

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED
11 SEP 26 AM 10:14

APPLICATION OF ELAND ENERGY, INC.
FOR COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

No. 12742

APPLICATION

Eland Energy, Inc. applies for an order pooling all mineral interests from the base of the Abo formation to the base of the Ordovician formation underlying the W $\frac{1}{2}$ of Section 3, Township 9 South, Range 26 East, N.M.P.M., Chaves County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 3, and has the right to drill a well thereon.

2. Applicant proposes to drill its Federal IX Com. Well No. 3, at an orthodox location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of the section, to a depth sufficient to test the Ordovician formation, and seeks to dedicate the W $\frac{1}{2}$ of Section 3 to the well to form a 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 3 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 $\frac{1}{2}$ of Section 3,

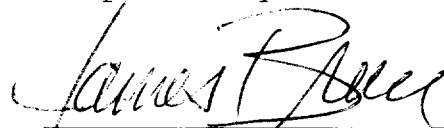
pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 3, as set forth above, 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 in the W½ of Section 3, from the base of the Abo formation to the base of the Ordovician formation;
- B. Designating applicant or its designee as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof 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 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.

Respectfully submitted,



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

Attorney for Eland Energy, Inc.