

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. THOMAS KELLAHIN**  
TELEPHONE 505-982-4285  
FACSIMILE 505-982-2047  
KELLAHIN@EARTHLINK.NET

May 19, 2006

P.O. Box 2265,  
SANTA FE, NEW MEXICO 87504  
117 NORTH GUADALUPE,  
SANTA FE, NEW MEXICO 87501

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Application of OGX Resources LLC  
for compulsory pooling,  
Eddy County, New Mexico

*Case 13729*

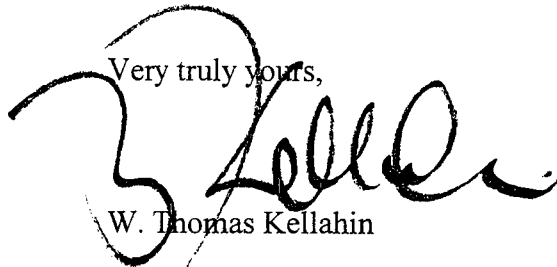
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Red Bat Fee Com Well No. 1  
Unit O of Section 8, T24S R27E  
API#30-015-337701  
Dedication: S/2  
Eddy County, New Mexico

Dear Mr. Fesmire:

On behalf of OXG Resources LLC, find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 22, 2006. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: OCX Resources LLC  
Attn: Richard H. Coats

**CASE 3729**: Application of OGX Resources LLC 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 S/2 of Section 8, T24S, R27E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for production from any and all formation or pools developed on 320-acre spacing including but not limited to the Black River-Morrow Gas Pool. This unit is to be dedicated its Red Bat Fee Com Well No. 1 (**API# 30-015-34701**) to be drilled at a standard gas well location in Unit O of this section. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of OGX Resources LLC as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 8 miles West from Malaga, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF OGX RESOURCES LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13729

**APPLICATION**

OGX Resources LLC ("OGX") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks compulsory pooling within Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 8, T24S, R27E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for production from any and all formation or pools developed on 320-acre spacing including but not limited to the Black River-Morrow Gas Pool. This unit is to be dedicated its Red Bat Fee Com Well No. 1 (API# 30-015-34701) to be drilled at a standard gas well location in Unit O of this section. Also to be considered will be the costs of drilling and completion this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of OGX Resources LLC as the operator of the well and a 200% charge for risk involved in this well. In addition, the applicant seeks the inclusion of "fill-in well" provisions for this spacing unit.

In support of its application, OGX Resources LLC ("OGX") states:

1. OGX has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the S/2 of Section 8, T24E, R27E, NMPM, Eddy County, New Mexico.
2. These gas spacing units are located within the boundaries of the Black River-Morrow Gas Pool.

3. By letter dated August 17, 2005 and again on April 11, 2006, OGX proposed to Devon Energy Production Company, L.P. ("Devon") the only uncommitted working interest that this well be drilled dedicated to a standard 320-acre gas spacing and proration unit consisting of the S/2 of Section 8.

4. Despite its reasonable efforts, applicant has been unable to obtain a written voluntary agreement from certain Devon.

5. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Lance needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

6. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A (1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 22, 2006.

WHEREFORE, OGX Resources LLC, as applicant, requests that this application be set for hearing on June 22, 2006 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) OXG Resources LLC be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating these wells;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) Provision for an optional infill well to be drilled in accordance with Division Rule 104.C(2)(a) and (b)

(6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone: (505) 982-4285

Fax: (505) 982-2047

Email: [kellahin@earthlink.net](mailto:kellahin@earthlink.net)

**EXHIBIT "A"**

Devon Energy Production Company, L.P.  
20 North Broadway  
Oklahoma City, OK 73102-8260  
Attn: Mr. Ken Gray