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**FAX COVER SHEET**

**DELIVER TO: David Catanach**

**COMPANY: Oil Conservation Division**

**CITY: Santa Fe, New Mexico**

**FAX NUMBER: (505) 476-3462**

**NUMBER OF PAGES: 3 (Including Cover Sheet)**

**DATE SENT: 12/19/04**

**MEMO:**

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December 19, 2004

David Catanach  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case 13357/Matrix

Dear Mr. Catanach:

You asked me to set forth in writing the position of my clients:  
Their position is as follows:

1. My clients request that the Division find that the Assignment of Oil, Gas and Mineral Lease from Cogent Exploration et al. to Sunlight Exploration, dated April 6, 2003, recorded at Book 1325, page 492 (the "Assignment," submitted as part of applicant's Exhibit 3) was a commercially reasonable, arm's length transaction. Mr. Bryla, on behalf of applicant, testified that the foregoing assignment was a good faith transaction.<sup>1</sup> The Assignment reserved to assignors (i) an overriding royalty, and (ii) a 25% back-in working interest.
2. As a result of the foregoing, my clients request that the back-in working interest provided for in the assignment not be subject to any non-consent penalty. Mr. Bryla stated that Matrix would be subject to the overriding royalty reserved in the assignment, but would not be subject to the back-in working interest. However, the two interests were created by the same instrument, and we do not believe that a pooling party can pick and choose which rights it is subject to, especially since it acknowledged that the transaction was arms-length.

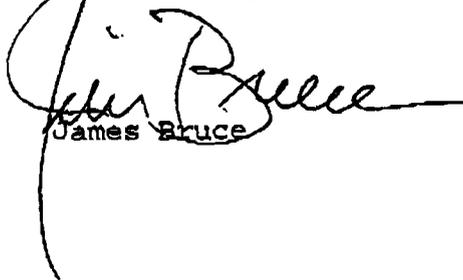
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<sup>1</sup> Mr. Carr, in his closing, referenced Order No. R-11573-B. That order concerned a transaction done after pooling was initiated, to thwart pooling. That is not the case here.

3. My clients further request that pooling be denied, for the following reason: Mr. Bryla testified that the only potential zone was the Wolfcamp, and Sunlight offered (at no cost) all of its rights in the Wolfcamp (subject to the Assignment). See applicant's Exhibit 3. If a party being pooled offers all that it owns, how can it, in good faith, be pooled.

Please call me if you have any questions.

Very truly yours,



James Bruce

cc: William F. Carr

TRANSACTION REPORT

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