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RECEIVED OOD  
2011 MAR 25 P 3:05

March 25, 2011

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

**Hand Delivered**

**Re: NMOCD Case No. 14629: Application of Blue Dolphin Production, LLC for Compulsory Pooling, Rio Arriba County, New Mexico**

Dear Ms. Davidson:

On behalf of Blue Dolphin Production LLC, enclosed for filing is an Application in the above-referenced case. Please set this matter for hearing on the April 28, 2011 examiner docket. Also enclosed is a proposed advertisement for the case.

Thank you.

Very truly yours,.

Karen Williams  
Assistant to J. Scott Hall

:kw  
Enclosure

cc: Blue Dolphin Production LLC

00266419

**REPLY TO:**

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

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IN THE MATTER OF THE APPLICATION  
OF BLUE DOLPHIN PRODUCTION, LLC  
FOR COMPULSORY POOLING, RIO  
ARRIBA COUNTY, NEW MEXICO

CASE NO. 74629

APPLICATION

Blue Dolphin Production, LLC, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.13.8 of the Division's Rules and Regulations and NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

Pooling all interests in all pools or formations developed on 40-acre spacing within the Mancos Shale formation underlying the non-standard spacing and proration unit comprised of the approximate E/2 SW/4 NE/4 of projected Section 27, Township 30 North, Range 1 East in Rio Arriba County, New Mexico.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed pooled unit in Section 27, and has the right to drill thereon. Previously, by Order No. R-13326, the Division approved the designation of the 21.0 ± acres comprising the E/2 SW/4 NE/4 of Section 27 as a non-standard spacing and proration unit

2. Applicant proposes to dedicate the above-referenced non-standard pooled unit to the Theis Greenhorn Test Well No. 1 to be drilled vertically from a location 1643 feet from the North line and 1575 feet from the East line (G) to a depth sufficient to test the Greenhorn

member of the Mancos Shale formation (WC30N1E27), underlying the E/2 SW/4 NE/4 of Section 27.

3. Applicant does not have leases or a voluntary agreement for development, pooling or farmout from certain other interest owners in the above-referenced formation underlying the proposed non-standard unit.

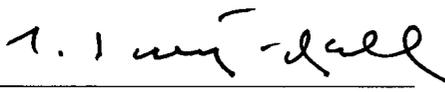
4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the non-standard 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 April 28, 2011, and that after notice and hearing as required by law, the Division enter its Order pooling the lands, including provisions for the operator to recover its costs of drilling, equipping and completing the well, 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 operator in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 

J. Scott Hall

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Attorneys for Blue Dolphin  
Production, LLC

00265347

*Case 14629: Application of Blue Dolphin Production, LLC for Compulsory Pooling, Rio Arriba County, New Mexico.* Applicant seeks an order for the compulsory pooling of all interests in all pools or formations developed on 40-acre spacing within the Mancos Shale formation underlying a non-standard oil well spacing and proration unit comprised of 21.0 ± acres located in the approximate E/2 SW/4 NE/4 of projected Section 27, Township 30 North, Range 1 East in Rio Arriba County, New Mexico. The unit will be dedicated to the following well to be drilled to the Greenhorn member of the undesignated Mancos Shale formation, (WC30N1E27):

Theis Greenhorn Test Well No. 1  
1643' FNL and 1575' FEL (G)  
Projected Section 27, T30N, R1E  
Rio Arriba County, New Mexico

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 Applicant as operator and a charge for the risk involved in drilling the well. The well and lands are located approximately one-half mile south of Horse Lake, New Mexico.