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May 22, 2012

Case 14868

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

Dear Florene:

Enclosed for filing, on behalf of Marshall & Winston, Inc., are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please advertise the application for the June 25, 2012 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Marshall & Winston, Inc.

Parties Being Pooled

Heirs or devisees of Julia McKinley
Address unknown

PROPOSED ADVERTISEMENT

Case No. 14868 :

Application of Marshall & Winston, Inc. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving an 80-acre non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the W/2SE/4 of Section 25, Township 19 South, Range 25 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the base of the Glorieta-Yeso formation underlying the NW/4SE/4 of Section 25 to form a standard 40 acre oil spacing and proration unit, and (ii) the Glorieta-Yeso formation underlying the W/2SE/4 of Section 25 to form a non-standard 80 acre oil spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Boot Hill 25 Well No. 1, a horizontal well with a surface location in the NW/4SE/4, and a terminus in the SW/4SE/4, of Section 25. 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 4 miles west of Lakewood, New Mexico.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MARSHALL & WINSTON, INC.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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Case No. 14868

APPLICATION

Marshall & Winston, Inc. applies for an order (i) approving a non-standard oil spacing and proration unit in the Glorieta-Yeso formation comprised of the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25, and the Glorieta-Yeso formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25, and has the right to drill a well thereon.
2. Applicant has drilled its Boot Hill 25 Well No. 1 to a depth sufficient to test the Glorieta-Yeso formation. Applicant seeks to dedicate (i) the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25 to the well to form a non-standard 80 acre oil spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing. The well is a horizontal well, with a surface location in the NW $\frac{1}{4}$ SE $\frac{1}{4}$, and a terminus in the SW $\frac{1}{4}$ SE $\frac{1}{4}$, of Section 25.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25 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.

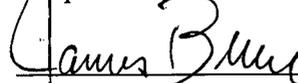
Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25 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. Approving a non-standard oil spacing and proration unit (project area) in the Glorieta-Yeso formation comprised of the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25;
- B. Pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25, and the Glorieta-Yeso formation underlying the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 25;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. 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,



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Attorney for Marshall & Winston, Inc.