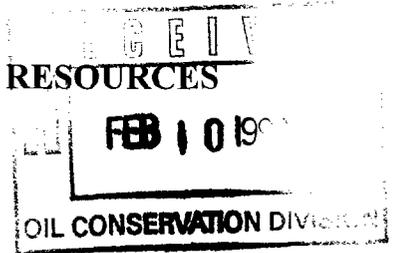


STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION
OF MANZANO OIL CORPORATION
FOR COMPULSORY POOLING AND
AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11940

APPLICATION

MANZANO OIL CORPORATION ("Manzano"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, (1978), for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 4, Township 22 South, Range 27 East, in the following described manner: the S/2 forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing including but not limited to the South Carlsbad-Morrow Gas Pool and the Undesignated South Carlsbad-Strawn Pool; the SE/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing; the E/2 SE/4 forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing, and the SE/4 SE/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing including but not limited to the Esperanza-Delaware Pool, and for an unorthodox well location, and in support thereof states:

1. Manzano is a working interest owner in the S/2 of Section 4, on which it

proposes to drill its Esperanza No. 1 Well to the Morrow formation at an unorthodox location 660 feet from the South line and 990 feet from the East line of Section 4 to a depth sufficient to test any and all formations from the surface to the base of the Morrow formation.

2. Manzano has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the S/2 of said Section 4.

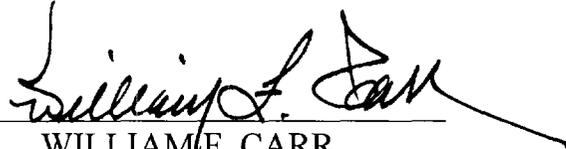
3. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit Manzano to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Manzano should be designated the operator of the well.

WHEREFORE, Manzano Oil Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 5, 1998 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Manzano operator of the S/2 of said Section 4, and authorizing Manzano to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by the Manzano in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

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