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December 19, 2000

Hand Delivered

Case 12566

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

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of KCS Medallion Resources, Inc. (The application and proposed advertisement are also on the enclosed disk.) Please set this case for the January 11, 2001 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for KCS Medallion
Resources, Inc.

OIL CONSERVATION DIV.
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PARTIES BEING POOLED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

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

Cannon Exploration Company
3608 SCR 1184
Midland, Texas 79706

Devon SFS Operating Inc.
f/k/a Santa Fe Snyder Corporation &
Devon Energy Production Company, L.P.
Suite 1500
20 North Broadway
Oklahoma City, Oklahoma 73102

OIL CONSERVATION DIV
BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 12566

APPLICATION

KCS Medallion Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24, and has the right to drill a well thereon.

2. Applicant proposes to drill its Shugart West Fed. 24 Well No. G-2, at an orthodox location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24, to a depth sufficient to test the Bone Spring formation, and seeks to dedicate the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24 to the well for all pools or formations developed on 40 acre spacing within that vertical extent, including the Undesignated North Shugart-Bone Spring Pool.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24 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 SW~~1~~/~~4~~NE~~1~~/~~4~~ of Section 24, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all interests underlying the SW~~1~~/~~4~~NE~~1~~/~~4~~ of Section 24 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 SW~~1~~/~~4~~NE~~1~~/~~4~~ of Section 24, from the surface to the base of the Bone Spring 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 the rates pursuant to 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 KCS Medallion Resources,
Inc.

PROPOSED ADVERTISEMENT

Case 12566 : 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 Bone Spring formation underlying the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24, Township 18 South, Range 30 East, NMPM, 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 that vertical extent, including but not limited to the Undesignated North Shugart-Bone Spring Pool. The unit will be dedicated to applicant's Shugart West Fed. 24 Well No. G-2, to be drilled at an orthodox location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24. 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 the well. The unit is located approximately 7 miles southeast of Loco Hills, New Mexico.

OIL COMMISSION DM
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