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OIL CONSERVATION DIV.
98 SEP 29 PM 1:46

13060

September 29, 1998

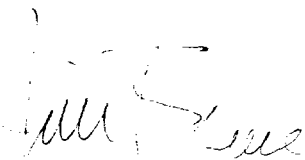
Hand Delivered

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

Dear Florene:

Enclosed are an original and two copies of an application for compulsory pooling, and a proposed advertisement, filed on behalf of KCS Medallion Resources, Inc. Please set this case for the October 22, 1998 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for KCS Medallion
Resources, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 1206

98 SEP 28 PM 1:49
OIL CONSERVATION DIV.

APPLICATION

KCS Medallion Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 19, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the S½ of said Section 19, and has the right to drill a well thereon.
2. Applicant proposes to drill its Shugart West Fed. 19-2 Well, at an orthodox location in the SE¼ of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the S½ of Section 19 for all pools or formations spaced on 320 acres, including the North Shugart-Morrow Gas Pool and the Undesignated North Shugart-Atoka Gas Pool.
3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the S½ of Section 19 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 acreage. Therefore, Applicant seeks an order

pooling all mineral interest owners in the S½ of Section 19, pursuant to NMSA 1978 §70-2-17 (1996 Supp.).

5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated operator of the well, and that the Division set a penalty for the risk involved in drilling the well.

6. The pooling of all interests underlying the S½ of Section 19 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 S½ of Section 19, 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,

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

Attorney for KCS Medallion Resources,
Inc.

PROPOSED ADVERTISEMENT

12060

Case _____: Application of KCS Medallion Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 19, Township 18 South, Range 31 East, NMPM, 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 North Shugart-Morrow Gas Pool and Undesignated North Shugart Atoka Gas Pool. Said unit will be dedicated to applicant's Shugart West Fed. 19-2 Well, to be drilled at an orthodox location in the SE¼ of said Section 19. 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 6 miles southwest of the intersection of State Highway 529 and U.S. Highway 82.

OIL CONSERVATION DIV.
98 SEP 29 PM 1:47