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April 20, 2004

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Pure Resources, L.P. Please set this matter for the May 13, 2004 Examiner hearing. Thanks.

The advertisement was previously e-mailed to you.

Very truly yours,


James Bruce

Attorney for Pure Resources, L.P.

Case 13261

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

APR 20 2004

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PARTIES BEING POOLED

Latigo Petroleum
Saga Petroleum Corp.
Talus, Inc.
Twin Montana, Inc.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APR 20 2004

APPLICATION OF PURE RESOURCES, L.P.
FOR COMPULSORY POOLING AND A NON-
STANDARD GAS SPACING AND PRORATION
UNIT, LEA COUNTY, NEW MEXICO.

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

No. 13261

APPLICATION

Pure Resources, L.P. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, and SE $\frac{1}{4}$ (the E $\frac{1}{2}$ equivalent) of Section 3, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

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

2. Applicant proposes to drill its Raptor West "3" State Well No. 1, at an orthodox location in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit J) of the section, to test the Morrow formation, and seeks to dedicate the following acreage to the well:

- (a) the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 to form a standard 40 acre oil spacing and proration unit for all pools or formations developed on 40-acre spacing within that vertical extent;
- (b) the SE $\frac{1}{4}$ of Section 3 to form a standard 160 acre gas spacing and proration unit for all pools or formations developed on 160-acre spacing within that vertical extent; and
- (c) the E $\frac{1}{2}$ of Section 3 to form a non-standard 328.44 acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the East La Rica-Morrow Gas Pool.

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

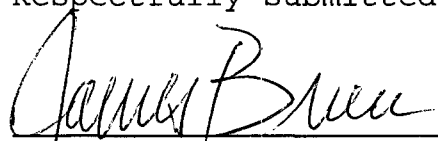
5. The pooling of all mineral interests underlying the E½ of Section 3 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E½ of Section 3, from the surface to the base of the Morrow formation, and approving the non-standard gas spacing and proration unit;
- B. Designating applicant 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 as provided in the COPAS accounting procedure; and

E. Setting a 200% charge 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,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

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

Attorney for Pure Resources,
L.P.

Proposed Advertisement

Case 13261 : Application of Pure Resources, L.P. for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 3, Township 19 South, Range 34 East, N.M.P.M., and in the following manner: Lots 1, 2, S½NE¼, and SE¼ (the E½) to form a non-standard 328.44-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the East La Rica-Morrow Gas Pool; the SE¼ to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the NW¼SE¼ to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit is to be dedicated to the Raptor West "3" State Well No. 1, to be located at a standard location in the NW¼SE¼ (Unit J) of the section. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 8½ miles south-southwest of Buckeye, New Mexico.

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