

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

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March 29, 2011

Case 14637

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

Dear Florene:

Enclosed for filing, on behalf of OGX Resources LLC, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement was previously e-mailed to the Division. Please set this matter for the April 28, 2011 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for OGX Resources LLC

Parties Notified of Hearing

Chesapeake Exploration LLC
P.O. Box 18496
Oklahoma City, Oklahoma 73154

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF OGX RESOURCES LLC FOR A
NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

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Case No. 14637

APPLICATION

OGX Resources LLC applies for an order (a) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30, Township 26 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and (b) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30, and has the right to drill a well thereon.
2. Applicant proposes to drill its Copperhead 31 Fed. Com. Well No. 1 to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30 of the Bone Spring formation to form a non-standard 225.60 acre oil spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing. The well is a horizontal well, with a surface location in Lot 7 of Section 31, and a terminus in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 30.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30 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.

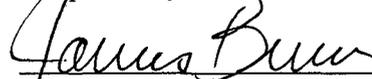
Therefore, applicant seeks an order pooling all mineral interest owners in the Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit, and the pooling of all mineral interests underlying the Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30, 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. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30;
- B. Pooling all mineral interests in the Bone Spring formation underlying Lot 7 and the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31 and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 30;
- C. Designating applicant as operator of the well;
- E. 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,



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

Attorney for OGX Resources LLC

PROPOSED ADVERTISEMENT

Case No. 14637:

Application of OGX Resources LLC for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. OGX Resources LLC seeks an order approving a 225.60-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of Lot 7 and the NE/4NE/4 of Section 31 and the E/2E/2 of Section 30, Township 26 South, Range 29 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the Copperhead 31 Fed. Com. Well No. 1, a horizontal well with a surface location in Lot 7 of Section 31, and a terminus in the NE/4NE/4 of Section 30. 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 1 mile northeast of the intersection of U.S. Highway 285 with the Texas state line.

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