

PROPOSED ADVERTISEMENT

Case 11,92: 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 following described acreage in Section 29, Township 22 South, Range 26 East, NMPM, and in the following manner: The W $\frac{1}{2}$ of Section 29 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Happy Valley-Morrow Gas Pool, Undesignated South Happy Valley-Atoka Gas Pool, Undesignated Sheep Draw-Strawn Gas Pool, and Undesignated Southeast Carlsbad-Wolfcamp Gas Pool; and the NW $\frac{1}{4}$ of Section 29 to form a standard 160-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing within said vertical extent. Said unit will be dedicated to applicant's McKittrick 29 Well No.1, to be drilled at an unorthodox location 1650 feet from the North line and 510 feet from the West line of said Section 29. 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 6 miles southwest of Carlsbad, New Mexico.

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. 11692

AMENDED 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 W½ of Section 29, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and for an unorthodox gas well location, and in support thereof states:

1. Applicant is a working interest owner in the W½ of said Section 29, and has the right to drill a well thereon.

2. Applicant proposes to drill its McKittrick 29 Well No. 1 at an unorthodox location 1650 feet from the North line and 510 feet from the West line of Section 29, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to said well:

(a) The W½ of Section 29 for all pools or formations spaced on 320 acres, including the Happy Valley-Morrow Gas Pool, Undesignated South Happy Valley-Atoka Gas Pool, Undesignated Sheep Draw-Strawn Gas Pool, and Undesignated Southeast Carlsbad-Wolfcamp Gas Pool; and

(b) The NW¼ of Section 29 for all pools or formations spaced on 160 acres.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the W½ of Section 29 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 to the well. Therefore, Applicant seeks an order pooling all mineral interest owners in the W½ of Section 29, pursuant to *N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pam.)*.

5. The pooling of all interests underlying the W½ of Section 29, as set forth above, and approving the unorthodox gas well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. Applicant requests that this matter be heard at the January 9, 1997 Examiner hearing. Due to a lease within the W½ of Section 29 which is near the end of its primary term, Applicant requests expedited approval of this application.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Designating Applicant as operator of the well;
- (b) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (c) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates per the COPAS accounting procedure;
- (d) Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to

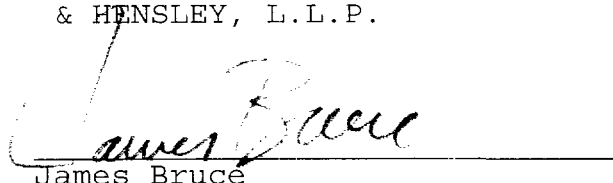
participate in the well;

(e) Approving the unorthodox gas well location; and

(f) Granting such further relief as the Division deems appropriate.

Respectfully submitted,

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

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

James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for InterCoast Oil and Gas
Company

**HINKLE, COX, EATON, COFFIELD & HENSLEY,
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December 12, 1996

Hand Delivered

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

Rec'd 11692

Dear Florene:

Enclosed are an original and two copies of a compulsory pooling application and a proposed advertisement, filed on behalf of InterCoast Oil and Gas Company. Please set this matter for the January 9, 1997 Examiner hearing. Thank you.

Very truly yours,

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

James Bruce

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Attorneys for InterCoast Oil
and Gas Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

CASE NO. 11692

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 W½ of Section 29, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the W½ of said Section 29, and has the right to drill a well thereon.

2. Applicant proposes to drill its McKittrick 29 Well No. 1 at an orthodox location 1980 feet from the North line and 660 feet from the West line of Section 29, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to said well:

(a) The W½ of Section 29 for all pools or formations spaced on 320 acres, including the Happy Valley-Morrow Gas Pool, Undesignated South Happy Valley-Atoka Gas Pool, Undesignated Sheep Draw-Strawn Gas Pool, and Undesignated Southeast Carlsbad-Wolfcamp Gas Pool; and

(b) The NW¼ of Section 29 for all pools or formations spaced on 160 acres.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the W½ of Section 29 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 to the well. Therefore, Applicant seeks an order pooling all mineral interest owners in the W½ of Section 29, pursuant to *N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pam.)*.

5. The pooling of all interests underlying the W½ of Section 29, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. Applicant requests that this matter be heard at the January 9, 1997 Examiner hearing. Due to a lease within the W½ of Section 29 which is near the end of its primary term, Applicant requests expedited approval of this application.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Designating Applicant as operator of the well;
- (b) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (c) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates per the COPAS accounting procedure;
- (d) Setting a penalty for the risk involved in drilling the well in the event a working interest owner elects not to participate in the well; and

(e) Granting such further relief as the Division deems appropriate.

Respectfully submitted,

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

James Bruce
Post Office Box 2068
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(505) 982-4554

Attorneys for InterCoast Oil and Gas
Company

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*NOT LICENSED IN NEW MEXICO

December 17, 1996

Hand Delivered

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

11692

Dear Florene:

Enclosed are an original and two copies of an Amended Application for compulsory pooling and an unorthodox gas well location, together with a proposed advertisement, filed on behalf of InterCoast Oil and Gas Company. The original application was filed December 12th, and did not include an unorthodox location request.

Very truly yours,

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


James Bruce

Attorneys for InterCoast Oil
and Gas Company