

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CROSS TIMBERS OIL
COMPANY FOR COMPULSORY POOLING AND
AN UNORTHODOX OIL WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

Case No. 12525

APPLICATION

Cross Timbers Oil Company applies for an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation (Basin-Dakota Gas Pool) underlying the E½ of Section 16, Township 27 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, and for an unorthodox oil well location, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 16, and has the right to drill a well thereon.

2. Applicant proposes to drill its Federal F Well No. 1E, at a location 1125 feet from the south line and 1665 feet from the east line of the section, to a depth sufficient to test the Dakota formation, and seeks to dedicate the following acreage to the well:

(a) The SW¼SE¼ of Section 16 for all pools or formations developed on 40 acre spacing within that vertical extent, including but not limited to the Undesignated Kutz-Gallup Pool;

(b) The SE¼ of Section 16 for all pools or formations developed on 160 acre spacing within that vertical extent; and

(c) The E½ of Section 16 for all pools or formations developed on 320 acre spacing within that vertical extent, including but not limited to the Basin-Dakota Gas Pool.

The proposed well is at an orthodox gas well location, but the location is unorthodox for an oil well.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the E½ of Section 16 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 16, pursuant to NMSA 1978 §70-2-17.

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 Cross Timbers Operating Company be designated 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 16, and the approval of the unorthodox oil well location, 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. Pooling all mineral interests underlying the E½ of Section 16 from the base of the Pictured Cliffs formation to

the base of the Dakota formation;

B. Approving the unorthodox oil well location;

C. Designating Cross Timbers Operating Company as operator of the well;

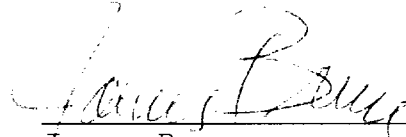
D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates pursuant to the COPAS accounting procedure;

F. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and

G. Granting such further relief as the Division deems proper.

Respectfully submitted,

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

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