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William F. Carr

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June 3, 2002

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12887

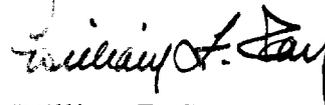
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**Re: Application of Petrocap, Inc. for Compulsory Pooling, Lea County,
New Mexico**

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Petrocap, Inc. in the above-referenced case as well as a copy of the legal advertisement. Petrocap, Inc. requests that this matter be placed on the docket for the June 27, 2002 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Ms Vickie Irwin (w/enclosures)

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

IN THE MATTER OF THE APPLICATION
OF PETROCAP, INC. FOR COMPULSORY
POOLING, ROOSEVELT COUNTY,
NEW MEXICO.

CASE NO. 12887

APPLICATION

PETROCAP, INC. ("Petrocap"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 22, Township 4 South, Range 31 East, NMPM, Roosevelt County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing; the NE/4 for all formations and/or pools developed on 160-acre spacing; the S/2 NW/4 for all formations and/or pools developed on 80-acre spacing; and the SE/4 NE/4 for all formations and/or pools developed on 40-acre spacing; and in support of its application states:

1. Petrocap is a working interest owner in the N/2 of Section 22 and has the right to drill thereon.
2. Petrocap proposes to dedicate the above-referenced spacing or proration units to its Stevenson Well No. 1 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 22, to an approximate depth of 7,350 feet to test any and all formations from the surface to the base of the basal Penn unconformity sand formation. This well is at a standard location for all formations and pools.
3. Petrocap has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units with those interest owners identified on Exhibit A to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

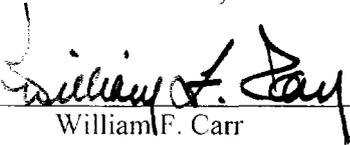
5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Petrocap, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, Petrocap, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 27, 2002, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Petrocap, Inc. operator of these units and the well to be drilled thereon,
- C. authorizing Petrocap to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures,
- E. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties, and
- F. imposing a 200% penalty for the risk assumed by Petrocap in drilling and completing the well against any working interest owner who does not voluntarily participate in the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR PETROCAP, INC.

EXHIBIT A

APPLICATION OF PETROCAP, INC.
FOR COMPULSORY POOLING,
N/2 SECTION 22, TOWNSHIP 4 SOUTH, RANGE 31 EAST, NMPM
ROOSEVELT COUNTY, NEW MEXICO.

NOTIFICATION LIST

Bank of America, Trustee u/w/o
T. W. Sowell, deceased
Post Office Box 830308
Dallas, Texas 75283

Bank of America, Trustee of the Lillian
Kangerga Sowell Trust
Post Office Box 830308
Dallas, Texas 75283

Effie Boyd, a widow
4924 9th Street
Lubbock, Texas 79416

Myrtle D. Mosley and H. O. Mosley
Spanish Trace Apt No. 437
Athens, Texas 75751

W. O. Stevens and Ruth C. Stevens
3310 Fairmount, Apt. P 1C
Dallas, Texas 75201

CASE 12887

Application of Petrocap, Inc. for compulsory pooling, Roosevelt County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the following described spacing and proration units in Section 22, Township 4 South, Range 31 East as follows: the N/2 for all formations and/or pools developed on 320-acre spacing; the NE/4 for all formations and/or pools developed on 160-acre spacing; the S/2 NE/4 for all formations and/or pools developed on 80-acre spacing; and the SE/4 NE/4 for all formations and/or pools developed on 40-acre spacing. Said well is to be dedicated to its Stevenson Well No. 1 to be located at a standard location 1980 feet from the North line and 660 feet from the East line of Section 22 and drilled to a depth sufficient to test all formations from the surface to the base of the basal Penn unconformity sand formation. 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, provisions governing subsequent operations on the pooled units, designation of Petrocap, Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2 miles West of Elida, New Mexico.

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William F. Carr

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June 3, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED PARTIES

**Re: Application of Petrocap, Inc. for compulsory pooling, Roosevelt County,
New Mexico.**

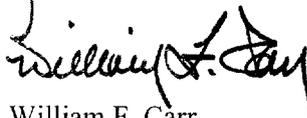
Ladies and Gentlemen:

This letter is to advise you that Petrocap, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in all formations from the surface through the base of the Morrow formation in certain standard spacing and proration unit in the N/2 of Section 22, Township 4 South, Range 31 East, N.M.P.M., Roosevelt County, New Mexico. Petrocap proposes to dedicate the referenced pooled units to its Stevenson Well No. 1 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 22.

This application has been set for hearing before a Division Examiner on June 27, 2002, at Porter Hall, the Oil Conservation Division Conference Room, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr
ATTORNEY FOR PETROCAP, INC.

Enclosure
cc: Ms. Vicki Irwin