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* New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
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March 4, 2004

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HAND-DELIVERED

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: New Mexico Oil Conservation Case No. 13246; Application of Preston
Exploration, L.L.C. for Compulsory Pooling, Eddy County, New Mexico

Dear Ms. Wrotenbery:

Enclosed is an original and two copies of the Application of Preston Exploration, L.L.C. in the above referenced matter. On behalf of the Applicant, we request this matter be set for hearing on the April 1, 2004 Division Examiner hearing docket. Also enclosed on disk and in hard copy is a proposed advertisement for the case.

Thank you for your assistance.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb
Enclosures

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

IN THE MATTER OF THE APPLICATION OF PRESTON
EXPLORATION, L.L.C. FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO

CASE NO. 13246
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APPLICATION

MAR 4 2004

PRESTON EXPLORATION, L.L.C., by its undersigned attorneys, Miller
Stratvert P.A., (J. Scott Hall) hereby makes application pursuant to NMSA 1978 Section
70-2-17 (1995) for an order pooling all mineral interests from the surface to the base of
the Morrow formation underlying the N/2 of Section 3, Township 18 South, Range 26
East, NMPM, Eddy County, New Mexico, to form standard 320-acre gas spacing and
proration units for any and all formations and/or pools developed on 320-acre spacing
within that vertical extent, including but not limited to the undesignated Kennedy Farms-
Morrow Gas Pool. Applicant would show the Division:

1. Applicant owns certain working interests in and under the N/2 of Section 3, and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled units to its Uncle Buck "3" No. 1 Com Well to be drilled at a standard gas well location 1200' from the North line and 1800' from the East line of said Section 3 to a depth sufficient to test the Atoka and Morrow formations underlying the N/2 of Section 3.
3. Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formations underlying the N/2 of said Section 3.

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

5. The pooling of interests will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing units, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on April 1, 2004 and that after notice and hearing as required by law, the Division enter its Order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, and the allocation of the cost thereof, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper.

MILLER STRATVERT P.A.

By:



J. Scott Hall
Attorneys for Preston Exploration, L.L.C.
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
(505) 989-9614

PROPOSED ADVERTISEMENT

CASE /3246 : **Application of Preston Exploration, L.L.C. for compulsory pooling, Eddy County New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 3, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, to form standard 320-acre gas spacing and proration units for any and all formations and/or pools developed on 320-acre spacing within that vertical extent including, but not limited to the undesignated Kennedy Farms-Morrow Gas Pool. The units are to be dedicated to applicant's Uncle Buck "3" No. 1 Well to be located at a standard gas well location 1200' from the North line and 1800' from the East line of said Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Preston Exploration, L.L.C. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are to be located approximately 6 miles east of Atoka, New Mexico.

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505