

January 25, 2005

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Energy, Minerals and  
Natural Resources Department  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 13419*

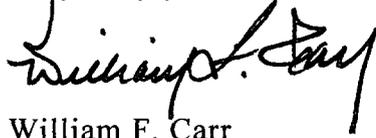
2005 JAN 25 PM 3 20

Re: Application of Matrix New Mexico Holdings, L.L.C. for compulsory pooling, Lea County, New Mexico. (Townsend Well No. 3)

Dear Mr. Fesmire:

Enclosed is the application of Matrix New Mexico Holdings, L.L.C. in the above-referenced case as well as a copy of a legal advertisement. Matrix New Mexico Holdings, L.L.C. requests that this matter be placed on the docket for the February 17, 2005 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Fred Bryla  
Matrix New Mexico Holdings, L.L.C.  
5725 Commonwealth Blvd.  
Sugar Land, Texas 77479



January 27, 2005

2005 JAN 25 PM 3 20

**CERTIFIED MAIL -RETURN RECEIPT REQUESTED**

TO ALL AFFECTED INTEREST OWNERS:

Re: Application of Matrix New Mexico Holdings, L.L.C. for compulsory pooling, Lea County, New Mexico. (Townsend Well No. 3)

Ladies and Gentlemen:

Matrix New Mexico Holdings, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in NE/4 SE/4 of Section 10, Township 13 South, Range 38 East, NMPM, to form a standard 40-acre oil spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Bronco-Wolfcamp Pool. Said units are to be dedicated to Matrix Townsend Well No. 3 to be drilled at a standard oil well location in the NE/4 SE/4 of said Section 10 to a depth sufficient to test all formations from the surface through Wolfcamp formation.

This application has been set for hearing before a Division Examiner on February 17, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr  
ATTORNEY FOR MATRIX NEW MEXICO HOLDINGS, L.L.C.

cc: Fred Bryla  
Matrix New Mexico Holdings. L.L.C.

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

**IN THE MATTER OF THE APPLICATION  
OF MATRIX NEW MEXICO HOLDINGS, L.L.C.  
FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.**

CASE NO. 13419

**APPLICATION**

MATRIX NEW MEXICO HOLDINGS, L.L.C. ("Matrix") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17(C), for an order pooling all mineral interests from the surface through the base of the Wolfcamp formation in the NE/4 SE/4 of Section 10, Township 13 South, Range 38 East, NMPM, to form a standard 40-acre oil spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Bronco-Wolfcamp Pool, and in support thereof states:

1. Matrix is a working interest owner in the NE/4 SE/4 of said Section 10 and has the right to drill thereon.
2. Matrix proposes to dedicate the above-referenced spacing and proration unit to its Townsend Well No. 3 to be drilled at a standard oil well within the NE/4 SE/4 of this section to a depth sufficient to test all formations from the surface through the Wolfcamp formation.
3. Matrix has sought and been unable to obtain a voluntary agreement for the development of these lands from those interest owners 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 Matrix 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 Matrix New Mexico Operating Company, L.L.C. should be designated the operator of the well to be drilled.

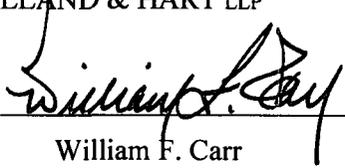
WHEREFORE, Matrix New Mexico Holdings, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 17, 2005 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing units,
- B. designating Matrix New Mexico Operating Company, L.L.C. operator of this spacing unit and the well to be drilled thereon,
- C. authorizing Matrix New Mexico Holdings, L.L.C. to recover its costs of drilling,

- equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 200% penalty for the risk assumed by Matrix New Mexico Holdings, L.L.C. in drilling and completing the well against any working interest owner that does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR MATRIX NEW  
MEXICO HOLDINGS, L.L.C.

**EXHIBIT A**

**Application of Matrix New Mexico Holdings, L.L.C.  
for compulsory pooling  
Section 10: Unit Letter I  
Township 13 South, Range 38 East, NMPM  
Lea County, New Mexico.**

(Townsend Well No. 3)

Apollo Exploration, L.L.C.  
1415 23rd Street  
Canyon, Texas 79015  
Attn: Chris Bright

Bronco Projects, L.L.C.  
35755 Stenzel Road  
Brookshire, Texas 77432  
Attn: George Joseph

Duck Hook II, LC  
3401 94th Street  
Lubbock, Texas 79423  
Attn: Mike Chase

Eric Fox  
Post Office Box 8736  
Amarillo, Texas 79114

Gary Greenstreet, L.L.C.  
3902 85th Place  
Lubbock, Texas 79423  
Attn: Gary Greenstreet

Jens H. Mortensen, Jr.  
12301 Rooth Road  
McAllen, Texas 78504

Larami, Ltd.  
545 North Upper Broadway, # 507  
Corpus Christi, Texas 78476  
Attn: George Placke

Lindsay Production & Royalties  
122 East Pecan Street, Suite 500  
San Antonio, Texas 78250  
Attn: Sidney Lindsay

The Nordan Trust  
122 East Pecan Street, Suite 500  
San Antonio, Texas 78250  
Attn: Louis Belinski

OGI, Ltd.  
545 North Upper Broadway # 507  
Corpus Christi, Texas 78476  
Attn: George Placke

Sunlight Exploration, Inc.  
1415 23rd Street  
Canyon, Texas 79015  
Attn: Chris Bright

Mr. Leroy Townsend  
7650 East Vista Drive  
Scottsdale, Arizona 85250

WFV Partnership  
Post Office Box 64953  
Lubbock, Texas 79464  
Attn: Terry Wynn

Estate of Calvin D. Townsend  
Address Unknown

CASE 13419:

**Application of Matrix New Mexico Holdings, L.L.C. for compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface through the Wolfcamp formation in the NE/4 SE/4 of Section 10, Township 13 South, Range 38 East, NMPM to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent which includes but is not necessarily limited to the Bronco-Wolfcamp Pool. Said units are to be dedicated to its Townsend Well No. 3 to be drilled at a standard oil well location in the NE/4 SE/4 of said Section 10 to a depth sufficient to test all formations through the Wolfcamp formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matrix New Mexico Operating Company, L.L.C. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 3 miles southwest of Bronco, Texas.