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September 10, 1998

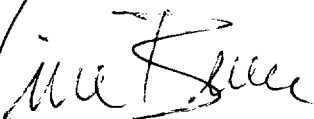
Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of a compulsory pooling application, together with a proposed advertisement, filed on behalf of Southwestern Energy Production Company. Please set this matter for the October 8, 1998 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Southwestern
Energy Production Company

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OIL CONSERVATION DIV.

12052

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SOUTHWESTERN ENERGY
PRODUCTION COMPANY FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

No. 12052

APPLICATION

Southwestern Energy Production Company applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N½ of Section 28, Township 22 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N½ of said Section 28, and has the right to drill a well thereon.

2. Applicant proposes to drill its SEPCO "28" Fed. Well No. 1, at an orthodox well location 660 feet from the North line and 1980 feet from the West line of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The N½ of Section 28 to form a 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within said vertical extent, including but not limited to the Undesignated Ojo Chiso-Strawn Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, and Undesignated West Ojo Chiso-Morrow Gas Pool;

(b) The NW¼ of Section 28 to form a 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent; and

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(c) The NE~~¼~~NW~~¼~~ of Section 28 to form a 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within said vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N~~½~~ of Section 28 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 N~~½~~ of Section 28, pursuant to NMSA 1978 §70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying the N~~½~~ of Section 28, as set forth above, 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:

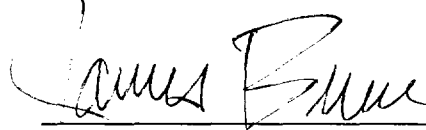
- A. Pooling all mineral interests in the N~~½~~ of Section 28, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates

pursuant to the COPAS accounting procedure;

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

F. Granting such further relief as the Division deems proper.

Respectfully submitted,

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

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

Attorney for Southwestern Energy
Production Company

PROPOSED ADVERTISEMENT

Case 12052:

Application of Southwestern Energy Production Company 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 28, Township 22 South, Range 34 East, NMPM, and in the following manner: The N $\frac{1}{4}$ to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Ojo Chiso-Strawn Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, and Undesignated West Ojo Chiso-Morrow Gas Pool; the NW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NE $\frac{1}{4}$ NW $\frac{1}{4}$ to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to applicant's SEPCO "28" Fed. Well No. 1, to be drilled at an orthodox well location 660 feet from the North line and 1980 feet from the West line of said Section 28. 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 applicant as operator of the well, and a charge for the risk involved in drilling the well. Said unit is located approximately 15 $\frac{1}{2}$ miles southwest of Oil Center, New Mexico.

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OIL COMMISSION DEPT.