

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF INTERCOAST OIL AND
GAS COMPANY FOR COMPULSORY POOLING
AND AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11666

APPLICATION

InterCoast Oil and Gas Company hereby makes application for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E½ of Section 20, Township 20 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 E½ of said Section 20, and has the right to drill a well thereon.

2. Applicant proposes to drill its InterCoast State 20 Well No. 1 in the E½ of Section 20, at an unorthodox location 990 feet from the North and East lines, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E½ of Section 20 for all pools or formations spaced on 320 acres, including the Burton Flat-Morrow Gas Pool and the Undesignated West Burton Flat-Atoka Gas Pool.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the E½ of Section 20 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 E½ of Section 20, pursuant to *N.M. Stat. Ann. § 70-2-17 (1995 Repl.)*.

5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated the operator of the well, and that the Division set a penalty for the risk involved in drilling the well.

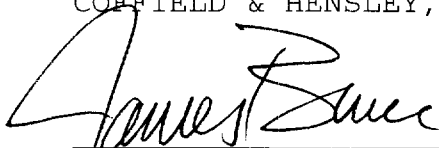
6. The pooling of all interests underlying the E½ of Section 20, and the granting of the unorthodox location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Applicant requests that this matter be heard at the December 5, 1996 Examiner hearing.

WHEREFORE, Applicant requests that, after hearing, the Division grant the relief requested above.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY, L.L.P.

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

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Attorneys for InterCoast Oil and Gas
Company

PROPOSED ADVERTISEMENT

Case 11666: Application of InterCoast Oil and Gas Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E½ of Section 20, Township 20 South, Range 28 East, NMPM, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, including but not limited to the Burton Flat-Morrow Gas Pool and the Undesignated West Burton Flat-Atoka Gas Pool. Said unit will be dedicated to applicant's InterCoast State 20 Well No.1, to be drilled at an unorthodox location 990 feet from the North line and 990 feet from the East line of said Section 20. Also to be considered will be the cost of drilling and completing said 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. Said unit is located approximately 10 miles east-southeast of Locked, New Mexico.