



July 18, 2006

**HAND-DELIVERED**

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

2006 JUL 18 PM 4 24

*Case 13758*

Re: Application of BEPCo., L.P. for compulsory pooling, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Application of BEPCo., L.P. in the above-referenced case as well as a copy of a legal advertisement. Bass requests that this application be placed on the docket for the August 17, 2006 Examiner hearings.

Sincerely,

William F. Carr

Enclosures

cc: Wayne Bailey (w/enclosures)

Dear :

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

**IN THE MATTER OF THE APPLICATION  
OF BEPCO, L.P. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 13758

2006 JUL 18 PM 4 24

**APPLICATION**

BEPCo., L.P., ("Bass") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17 (2006), for an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 12, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Turkey Track-Morrow Gas Pool, Undesignated Millman-Atoka Gas Pool, Undesignated Millman-Cisco Gas Pool and the Undesignated Millman-Wolfcamp Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing within this vertical extent; and the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Palmillo-Wolfcamp Pool, Undesignated Turkey Track-Cisco Pool, East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool, and the Undesignated Palmillo-Bone Spring Pool, and in support of its application states:

1. Bass is a working interest owner in the N/ of said Section 12 and has the right to drill thereon.

2. Bass proposes to dedicate the above-referenced spacing or proration unit to its Palmillo "12" State Com Well No. 1 to be drilled at a standard location 1650 feet from the North line and 660 feet from the West line (Unit E) of said Section 12, NMPM, Eddy County, New

Mexico, to an approximate depth of 11,500 feet to test any and all formations from the surface to the base of the Morrow formation.

3. Bass has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing unit who are 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 Bass to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Bass should be designated the operator of the well to be drilled.

WHEREFORE, BEPCo., L.P. requests this application be set for hearing before a Division Examiner on August 17, 2006 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 units,
- B. designating Bass operator of these units and the well to be drilled thereon,
- C. authorizing Bass to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Bass in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,  
HOLLAND & HART LLP

By:   
WILLIAM F. CARR  
OCEAN MUNDS-DRY  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR BEPCo., L.P.

**EXHIBIT A**

**APPLICATION OF  
BEPCo., L.P.  
FOR COMPULSORY POOLING  
SECTION 12, TOWNSHIP 19 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

Kerr-McGee Oil & Gas Onshore, L.P.  
5735 Pineland Drive Suite 300  
Dallas, Texas 75231

CASE \_\_\_\_\_:

**Application of BEPCo., L.P. for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 12, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Turkey Track-Morrow Gas Pool, Undesignated Millman-Atoka Gas Pool, Undesignated Millman-Cisco Gas Pool and the Undesignated Millman-Wolfcamp Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing within this vertical extent; and the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Palmillo-Wolfcamp Pool, Undesignated Turkey Track-Cisco Pool, East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool, and the Undesignated Palmillo-Bone Spring Pool, Said unit is to be dedicated to its Palmillo "12" State Com Well No. 1 to be drilled at a standard location 1650 feet from the North line and 660 feet from the West line (Unit E) of said Section 12 to an approximate depth 11,500 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 BEPCo., L.P. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 2 miles SW of Lindley New Mexico.



July 20, 2006

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**AFFECTED INTEREST OWNERS**

Re: Application of BEPCo., L.P. for compulsory pooling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that BEPCo., L.P. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in the N/2 of Section 12, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to its Palmillo "12" State Com Well No. 1 which it proposes to drill at a standard location 1650 feet from the North line and 660 feet from the West line of Section 12 to test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on August 17, 2006. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time 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 Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the 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,

Ocean Munds-Dry  
ATTORNEY FOR BEPCO., L.P.