

HOLLAND & HART<sup>LLP</sup>



William F. Carr  
wcarr@hollandhart.com

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**VIA HAND DELIVERY**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14024*

**Re: Application of OGX Resources, L.L.C. for compulsory pooling, Eddy County, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the application of OGX Resources, L.L.C. in the above-referenced matter. OGX Resources requests that this application be included on the November 29, 2007 examiner hearing docket.

Your attention to this application is appreciated.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Mike Gaddy  
OGX Resources, L.L.C.

Holland & Hart<sup>LLP</sup>

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

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

IN THE MATTER OF THE APPLICATION OF OGX RESOURCES, L.L.C. FOR  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 14024

APPLICATION

OGX RESOURCES, L.L.C., ("OGX") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), 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 E/2 of Section 34, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Undesignated Otis-Morrow Gas Pool, Undesignated Otis-Atoka Gas Pool, Undesignated Carlsbad-Strawn Gas and the Undesignated Cass Draw-Wolfcamp Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated North Cass Draw-Wolfcamp Pool; and in support of its application states:

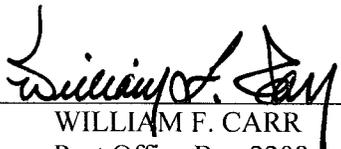
1. OGX is a working interest owner in the E/2 of said Section 34 and has the right to drill thereon.
2. OGX proposes to dedicate the above-referenced spacing or proration units to its Weems Well No. 1 (API No. 30-015-35789) to be directionally drilled as a gas well from a standard surface location 1073 feet from the North line and 1501 feet from the East line (Unit B), to a standard bottom hole location 660 feet from the North and East lines (Unit A) of said Section 34 at an approximate depth of 12,400 feet to test any and all formations from the surface to the base of the Morrow formation.
3. OGX has sought and been unable to locate and obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing units who whereabouts remains unknown. These owners 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 the OGX to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and OGX Resources, L.L.C. should be designated the operator of the well to be drilled.

WHEREFORE, OGX Resources, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 29, 2007 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 OGX Resources, L.L.C. operator of these units and the well to be drilled thereon,
- C. authorizing OGX Resources, L.L.C. 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 OGX Resources, L.L.C. 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  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR OGX RESOURCES, L.L.C.

**EXHIBIT A**

**APPLICATION OF  
OGX RESOURCES, L.L.C.  
FOR COMPULSORY POOLING  
E/2 OF SECTION 34, TOWNSHIP 22 SOUTH, RANGE 27 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

Heirs of A.J. Crawford and Minnie May Crawford:  
Florence Chambers  
Christine Day  
Marie Dillion  
Lillian Dickey  
Nellie Fee

ADDRESSES UNKNOWN

Otis Farmers Gin Co., Inc.  
ADDRESS UNKNOWN

Unknown Heirs of Kathleen O'Conner-known heir Galindo  
ADDRESS UNKNOWN

CASE 14024 **Application of OGX Resources, L.L.C. 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 E/2 of Section 34, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Undesignated Otis-Morrow Gas Pool, Undesignated Otis-Atoka Gas Pool, Undesignated Carlsbad-Strawn Gas and the Undesignated Cass Draw-Wolfcamp Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated North Cass Draw-Wolfcamp Pool. Said units are to be dedicated to its its Weems Well No. 1 (**API No. 30-015-35789**) to be directionally drilled as a gas well from a standard surface location 1073 feet from the North line and 1501 feet from the East line (Unit B), to a standard bottom hole location 660 feet from the North and East lines (Unit A) of said Section 34 at an approximate depth of 12,400 feet to test any and all formations from the surface to the base of the Morrow 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 OGX Resources, L.L.C. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 4 miles east of the Carlsbad, New Mexico Municipal Airport.

## NOTICE

To A.J. Crawford and Minnie May Crawford, Florence Chambers, Christine Day, Marie Dillion, Lillian Dickey, and Nellie Fee or their heirs and devisees and to Kathleen O'Conner and known heir Galindo and to their heirs and devisees and to the Otis Farmers Gin Co. Inc.: OGX Resources, L.L.C. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 34, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Undesignated Otis-Morrow Gas Pool, Undesignated Otis-Atoka Gas Pool, Undesignated Carlsbad-Strawn Gas and the Undesignated Cass Draw-Wolfcamp Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Undesignated North Cass Draw-Wolfcamp Pool.. These units are to be dedicated to the Weems Well No. 1 (**API No. 30-015-35789**) to be directionally drilled as a gas well from a standard surface location 1073 feet from the North line and 1501 feet from the East line (Unit B), to a standard bottom hole location 660 feet from the North and East lines (Unit A) of said Section 34 at an approximate depth of 12,400 feet to test any and all formations from the surface to the base of the Morrow formation. 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 application is scheduled to be heard at 8:15 a.m. on Thursday, November 15, 2007 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit you have the right to enter an appearance and participate in the case. Failure to appear will preclude you from contesting this matter at a later date. The attorney for applicant is William F. Carr, P.O. Box 2208, Santa Fe, New Mexico 87504. The unit is located approximately 4 miles east of the Carlsbad, New Mexico Municipal Airport.