

June 27, 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

2005 JUN 27 PM 3 10

Re: Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.

*Case 13530*

Dear Mr. Fesmire:

Enclosed is the application of Paladin Energy Corporation in the above-referenced case as well as a copy of a legal advertisement. Paladin requests that this matter be placed on the docket for the July 28, 2005 Examiner hearings.

Very truly yours,

*Ocean Munds-Dry*

Ocean Munds-Dry

Enclosures

cc: Mr. George Fenton  
Paladin Energy Corporation  
10920 Monroe Drive, Suite 301  
Dallas, Texas 75229

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

**IN THE MATTER OF THE APPLICATION  
OF PALADIN ENERGY CORPORATION  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

2005 JUN 27 3 10 PM  
CASE NO. 18530

**APPLICATION**

PALADIN ENERGY CORPORATION (“Paladin”), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing, which includes but is not necessarily limited to the undesignated South Vacuum- McKee Gas Pool. In support of this application Paladin states:

1. Paladin is a working interest owner in the SE/4 of Section 22 and has a right to drill thereon.
2. Paladin proposes to dedicate the above-referenced spacing or proration unit to the South Vacuum 22 Well No. 1, to be drilled at a standard location 660 feet from the South line and 1980 from the West line in the SW/4 SE/4 (Unit O) of Section 22 to test the McKee formation at a depth of approximately 15,000 feet.
3. Paladin has sought and been unable to obtain a voluntary agreement for the development of these lands from the 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 Paladin 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 Paladin should be designated the operator of the well.

WHEREFORE, Paladin requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 28, 2005, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration unit;
- B. designating Paladin operator of the unit and the well to be drilled thereon;
- C. authorizing Paladin to recover its costs of deepening, equipping and re-completing the well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision to adjust the rates pursuant to the COPAS accounting procedures; and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of this well.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry

Michael H. Feldewert  
Ocean Munds-Dry  
P.O. Box 2208  
Santa Fe, NM 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR PALADIN  
ENERGY CORPORATION

**EXHIBIT A**

**APPLICATION OF PALADIN ENERGY CORPORATION  
FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

**South Vacuum 22 Well No. 1**

Baker Recovery, Inc.  
Attn: Seamus Pinion  
P.O. Box 1026  
Tulsa, Oklahoma 74101

Karen Lowenherz Grisham  
2639 E. 33rd Place  
Tulsa, Oklahoma 74105

Sundown Energy LP  
Attn: Danny Neal  
13455 Noel Road  
2 Galleria Tower, Suite 2000  
Dallas, Texas 75240

CASE 13530:

**Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated South Vacuum-McKee Gas Pool. This unit is to be dedicated to the South Vacuum 22 Well No. 1, to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line in the SW/4 SE/4 (Unit O) of said Section 22 to test the McKee formation at a depth of approximately 15,000 feet. 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 of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 19 miles northwest of Hobbs and 4 miles southwest of Buckeye, New Mexico.

June 27, 2005

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED**

WORKING INTEREST OWNERS

Re: Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.

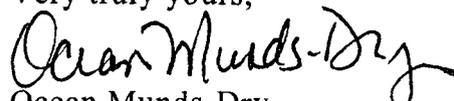
Ladies and Gentlemen:

This letter is to advise you that Paladin Energy Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests below the base of the Queen formation in certain spacing and proration units in the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Said pooled units are to be dedicated to Paladin's South Vacuum 22 Well No. 1 to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line to a depth of approximately 15,000 feet to test the McKee formation.

This application has been set for hearing before a Division Examiner on July 28, 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 four 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,

  
Ocean Munds-Dry

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. 

HOLLAND & HART LLP



Ocean Munds-Dry  
Associate

omundsdry@hollandhart.com

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July 5, 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 13530*

Re: Amended Application of Paladin Energy Corporation for  
compulsory pooling, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Paladin Energy Corporation in the above-  
referenced case as well as a copy of a legal advertisement. Paladin requests  
that this matter be placed on the docket for the July 28, 2005 Examiner  
hearings.

Very truly yours,

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Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻️

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

IN THE MATTER OF THE APPLICATION  
OF PALADIN ENERGY CORPORATION  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

CASE NO. 13530

AMENDED APPLICATION

PALADIN ENERGY CORPORATION ("Paladin"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing, which includes but is not necessarily limited to the undesignated South Vacuum- McKee Gas Pool. In support of this application Paladin states:

1. Paladin is a working interest owner in the SE/4 of Section 22 and has a right to drill thereon.
2. Paladin proposes to dedicate the above-referenced spacing or proration unit to the South Vacuum 22 Well No. 1, to be drilled at a standard location 660 feet from the South line and 1650 from the West line in the SW/4 SE/4 (Unit O) of Section 22 to test the McKee formation at a depth of approximately 15,000 feet.
3. Paladin has sought and been unable to obtain a voluntary agreement for the development of these lands from the 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.

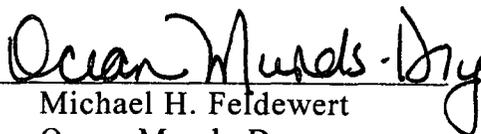
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- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of this well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert  
Ocean Munds-Dry  
P.O. Box 2208  
Santa Fe, NM 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR PALADIN  
ENERGY CORPORATION

**EXHIBIT A**

**AMENDED APPLICATION OF PALADIN ENERGY CORPORATION  
FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

**South Vacuum 22 Well No. 1**

Baker Recovery, Inc.  
Attn: Seamus Pinion  
P.O. Box 1026  
Tulsa, Oklahoma 74101

Karen Lowenherz Grisham  
2639 E. 33rd Place  
Tulsa, Oklahoma 74105

Sundown Energy LP  
Attn: Danny Neal  
13455 Noel Road  
2 Galleria Tower, Suite 2000  
Dallas, Texas 75240

CASE 13590:

**Amended Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated South Vacuum-McKee Gas Pool. This unit is to be dedicated to the South Vacuum 22 Well No. 1, to be drilled at a standard location 660 feet from the South line and 1650 feet from the West line in the SW/4 SE/4 (Unit O) of said Section 22 to test the McKee formation at a depth of approximately 15,000 feet. 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 of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 19 miles northwest of Hobbs and 4 miles southwest of Buckeye, New Mexico.



July 5, 2005

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED****WORKING INTEREST OWNERS**

Re: Amended Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Paladin Energy Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests below the base of the Queen formation in certain spacing and proration units in the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Said pooled units are to be dedicated to Paladin's South Vacuum 22 Well No. 1 to be drilled at a standard location 660 feet from the South line and 1650 feet from the West line to a depth of approximately 15,000 feet to test the McKee formation.

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Very truly yours,

Ocean Munds-Dry  
ATTORNEY FOR PALADIN ENERGY  
CORPORATION