

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

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

APPLICATION OF READ & STEVENS, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. APPLICANT SEEKS AN ORDER POOLING ALL MINERAL INTERESTS FROM THE SURFACE TO THE BASE OF THE MORROW FORMATION UNDERLYING THE FOLLOWING DESCRIBED ACREAGE IN SECTION 5, TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM, AND IN THE FOLLOWING MANNER: LOTS 1-4 AND THE S/2 N/2 (THE N/2 EQUIVALENT) TO FORM A STANDARD 320.20-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 QUAIL RIDGE-MORROW GAS POOL; AND LOTS 3, 4, AND THE S/2 NW/4 (THE NW/4 EQUIVALENT) TO FORM A STANDARD 160.05-ACRE GAS SPACING AND PRORATION UNIT FOR ANY AND ALL FORMATIONS OR POOLS DEVELOPED ON 160-ACRE SPACING WITHIN THAT VERTICAL EXTENT. THE UNITS ARE TO BE DEDICATED TO THE HIGHWAY 5 FED. COM. WELL NO. 1, TO BE DRILLED AT AN ORTHODOX LOCATION IN LOT 4 (THE NW/4 NW/4) OF SECTION 5. 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 UNITS ARE LOCATED APPROXIMATELY 18-1/2 MILES WEST-SOUTHWEST OF MONUMENT, NEW MEXICO. IN THE ABSENCE OF OBJECTION, THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.

Case No: 14152

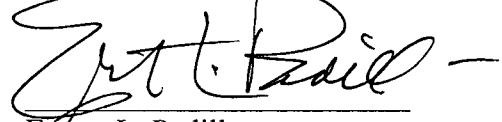
ENTRY OF APPEARANCE

Ernest L. Padilla, Padilla Law Firm, P.A., hereby enters his appearance on behalf of ARD Oil, LTD and Edward R. Hudson Testamentary Trust 4, Mary Hudson Ard, Trustee, in the above captioned matter.

RECEIVED
2008 JUL 18 PM 4 22

Respectfully submitted,

PADILLA LAW FIRM, P.A.



Ernest L. Padilla

Post Office Box 2523

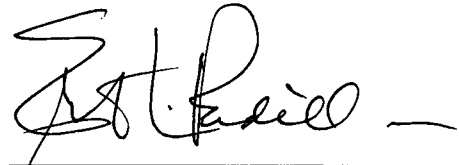
Santa Fe, New Mexico 87504

(505) 988-7577

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 18th day of July, 2008 by facsimile transmission to (505) 982-2151:

James Bruce
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043



Ernest L. Padilla

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

2008 JUL 24 10 48 AM RECEIVED
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PRORATION UNIT FOR ANY AND ALL FORMATIONS OR POOLS
DEVELOPED ON 320-ACRE SPACING WITHIN THAT VERTICAL EXTENT,
INCLUDING THE UNDESIGNATED QUAIL RIDGE-MORROW GAS POOL;
AND LOTS 3, 4, AND THE S/2 NW/4 (THE NW/4 EQUIVALENT) TO FORM A
STANDARD 160.05-ACRE GAS SPACING AND PRORATION UNIT FOR ANY
AND ALL FORMATIONS OR POOLS DEVELOPED ON 160-ACRE SPACING
WITHIN THAT VERTICAL EXTENT. THE UNITS ARE TO BE DEDICATED
TO THE HIGHWAY 5 FED. COM. WELL NO. 1, TO BE DRILLED AT AN
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TAKEN UNDER ADVISEMENT.

Case No: 14152

PRE-HEARING STATEMENT

This Pre-hearing Statement is submitted by ARD Oil, LTD and Edward R.
Hudson Testamentary Trust 4, Mary Hudson Ard, Trustee, by and through their
undersigned counsel, Ernest L. Padilla, Padilla Law Firm, P.A. as required by the Oil
Conservation Division.

APPEARANCES OF PARTIES

ATTORNEY

APPLICANT:

READ & STEVENS, INC.

James Bruce
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPOSITON OR OTHER PARTY:

ARD Oil, LTD, and Edward R. Hudson Testamentary
Trust 4, Mary Hudson Ard, Trustee

Ernest L. Padilla
Padilla Law Firm
Post Office Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577

STATEMENT OF CASE

APPLICANT:

OPPOSITION OR OTHER PARTY:

The applicant seeks to force pool all mineral interests from the surface to the base of the Morrow formation. Because of diverse ownership between shallower and deeper producing horizons, the applicant should be required to provide an allocation of costs for the drilling and completion of the well for each owner.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

Unknown

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

Ronald E. Grappe

15 – 20 minutes

None anticipated

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing.)

None


PADILLA LAW FIRM, P.A.

ERNEST L. PADILLA

P.O. Box 2523

Santa Fe, New Mexico 87504-2523

(505) 988-7577

CERTIFICATE OF SERVICE

I hereby certify that I caused a copy of this Pre-Hearing Statement to be served upon James Bruce, Attorney at Law, P.O. Box 1056, Santa Fe, New Mexico 87504, by facsimile at (505) 982-2151 this 18th day of July, 2008.


ERNEST L. PADILLA