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MAR 24 1995

BEFORE THE

OIL CONSERVATION DIVISION *Oil Conservation Division*

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF MEDALLION PRODUCTION COMPANY FOR  
COMPULSORY POOLING AND AN  
UNORTHODOX GAS WELL LOCATION,  
LEA COUNTY, NEW MEXICO.

CASE NO. 11271

**APPLICATION**

MEDALLION PRODUCTION COMPANY, through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in the E/2 of Section 31 for formations developed on 320-acre spacing, the SE/4 of Section 31 for all formations developed on 160-acre spacing, the W/2 SE/4 for all formations developed on 80-acre spacing, and the SW/4 SE/4 of Section 31 for formations developed on 40-acre spacing in Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant owns or represents approximately 50% of the working interests in the E/2 of Section 31, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled units to its State Well No. 31-1 to be drilled at an unorthodox well location in the E/2 of said Section 31, to a depth of approximately 12,700 feet, more or less, to test any and all formations from the surface to the base of the Atoka formation. Said well will be a wildcat well for all formations

except the Atoka formation where it will be in the undesignated North Vacuum - Atoka - Morrow Gas Pool.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the E/2 of said Section 31.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

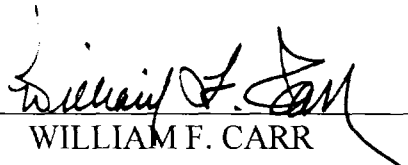
5. Applicant also seeks an exception to the Division's Statewide Rule 104 to permit the drilling of this well at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line of said Section 31.

6. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on April 20, 1995 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well and approving an unorthodox location for the well.

Respectfully submitted,

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& SHERIDAN, P.A.

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ATTORNEYS FOR MEDALLION  
PRODUCTION COMPANY

CASE 11271:

Application of Medallion Production Company for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the E/2 of Section 31 for formations developed on 320-acre spacing, the SE/4 of Section 31 for all formations developed on 160-acre spacing, the W/2 SE/4 for all formations developed on 80-acre spacing, and the SW/4 SE/4 of Section 31 for formations developed on 40-acre spacing in Township 16 South, Range 35 East. Said units are to be dedicated to the State Well No. 31-1 to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line in the E/2 of said Section 31. 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 a charge for risk involved in drilling said well. Said area is located approximately \_\_\_\_\_ miles \_\_\_\_\_ of \_\_\_\_\_, New Mexico.

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