

October 31, 2006

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

2006 OCT 31 PM 4 58

Case 13823

**Re: 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 November 30, 2006 Examiner hearings.

Very truly yours,


Ocean Munds-Dry

cc: Ms. Gail Cotton
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.**

CASE NO. 13823

2006 OCT 31 PM 4 58

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 from the surface to the base of the Mississippian formation underlying the NE/4 SE/4 of Section 34, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico, to form a standard 40-acre spacing and proration unit for all formations and/or pools developed on 40-acre spacing, which includes but is not necessarily limited to the Undesignated Garrett-Drinkard Pool, the Undesignated East Garrett-Drinkard Pool and the Undesignated Garrett-San Andres Pool. In support of this application Paladin states:

1. Paladin is a working interest owner in the NE/4 SE/4 of Section 34 and has a right to drill thereon.
2. Paladin proposes to dedicate the above-referenced spacing or proration units to the WW Hamilton A Well No. 2, to be re-entered and re-completed at a standard location 1980 feet from the South line and 660 feet from the East line in the NE/4 SE/4 (Unit I) of Section 34 to test the Mississippian formation.
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.

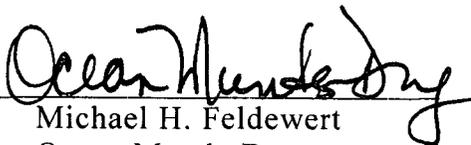
5. In order to permit Paladin the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Paladin should be designated the operator of the well.

WHEREFORE, Paladin requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 30, 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 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: 

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**

WW Hamilton A Well No. 2

Margaret Eversden
Oak Hill Towers
1600 Hagys Ford
Narberth, PA 19072-1060

Winona C. Jones, Trustee
Frederick L. Jones & Winona C. Jones Trust
P.O. Box 195
Burton, KS 76020

J, Hiram Moore, et al Trustees
Moore Trust
P.O. Box 10908
Midland, TX 79702

CASE 13823:

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 from the surface to the base of the Mississippian formation underlying the NE/4 SE/4 of Section 34, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico, to form a standard 40-acre spacing and proration unit for all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the Undesignated Garrett-Drinkard Pool, the Undesignated East Garrett-Drinkard Pool and the Undesignated Garrett-San Andres Pool. This unit is to be dedicated to the WW Hamilton A Well No. 2, to be drilled at a standard location 1980 feet from the South line and 660 feet from the East line in the NE/4 SE/4 (Unit I) of said Section 34 to test the Mississippian 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 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 12 miles north of Hobbs, New Mexico.