

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF KCS MEDALLION
RESOURCES, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 11926

APPLICATION

KCS Medallion Resources, Inc. hereby makes application for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W½ of Section 33, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the W½ of said Section 33, and has the right to drill a well thereon.

2. Applicant proposes to drill its Many Sands "33" Well No. 1 at an orthodox well location 1650 feet from the South line and 660 feet from the West line of Section 33, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The W½ of Section 33 for all pools or formations spaced on 320 acres, including the Undesignated Winchester-Morrow Gas Pool, the Winchester-Atoka Gas Pool, the North Burton Flat-Strawn Gas Pool, and the Winchester-Wolfcamp Gas Pool;

(b) The SW¼ of Section 33 for all pools or formations spaced on 160 acres;

(c) The N½SW¼ of Section 33 for all pools or formations spaced on 80 acres, including the Undesignated Old Millman Ranch-Bone Spring Associated Pool; and

(d) The NW¼SW¼ of Section 33 for all pools or formations

spaced on 40 acres, including the Undesignated Old Millman Ranch-Bone Spring Associated Pool, the Undesignated Fadeaway Ridge-Delaware Pool, and the Undesignated East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the W½ of Section 33 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 to the well. Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 33, pursuant to NMSA (1978) § 70-2-17 (1995 Repl. Pam.).

5. The pooling of all interests underlying the W½ of Section 33, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. Applicant requests that this matter be heard at the February 19, 1998 Examiner hearing.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

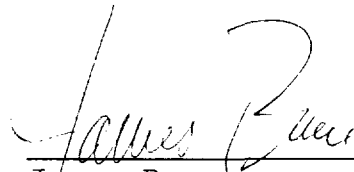
- A. Designating applicant as operator of the well;
- B. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- C. Approving actual operating charges and costs charged for

supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;

D. Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and

E. Granting such further relief as the Division deems appropriate.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
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Inc.