

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

IN THE MATTER OF THE HEARINGS CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF MYCO INDUSTRIES, INC.
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

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FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

RECEIVED

MAY 20 2003

Oil Conservation Division

Case No. 13071

Case No. 13072

ENTRY OF APPEARANCE
AND REQUEST FOR CONTINUANCE

I. ENTRY OF APPEARANCE.

James Bruce enters his appearance in the above cases on behalf of Chisholm Trail Ventures, Keystone, Inc., Lee M. Bass, Inc., Sid R. Bass, Thru Line, Inc., and Bass Enterprises Production Co. (collectively, "Bass").

II. REQUEST FOR A CONTINUANCE.

In Case No. 13071, MYCO Industries, Inc. ("MYCO") seeks to pool the W½ §31-21S-28E. In Case No. 13072, MYCO seeks to pool the E½ §31-21S-28E, the immediately offsetting well unit. The two proposed wells are 2 of 8 wells which MYCO has proposed to Bass in 21S-28E. Bass has responded to the well proposals by the letter attached hereto as Exhibit A. Bass has elected to participate in 2 of the 8 wells, and will make an election to participate or grant term assignments on the remaining 6 wells based on completion data on a well-by-well basis. This is a reasonable proposal which obviates the need for pooling hearings, and will allow informed election decisions to be made based on actual well data.

In addition, it is unreasonable to pool two adjoining well units when data from the first well drilled will obviously be used in making a decision as to the second well.

Bass has not received a response to Exhibit A, and requests that the hearings be continued to allow the parties to negotiate an agreement based on the letter.

Counsel for Bass has informed counsel for MYCO that this motion would be filed.

WHEREFORE, Bass requests that the above cases be continued for two weeks to allow the parties to reach agreement on the 8 wells being drilled in this township.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Pogo Producing Company

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was served upon the following counsel of record via facsimile transmission this 16th day of May, 2003:

William F. Carr
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043



James Bruce

BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.

FORT WORTH, TEXAS 76102-3131

817/980-8400

May 14, 2003

FEDERAL EXPRESS / VIA FACSIMILE (505) 748-2368

MYCO Industries, Inc.
423 W. Main Street
Artesia, New Mexico 88210

Attention: Shari Dart Hodges

Re: Drilling Proposals
W/2 Section 31, T21S-R28E
Eddy County, New Mexico

Dear Shari:

Bass has received your letter dated May 12, 2003, and this is to supercede and replace my letter to you dated May 7, 2003. As you know, MYCO has proposed to drill eight (8) Morrow wells affecting various Bass leasehold interest in five (5) 320-acre proration units in T21S-R28E set forth as follows:

1. W/2 Section 19
2. W/2 Section 30
3. W/2 Section 31
4. E/2 Section 31
5. N/2 Section 32

By now, you should have received Bass' written elections to participate in two (2) of the above proration units, being the W/2 of Section 19 and the W/2 of Section 30. Due to Bass' ownership of 75% and 87.50% working interest respectively, Bass has forwarded cost estimates and Operating Agreements to all leasehold owners including MYCO in the above two proration units, and we are currently awaiting their response. In order to support the drilling of the remaining three proration units, Bass proposes an agreement between the parties as follows:

1. Upon the completion of the MYCO-Austin 36 St. No. 2 Well, Bass will be provided with all well information therefrom. On or before thirty (30) days after its receipt thereof, Bass will forward to MYCO its written election to either participate in the first well drilled in the W/2 of Section 31 as to its 25% interest subject to a mutually acceptable Operating Agreement naming MYCO as Operator, or grant to MYCO a Term Assignment affecting its interest in the W/2 of Section 31 for \$200 per acre reserving an overriding royalty interest equal to the difference between lease burdens and 25%.
2. Bass requests the same courtesy of an election from MYCO (and their working interest partners) affecting its interest in the W/2 of Section 19 and the W/2 of Section 30, therefore, within fifteen (15) days after MYCO has received Bass' election set forth in No. 1 above, MYCO will forward to Bass its written election to either participate as to its unitized interest in W/2 Section 19 and W/2 Section 30 or grant a Term Assignment to Bass according to the same terms as set forth in No. 1 above.



MYCO Industries, Inc.

May 14, 2003

Page 2

3. In the event Bass or MYCO agree to grant Term Assignments in Section 19, 30 or 31, each assignment will be for a term of one (1) year and as long thereafter as operations or production are being maintained subject to a mutually acceptable form of assignment.
4. This agreement is subject to the acceptance of MYCO's working interest partners in leasehold interest located in the above sections.

According to the above proposal, Bass will have elected to participate or grant a Term Assignment in three (3) of five (5) proration units representing five (5) of eight (8) wells proposed by MYCO. Therefore only two (2) units (E/2 Section 31 and N/2 Section 32) remain for which Bass has not made an election. Bass' elections concerning these two (2) proration units and wells will be made in a timely manner based on the drilling and completion results of the prior wells described above. This is a very reasonable proposal based upon the risk and expense of the proposed wells, currently available well information and MYCO's drilling schedule as related to Bass. In the event MYCO is agreeable to the above terms and conditions, please execute one (1) copy of this letter in the space provided below and return to the undersigned. Thank you very much and should you have any questions or comments in the above regard, please advise.

Very truly yours,


J. Wayne Bailey

JWB:ca

AGREED AND ACCEPTED this _____ day of _____, 2003

MYCO INDUSTRIES, INC.

By: _____
Frank Yates, Jr.
Attorney-in-Fact