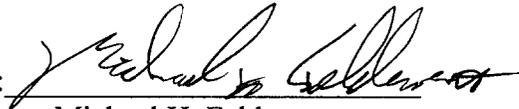
5. In order to permit Paladin the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Paladin should be designated the operator of the well.

WHEREFORE, Paladin requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 13, 2004, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration unit,
- B. designating Paladin operator of the unit and the well to be drilled thereon,
- C. authorizing Paladin to recover its costs of deepening, equipping and re-completing the well,
- D. approving the actual operating charges and costs of supervision while deepening and re-completing this well, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the deepening and re-completion of this well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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ATTORNEYS FOR PALADIN ENERGY CORPORATION.

**EXHIBIT A
APPLICATION
OF PALADIN ENERGY CORPORATION
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

South Vacuum 26 Well No. 1

Robert K. Todd
Ventana Exploration
7557 Rambler Road
Dallas, TX 75231-4142

Sabine Royalty Trust
c/o Ms. Sara Williams
8235 Douglas Ave., Suite 525
Dallas, TX 75225

Zia Royalty
Attn: Chuck Moran
P.O. Box 2160
Hobbs, NM 88241

CASE 13263 :

Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations below the base of the Devonian formation underlying the S/2 of Section 26, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent for a wildcat gas well in the McKee formation. This unit is to be dedicated to the South Vacuum 26 Well No. 1, an abandoned Devonian oil well located 660 feet from the West and South lines (Unit M) of Section 26. Applicant proposes to deepen and sidetrack the well in a northeasterly direction to a bottom-hole location no further than 1380 from the West and South lines and at a depth sufficient to test the McKee formation. Also to be considered will be the cost of deepening and re-completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 18 miles west of Hobbs and 14 miles south of Buckeye, New Mexico