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November 16, 2010

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

Case 14578

Dear Florene:

Enclosed for filing, on behalf of OGX Resources LLC, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement was previously e-mailed to the Division. Please set this matter for the December 16, 2010 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for OGX Resources LLC

Parties Notified of Hearing

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

Attention: Doug Hurlbut

ConocoPhillips Company
600 North Dairy Ashford
Houston, Texas 77079-1175

Attention: Thomas J. Scarborough

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF OGX RESOURCES LLC FOR A
NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

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Case No. 14578

APPLICATION

OGX Resources LLC applies for an order (a) approving a non-standard oil spacing and proration unit in the Brushy Canyon member of the Delaware formation comprised of Lots 1-4 (the $W\frac{1}{2}W\frac{1}{2}$) of Section 18, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and (b) pooling all mineral interests (i) from the surface to the top of the Brushy Canyon member of the Delaware formation underlying Lot 4 of Section 18, and (ii) in the Brushy Canyon member of the Delaware formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the $W\frac{1}{2}W\frac{1}{2}$ of Section 18, and has the right to drill a well thereon.
2. Applicant proposes to drill its Golden Eye 18 Fed. Com. Well No. 1 to a depth sufficient to test the Delaware formation. Applicant seeks to dedicate the $W\frac{1}{2}W\frac{1}{2}$ of Section 18 to the well, as to the Brushy Canyon member of the Delaware formation, to form a non-standard 181.80 acre oil spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing. The well is a horizontal well, with a surface location in Lot 4, and a terminus in Lot 1, of Section 18.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the $W\frac{1}{2}W\frac{1}{2}$ of Section 18 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 interests. Therefore, applicant seeks an order pooling all mineral interest owners in the $W\frac{1}{2}W\frac{1}{2}$ of Section 18, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit, and the pooling of all mineral interests underlying the $W\frac{1}{2}W\frac{1}{2}$ of Section 18 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. Approving a non-standard oil spacing and proration unit (project area) in the Brushy Canyon member of the Delaware formation comprised of the $W\frac{1}{2}W\frac{1}{2}$ of Section 18;
- B. Pooling all mineral interests (i) from the surface to the top of the Brushy Canyon member of the Delaware formation underlying Lot 4 of Section 18, and (ii) in the Brushy Canyon member of the Delaware formation underlying the $W\frac{1}{2}W\frac{1}{2}$ of Section 18;
- C. Designating applicant as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the cost 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 200% charge 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,

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

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

Attorney for OGX Resources LLC

PROPOSED ADVERTISEMENT

Case No. 14578 :

Application of OGX Resources LLC for approval of a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. OGX Resources LLC seeks an order approving a 181.80-acre non-standard oil spacing and proration unit (project area) in the Brushy Canyon member of the Delaware formation comprised of Lots 1-4 (the W/2W/2) of Section 18, Township 24 South, Range 32 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Brushy Canyon member of the Delaware formation underlying Lot 4 of Section 18, and (ii) in the Brushy Canyon member of the Delaware formation underlying the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 18, for all pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the Golden Eye 18 Fed. Com. Well No. 1, a horizontal well with a surface location in Lot 4, and a terminus in Lot 1, of Section 18. 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 200% charge for the risk involved in drilling and completing the well. The units are located approximately 32 miles west-northwest of Jal, New Mexico.

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