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November 15, 1999

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87503

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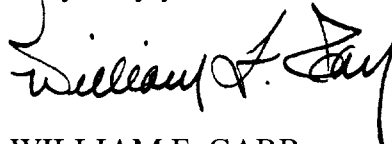
Case 12315

Re: Application of Threshold Development Company for Compulsory Pooling,
Lea County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Threshold Development Company in the above-referenced case as well as a copy of the legal advertisement. Threshold Development Company requests that this application be set for hearing before a Division Examiner on December 16, 1999.

Very truly yours,



WILLIAM F. CARR

WFC:md

Enclosures

cc: Mr. Gary Tidmore
777 Taylor Street, PII-D
Fort Worth, Texas 76102

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF THRESHOLD DEVELOPMENT COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12318

OIL CONSERVATION DIV.
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APPLICATION

THRESHOLD DEVELOPMENT COMPANY ("Threshold"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations from the surface to the base of the Morrow formation in the following manner: the W/2 for all formations and/or pools developed on 320-acre spacing, the SW/4 for all formations/pools developed on 160-acre spacing, the W/2 SW/4 for all formations/pools developed on 80-acre spacing and the SW/4 SW/4 for all formations/pools developed on 40-acre spacing, all in Section 2, Township 20 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support of this application states:

1. Threshold Development Company owns 50% of the working interest in the W/2 of said Section 2 and has the right to drill thereon.
2. Threshold proposes to dedicate the above-referenced spacing or proration units to a well to be drilled as a wildcat well at a standard location in the SW/4 of said Section 2, to a depth sufficient to test any and all pooled formations to the base of the Morrow formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from Santa Fe Energy Resources, Inc. the owner of the remaining working interest in the subject spacing units.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Threshold Development Company should be designated the operator of the well to be drilled.

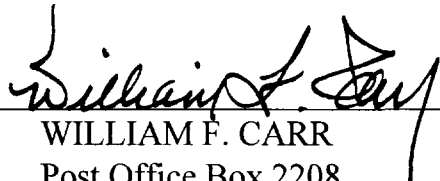
WHEREFORE, Threshold Development Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 16, 1999, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Threshold Development Company operator of the units and the well to be drilled thereon,
- C. authorizing Threshold to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Threshold in drilling and completing the well against any working interest owner who does not

voluntarily participate in the drilling of the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR THRESHOLD DEVELOPMENT
COMPANY

CASE 12318 :

Application of Threshold Development Company for compulsory pooling, Lea, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the surface to the base of the Morrow formation, in W/2 of Section 2, Township 20 South, Range 35 East, N.M.P.M. in the following manner: the W/2 for all formations/pools developed on 320-acre spacing, the SW/4 for all formations/pools developed on 160-acre spacing, the W/2 SW/4 for all formations/pools developed on 80-acre spacing, and the SW/4 SW/4 for all formations/pools developed on 40-acre spacing. Said units are to be dedicated to a well to be drilled at a standard location in the SW/4 SW/4 of said Section 2. 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 risk involved in drilling said well. Said area is located approximately 25 miles NW of Eunice, New Mexico.

EXHIBIT A

Santa Fe Energy Resources, Inc.
550 West Texas, Suite 1330
Midland, TX 79701