

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources - oil and gas law -
New Mexico Board of Legal
Specialization

mfeldewert@hollandhart.com

October 26, 2004

BY HAND DELIVERY

Mark E. Fesmire, P.E.
Director, Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13375

2004 OCT 26 PM 3 50

**Re: Application of Paladin Energy Corporation for compulsory pooling, Lea
County, New Mexico**

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Paladin Energy Corporation in the above-referenced case, as well as a copy of the docket advertisement. Paladin requests that this matter be placed on the docket for the November 18, 2004, Examiner hearing.

Sincerely,

Michael H. Feldewert

cc. George Fenton

Holland & Hart^{LLP}

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

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

**IN THE MATTER OF THE APPLICATION
OF PALADIN ENERGY CORPORATION
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13375

APPLICATION

PALADIN ENERGY CORPORATION ("Paladin"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing, which includes but is not necessarily limited to the undesignated South Vacuum- McKee Gas Pool. In support of this application Paladin states:

1. Paladin is a working interest owner in the SE/4 of Section 22 and has a right to drill thereon.
2. Paladin proposes to dedicate the above-referenced spacing or proration unit to the South Vacuum 22 Well No. 1, to be drilled at a standard location in the SW/4 SE/4 (Unit O) of Section 22 to test the McKee formation at a depth of approximately 14,000 feet.
3. Paladin has sought and been unable to obtain a voluntary agreement for the development of these lands from the interest owner 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 Paladin the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Paladin should be

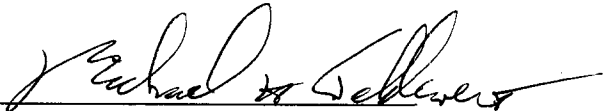
designated the operator of the well.

WHEREFORE, Paladin requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 18, 2004, 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 unit,
- B. designating Paladin operator of the unit and the well to be drilled thereon,
- C. authorizing Paladin to recover its costs of deepening, equipping and re-completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision to adjust the rates pursuant to the COPAS accounting procedures, and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of this well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR PALADIN ENERGY
CORPORATION.

EXHIBIT A

**APPLICATION OF PALADIN ENERGY CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

South Vacuum 22 Well No. 1

Jetta Operating Company, Inc.
PI-D Forth Worth Club Tower
777 Taylor Street
Ft. Worth, Texas 76102
Attn. Richard Cornelius

CASE 13375:

Application of Paladin Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations below the base of the Queen formation underlying the S/2 of Section 22, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to form a standard 320-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently includes but is not necessarily limited to the undesignated South Vacuum-McKee Gas Pool. This unit is to be dedicated to the South Vacuum 22 Well No. 1, to be drilled at a standard location in SW/4 SE/4 (Unit O) of said Section 22 to test the McKee formation at a depth of approximately 14,000 feet. 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, designation of applicant as operator of the well and, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 19 miles northwest of Hobbs and 4 miles southwest of Buckeye, New Mexico.

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October 26, 2004

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Jetta Operating Company, Inc.
PI-D Forth Worth Club Tower
777 Taylor Street
Ft. Worth, Texas 76102
Attn. Richard Cornelius

Case 13375

**Re: Application of Paladin Energy Corporation for compulsory pooling, Lea
County, New Mexico.**

Dear Interest Owner:

This letter is to advise you that Paladin Energy Corporation has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner on November 18, 2004. You are not required to attend these hearings, but as an owner of an interest in this property, you may appear and present testimony. Failure to appear at this hearing 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 the 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.

Sincerely,

Michael H. Feldewert
Holland & Hart, LLP
Attorneys for Paladin Energy
Corporation

Holland & Hart LLP

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