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September 28, 1999

Via Fax and U.S. Mail

12268

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, together with a proposed advertisement, filed on behalf of E.G.L. Resources, Inc. Please set this matter for the October 21, 1999 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for E.G.L. Resources, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF E.G.L. RESOURCES,
INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

No. _____

APPLICATION

E.G.L. Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3, 4, the S $\frac{1}{2}$ NW $\frac{1}{4}$, and the SW $\frac{1}{4}$ (W $\frac{1}{2}$ equivalent) of Section 4, Township 20 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 4, and has the right to drill a well thereon.

2. Applicant proposes to drill its Trigg Federal Well No. 1, at an orthodox gas well location in the W $\frac{1}{2}$ of Section 4, and seeks to dedicate the W $\frac{1}{2}$ of Section 4 to the well for all pools or formations developed on 320-acre spacing.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 4 for the purposes set forth herein.

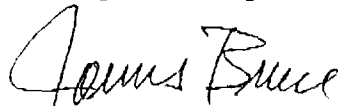
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ of Section 4, pursuant to NMSA 1978 §70-2-17 (1996).

5. The pooling of all mineral interests underlying the W½ of Section 4 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 W½ of Section 4, from the surface to the base of the Morrow formation;
- 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 and completing 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 proper.

Respectfully submitted,



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

Attorney for E.G.L. Resources, Inc.

PROPOSED ADVERTISEMENT

Case _____: Application of E.G.L. 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 W $\frac{1}{2}$ of Section 4, Township 20 South, Range 27 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. The unit is to be dedicated to the applicant's Trigg Federal Well No. 1, to be drilled at an orthodox location in the W $\frac{1}{2}$ of Section 4. 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 the applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 5 miles east-southeast of Lakewood, New Mexico.