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June 26, 2007

Hand Delivered

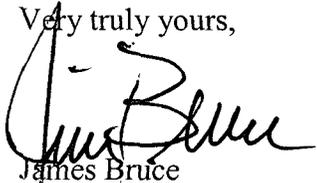
*Case 13959*

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

Dear Florene:

Enclosed for filing, on behalf of Murchison Oil & Gas, Inc., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the July 26, 2007 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Murchison Oil & Gas, Inc.

PERSONS BEING POOLED

Chevron U.S.A. Inc.  
11111 South Wilcrest  
Houston, Texas 77099

Attention: Land Department  
Room N 1009

Scottish Rite Hospital for Crippled Children  
2222 Welborn  
Dallas, Texas 75219

Juliette Fowler Foundation  
1234 Abrams Road  
Dallas, Texas 75214

Mary Nell Lawson, Trustee of  
the Sagebrush Living Trust  
7119 East Shea (109-427)  
Scottsdale, Arizona 85254

Susanne Alene Ross  
703 Texas Avenue  
Austin, Texas 78705

Virginia Kathryn Ross  
P.O. Box 770817  
Houston, Texas 77097

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MURCHISON OIL & GAS,  
INC. FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

Case No. 13959

APPLICATION

Murchison Oil & Gas, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1-4 and the S $\frac{1}{2}$ N $\frac{1}{2}$  (the N $\frac{1}{2}$ ) of Section 3, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the N $\frac{1}{2}$  of Section 3, and has the right to drill a well thereon.
2. Applicant proposes to drill its Bear Draw State Com. Well No. 1 at an orthodox location in Lot 2 of Section 3, to a depth sufficient to test the Morrow formation, and seeks to dedicate the N $\frac{1}{2}$  of Section 3 to the well to form a standard 319.44 acre gas and spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated North Grayburg-Atoka Gas Pool and Undesignated Grayburg-Morrow Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$  of Section 3 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.

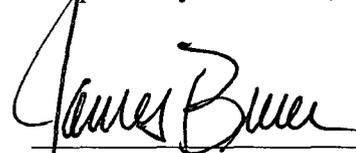
Therefore, applicant seeks an order pooling all mineral interest owners in the N½ of Section 3, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the N½ of Section 3 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. Pooling all mineral interests in the N½ of Section 3, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. 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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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Murchison Oil & Gas, Inc.

PROPOSED ADVERTISEMENT

Case No. 13959 : **Application of Murchison Oil & Gas, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1-4 and the S/2N/2 (the N/2) of Section 3, Township 17 South, Range 29 East, NMPM, to form a standard 319.44-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Grayburg-Atoka Gas Pool and Undesignated Grayburg-Morrow Gas Pool. The unit is to be dedicated to the Bear Draw State Com. Well No. 1, to be drilled at an orthodox location in Lot 2 of Section 3. 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 unit is located approximately 6 miles northwest of Loco Hills, New Mexico.

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