

**BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT**

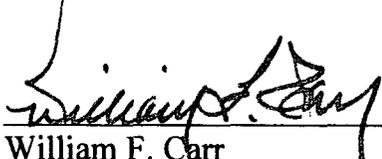
**IN THE MATTER OF THE APPLICATION OF  
BEPCO, L.P. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 13758**

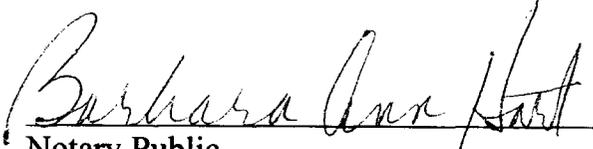
**AFFIDAVIT**

STATE OF NEW MEXICO        )  
                                          ) ss.  
COUNTY OF SANTA FE        )

William F. Carr, attorney in fact and authorized representative of BEPCo., L.P., the Applicant herein, being first duly sworn, upon oath, states that notice of the above-referenced Application was mailed to the interested parties shown on Exhibit "A" attached hereto in accordance with Oil Conservation Division Rules, and that true and correct copies of the notice letter and proof of notice are attached hereto.

  
\_\_\_\_\_  
William F. Carr

SUBSCRIBED AND SWORN to before me this 20<sup>th</sup> day of July 2006 by William F. Carr.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 3/28/08

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case Nos. 13758 Exhibit No. 7  
Submitted by:  
BEPCo., L.P.  
Hearing Date: August 17, 2006

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only. No Insurance Coverage Provided)

7001 1140 0002 9558 9855

BERCO Palmito 14211	Postage	\$ 1.11
	Certified Fee	2.40
	Return Receipt Fee (Endorsement Required)	1.85
	Restricted Delivery Fee (Endorsement Required)	
	<b>Total Postage &amp; Fees</b>	<b>\$ 5.36</b>



Sent To **Kerr-McGee Oil & Gas Onshore,  
 L.P.  
 5735 Pineland Drive, Suite 300  
 Dallas, TX 75231**

PS Form 3800

**SENDER, COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
  
 Kerr-McGee Oil & Gas Onshore,  
 L.P.  
 5735 Pineland Drive, Suite 300  
 Dallas, TX 75231

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) **MARY SUTER** B. Date of Delivery **7/24/06**  
 C. Signature *[Signature]*  Agent  Addressee  
 D. Is delivery address different from item 1?  Yes  No  
 If YES, enter delivery address below:

3. Service Type:  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from se) **7001 1140 0002 9558 9855**

**EXHIBIT A**

**APPLICATION OF  
BEPCo., L.P.  
FOR COMPULSORY POOLING  
SECTION 12, TOWNSHIP 19 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

Kerr-McGee Oil & Gas Onshore, L.P.  
5735 Pineland Drive Suite 300  
Dallas, Texas 75231

July 20, 2006

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**AFFECTED INTEREST OWNERS**

Re: Application of BEPCo., L.P. for compulsory pooling, Eddy County, New Mexico.

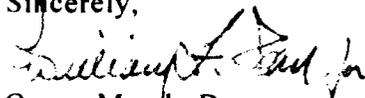
Ladies and Gentlemen:

This letter is to advise you that BEPCo., L.P. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in the N/2 of Section 12, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to its Palmillo "12" State Com Well No. 1 which it proposes to drill at a standard location 1650 feet from the North line and 660 feet from the West line of Section 12 to test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on August 17, 2006. 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 with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must 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.

Sincerely,



Ocean Munds-Dry  
ATTORNEY FOR BEPCO., L.P.

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

2006 JUL 18 PM 4 24

**IN THE MATTER OF THE APPLICATION  
OF BEPCO, L.P. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**APPLICATION**

BEPCo., L.P., (“Bass”) through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17 (2006), for an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 12, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Turkey Track-Morrow Gas Pool, Undesignated Millman-Atoka Gas Pool, Undesignated Millman-Cisco Gas Pool and the Undesignated Millman-Wolfcamp Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing within this vertical extent; and the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Palmillo-Wolfcamp Pool, Undesignated Turkey Track-Cisco Pool, East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool, and the Undesignated Palmillo-Bone Spring Pool, and in support of its application states:

1. Bass is a working interest owner in the N/ of said Section 12 and has the right to drill thereon.

2. Bass proposes to dedicate the above-referenced spacing or proration unit to its Palmillo “12” State Com Well No. 1 to be drilled at a standard location 1650 feet from the North line and 660 feet from the West line (Unit E) of said Section 12, NMPM, Eddy County, New

Mexico, to an approximate depth of 11,500 feet to test any and all formations from the surface to the base of the Morrow formation.

3. Bass has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing unit who are 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.

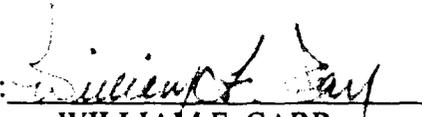
5. In order to permit Bass to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Bass should be designated the operator of the well to be drilled.

WHEREFORE, BEPCo., L.P. requests this application be set for hearing before a Division Examiner on August 17, 2006 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 units,
- B. designating Bass operator of these units and the well to be drilled thereon,
- C. authorizing Bass 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 penalty for the risk assumed by Bass in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,  
HOLLAND & HART LLP

By:



WILLIAM F. CARR  
OCEAN MUNDS-DRY  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR BEPCo., L.P.

CASE \_\_\_\_\_:

**Application of BEPCo., L.P. for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 12, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Turkey Track-Morrow Gas Pool, Undesignated Millman-Atoka Gas Pool, Undesignated Millman-Cisco Gas Pool and the Undesignated Millman-Wolfcamp Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing within this vertical extent; and the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Palmillo-Wolfcamp Pool, Undesignated Turkey Track-Cisco Pool, East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool, and the Undesignated Palmillo-Bone Spring Pool, Said unit is to be dedicated to its Palmillo "12" State Com Well No. 1 to be drilled at a standard location 1650 feet from the North line and 660 feet from the West line (Unit E) of said Section 12 to an approximate depth 11,500 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 BEPCo., L.P. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2 miles SW of Lindkey, New Mexico.

# Affidavit of Publication

NO. 19360

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn, says: That he is the Publisher of The

Artesia Daily Press, a daily newspaper of general

circulation, published in English at Artesia, said county

and county and state, and that the here to attached

### Legal Notice

was published in a regular and entire issue of the said

Artesia Daily Press, a daily newspaper duly qualified

for that purpose within the meaning of Chapter 167 of

the 1937 Session Laws of the state of New Mexico for

1 Consecutive week/days on the same

day as follows:

First Publication July 21 2006

Second Publication \_\_\_\_\_

Third Publication \_\_\_\_\_

Fourth Publication \_\_\_\_\_

Subscribed and sworn to before me this

25th Day July 2006

Notary Public, Eddy County, New Mexico

My Commission expires September 23, 2007

# Copy of

## NOTICE OF PUBLICATION STATE OF NEW MEXICO ENERGY MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on August 17, 2006, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3458 or through the New Mexico Relay Network at 1-800-659-1779 by August 10, 2006. Public documents including the agenda and minutes can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

### STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

**CASE 137**  
Applicant: **BEPCo, L.P.** for compulsory pooling, **L. County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 12, Township 19 South, Range 28 East, N.M.P.M. Eddy County, New Mexico; the N/2 for

all formations and pools developed in 320-acre spacing well includes but is not necessarily limited to the Turkey Track-Morre Gas Pool, Undesignated Millman-Atoka Gas Pool, Undesignated Millman-Cisco Gas Pool and the Undesignated Millman-Wolfcamp Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing within this well extent; and the SW NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated We Palmillo-Wolfcamp Pool, Undesignated Turkey Track-Cisco Pool, East Millman Yates-Sevens Queen-Grayburg-Bon Andres Pool, and the Undesignated Palmillo-Bone Spring Pool. Said unit is to be dedicated to its Palmillo-12 State Com Well No. 1 to be drilled at a standard location 1650 feet from the North line at 660 feet from the West line (Unit E) of said Section 12 to an approximate depth of 11,500 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 BEPCo, L.P. as operator of the well and a charge for risk involved in drilling said well. Said area located approximately 1.5 miles southwest of Linley, New Mexico. Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on the 20th day of July 2006.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION  
Mark E. Fesmire, P.E.  
Director**

Published in the Artesia Daily Press, Artesia, N.M. July 21, 2006.  
Legal 1936