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2004 JUL 13 PM 12 49

July 13, 2004

Hand Delivered

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

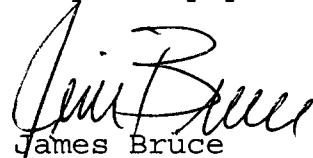
Case 13316

Dear Florene:

Enclosed for filing are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Murchison Oil & Gas, Inc. Please set this matter for the August 5, 2004 Examiner hearing.

The advertisement is also on the enclosed disk.

Very truly yours,


James Bruce

Attorney for Murchison Oil & Gas, Inc.

PARTIES BEING POOLED

Nadel and Gussman Permian, L.L.C.
Suite 508
601 North Marienfeld
Midland, Texas 79701

Attention: Sam H. Jolliffe IV

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
MYCO Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Rob Bullock

Occidental Permian Limited Partnership
P.O. Box 50250
Midland, Texas 79710

Attention: David Evans

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2004 JUL 13 PM 12 49

APPLICATION OF MURCHISON OIL &
GAS, INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 13316

APPLICATION

Murchison Oil & Gas, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N $\frac{1}{2}$ of Section 19, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N $\frac{1}{2}$ of Section 19, and has the right to drill a well thereon.

2. Applicant proposes to drill its Haines Well No. 1, at an orthodox location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of the section, to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19 to form a standard 40 acre oil well unit for all pools or formations developed on 40-acre spacing within that vertical extent, including the Undesignated Logan Draw-San Andres Pool;

(b) the NW $\frac{1}{4}$ of Section 19 to form a standard 160 acre gas well unit for all pools or formations developed on 160-acre spacing within that vertical extent; and

(c) the N $\frac{1}{2}$ of Section 19 to form a standard 320 acre gas well unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated Logan Draw-Cisco Canyon Gas Pool, Undesignated Hart Draw-Atoka Gas Pool, and Undesignated Logan Draw-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 19 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 N½ of Section 19, pursuant to NMSA 1978 §70-2-17.

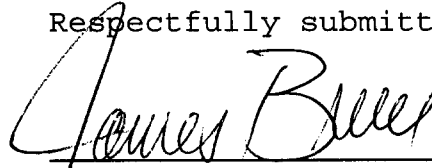
5. The pooling of all mineral interests underlying the N½ of Section 19 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

- A. Pooling all mineral interests in the N½ of Section 19, from the surface to the base of the Morrow formation;
- 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, reading "James Bruce", written over a horizontal line.

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

Attorney for Murchison Oil &
Gas, Inc.

PROPOSED ADVERTISEMENT

Case 13316 : Application of ^{2004 JUL 13 PM 12 49} Murrenison Petroleum Gas, Inc. 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 following described acreage in Section 19, Township 17 South, Range 27 East, NMPM, and in the following manner: The N $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Logan Draw-Cisco Canyon Gas Pool, Undesignated Hart Draw-Atoka Gas Pool, and Undesignated Logan Draw-Morrow Gas Pool; the NW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the SE $\frac{1}{4}$ NW $\frac{1}{4}$ to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Logan Draw-San Andres Pool. The units are to be dedicated to the Haines Well No. 1, to be drilled at an orthodox well location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19. 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 5 miles east-southeast of Artesia, New Mexico.