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August 28, 2000

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#12491

Hand Delivered

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

Dear Florene:

Enclosed for filing are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Murchison Oil & Gas, Inc. Please set this matter for the September 21, 2000 Examiner hearing. Thank you.

The application and proposed advertisement are also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Murchison
Oil & Gas, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF MURCHISON OIL &
GAS INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 12491

APPLICATION

Murchison Oil & Gas, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N½ of Section 12, Township 17 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 N½ of Section 12, and has the right to drill a well thereon.

2. Applicant proposes to drill its High Nitro State Com. Well No. 1, at an orthodox location in the NW¼NW¼ of Section 12, to a depth sufficient to test the Morrow formation, and seeks to dedicate the N½ of Section 12 to the well for all pools or formations developed on 320 acre spacing (wildcat Morrow).

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 12 for the purposes set forth herein.

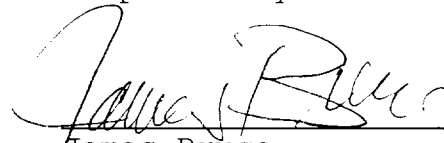
4. Although applicant has attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N½ of Section 12, pursuant to NMSA 1978 §70-2-17.

6. The pooling of all mineral interests underlying the N½ of Section 12 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 N½ of Section 12, 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 as provided in the COPAS accounting procedure; and
- 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.

Respectfully submitted,



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

Attorney for Murchison Oil & Gas, Inc.

Parties to be Pooled

EOG Resources, Inc.
P.O. Box 2267
Midland, Texas 79702

Attention: Patrick J. Tower

PROPOSED ADVERTISEMENT

Case 12491: Application of Murchison Oil & Gas, 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 N $\frac{1}{2}$ of Section 12, Township 17 South, Range 28 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent. The unit is to be dedicated to applicant's High Nitro State Com. Well No. 1, to be drilled at an orthodox gas well location in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12. 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 applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 9 miles west-northwest of Loco Hills, New Mexico.

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