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13307

June 24, 2004

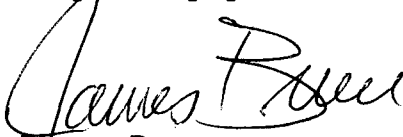
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of NM&O Operating Company. Please set this matter for the July 22, 2004 Examiner hearing. Thanks.

The advertisement has also been e-mailed to you.

Very truly yours,


James Bruce

Attorney for NM&O Operating Company

PARTIES BEING POOLED

Monica Irene Guthman Britt
P.O. Box 2204
Santa Fe, New Mexico 87504

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2004 JUN 25 AM 7 57

APPLICATION OF NM&O OPERATING
COMPANY FOR COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.

CASE NO. 13307

APPLICATION

NM&O Operating Company applies for an order pooling all mineral interests in the Blanco-Mesaverde Gas Pool underlying Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$) of Section 1, Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 1, and has the right to drill or re-complete a well thereon.
2. Applicant proposes to re-complete the Invader Federal Well No. 1, located 1040 feet from the north line and 850 feet from the west line (NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 1, and seeks to dedicate the W $\frac{1}{2}$ of Section 1 to the well to form a 325.06 acre gas spacing and proration unit in the Blanco-Mesaverde Gas Pool.
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 1 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling or re-completion 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 1 pursuant to NMSA §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 1 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 1 in the Blanco-Mesaverde Gas Pool;
- B. Naming applicant as operator of the well;
- C. Considering the cost of drilling or re-completing the well, and allocating the cost thereof to the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates as provided in the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling or re-completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
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Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for NM&O Operating Company