

MILLER STRATVERT

PROFESSIONAL ASSOCIATION

Ranne B. Miller
Alice T. Lorenz
Stephen M. Williams
Stephan M. Vidmar
Seth V. Bingham
Timothy R. Briggs
Rudolph Lucero
Deborah A. Solove
Gary L. Gordon
Lawrence R. White
Virginia Anderman
Marte D. Lightstone
J. Scott Hall*

Thomas R. Mack
Thomas M. Domme
Ruth O. Pregenzer
Jeffrey E. Jones
James J. Widland
Bradley D. Tepper**
Robin A. Goble
James R. Wood
Dana M. Kyle
Kirk R. Allen
Ruth Fuess
H. Brook Laskey
Paula G. Maynes

Michael C. Ross
Gary Risley
M. Dylan O'Reilly
Jennifer D. Hall
Jennifer L. Olson
Todd A. Schwarz
Nell Graham Sale
Scott P. Hatcher
Leonard D. Sanchez
Michelle K. Ostrye
Kelsey D. Green
Marcy Baysinger
David J. Martin

Caroline Blankenship
Matthew S. Rappaport
Karen E. Wootton
Somer K. Chyz
Michael G. Duran

Counsel

William K. Stratvert
James B. Collins
Sharon P. Gross
Robert D. Taichert

Reply to Santa Fe

150 Washington Ave., Suite 300
Santa Fe, NM 87501

Mailing Address:
P.O. Box 1986
Santa Fe, NM 87504-1986

Telephone: (505) 989-9614
Facsimile: (505) 989-9857

* New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
** New Mexico Board of Specialization Recognized Specialist in Real Estate Law

June 14, 2004

HAND-DELIVERED

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

Re: New Mexico Oil Conservation Case No. 13295; Application of Preston Exploration, L.L.C. for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. Fesmire:

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 July 8, 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

J. Scott Hall

JSH/glb
Enclosures

2004 JUN 14 PM 3 34

LAW OFFICES

ALBUQUERQUE
(505) 842-1950

FARMINGTON
(505) 326-4521

LAS CRUCES
(505) 523-2481

SANTA FE
(505) 989-9614

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

2004 JUN 14 PM 3 34

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

CASE NO. 13295

APPLICATION

PRESTON EXPLORATION, L.L.C., by its undersigned attorneys, Miller, Stratvert P.A., (J. Scott Hall) hereby makes application pursuant to NMSA 1978 Section 70-2-17 (1995) for an order pooling all mineral interests in the Morrow formation (undesignated POW-Morrow Gas Pool) underlying the N/2 of Section 32, Township 16 South, Range 26 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre spacing and proration unit for the referenced formation and pool. Applicant would show the Division:

1. Applicant owns certain working interests in and under the N/2 of Section 32, and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced unit to its San Remo 32 Com No. 1 Well to be drilled at a standard gas well location 1980' from the North line and 2130' from the West line of said Section 32 to a depth sufficient to test the Morrow formation.
3. Applicant has sought but has been unable to obtain voluntary agreement for the development of these lands from certain other interest owners in the above-referenced formations underlying the N/2 of said Section 32.

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 unit, 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 July 8, 2004 and that after notice and hearing as required by law, the Division enter its Order pooling the lands, designating Applicant as operator, 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
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 13295: **Application of Preston Exploration, L.L.C. for compulsory pooling, Eddy County New Mexico.** Applicant seeks an order pooling all mineral interests in the Morrow formation, (undesignated POW-Morrow Pool) underlying the N/2 of Section 32, Township 16 South, Range 26 East to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The unit is to be dedicated to applicant's San Remo 32 Com No. 1 Well to be located at a standard gas well location 1980' from the North line and 2130' from the West line of said Section 32. 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 unit is to be located approximately 2 miles northwest of Artesia, New Mexico.

2009 JUN 14 PM 3 34