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2004 JUL 13 PM 12 49

July 13, 2004

Hand Delivered

Case 13317

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Murchison Oil & Gas, Inc. Please set this matter for the August 5, 2004 Examiner hearing.

The advertisement is also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Murchison Oil & Gas, Inc.

PARTIES BEING POOLED

ConocoPhillips Company
P.O. Box 2197
Houston, Texas 77252

Attention: Linda Hicks

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2004 JUL 13 PM 12 49

APPLICATION OF MURCHISON OIL &
GAS, INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 13317

APPLICATION

Murchison Oil & Gas, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$) of Section 2, Township 17 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 2, and has the right to drill a well thereon.

2. Applicant proposes to drill its Panda Bear State Com. Well No. 1, at an orthodox gas well location in Lot 4 of the section, to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) Lot 4 of Section 2 to form a standard 39.26 acre oil well unit for all pools or formations developed on 40-acre spacing within that vertical extent;

(b) Lots 3, 4, and the S $\frac{1}{2}$ NW $\frac{1}{4}$ (the NW $\frac{1}{4}$) of Section 2 to form a standard 158.48 acre gas well unit for all pools or formations developed on 160-acre spacing within that vertical extent; and

(c) the W $\frac{1}{2}$ of Section 2 to form a standard 318.48 acre gas well unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated North Empire-Atoka Gas Pool and Undesignated

Southeast Crow Flats-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 2 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 2, pursuant to NMSA 1978 §70-2-17.

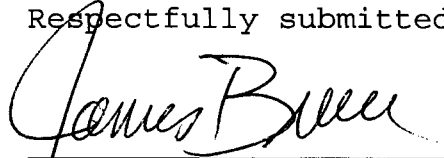
5. The pooling of all mineral interests underlying the W½ of Section 2 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 2, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates as provided in the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

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

Attorney for Murchison Oil &
Gas, Inc.

PROPOSED ADVERTISEMENT

Case 13317: Application of ^{2004 JUN 18 11:12:49} ~~John~~ ^{John} ~~Johnson~~ Oil & Gas, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 2, Township 17 South, Range 28 East, NMPM, and in the following manner: Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and the SW $\frac{1}{4}$ (the W $\frac{1}{2}$ equivalent) to form a standard 318.48-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Empire-Atoka Gas Pool and Undesignated Southeast Crow Flats-Morrow Gas Pool; Lots 3, 4, and the S $\frac{1}{2}$ NW $\frac{1}{4}$ (the NW $\frac{1}{4}$ equivalent) to form a standard 158.48-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and Lot 4 to form a standard 39.26-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to the Panda Bear State Com. Well No. 1, to be drilled at an orthodox gas well location in Lot 4 of Section 2. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 14 $\frac{1}{2}$ miles east-northeast of Artesia, New Mexico.