

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF REDSTONE OIL & GAS
COMPANY FOR COMPULSORY POOLING AND
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

No. 11,927

RESPONSE OF REDSTONE OIL & GAS COMPANY
IN OPPOSITION TO MOTION TO DISMISS
AND IN THE ALTERNATIVE REQUEST TO STAY DECISION

Redstone Oil & Gas Company ("Redstone") applied for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying all of Section 12, Township 23 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and approving an unorthodox gas well location. This application was in response to a similar application filed by Fasken Land and Minerals, Ltd. ("Fasken") to pool the same acreage (Case No. 11,877).

In December 1997, Redstone filed a motion to dismiss the Fasken application. Redstone asserts that Section 12 is subject to an operating agreement covering all interest owners in the section, and thus compulsory pooling is not necessary. The motion was denied by the Division in January 1998, even though Fasken admitted that, at the least, an operating agreement covers the E½ of Section 12.

Redstone requests that the Fasken motion be denied, for the following reasons:

1. The parties have been in discussions on the drilling of a well in Section 12 since the Fall of 1997. Sufficient discussions have taken place to satisfy the requirements of the pooling statute.

2. Redstone has consistently argued that compulsory pooling is not necessary because Section 12 is covered by an operating agreement. When Redstone's motion to dismiss Case No. 11,877 was denied, Redstone took the necessary steps to propose a well, and consented to hearing both cases in early February 1998 to encourage a rapid resolution of both cases.¹ Despite Fasken's assertions, Redstone has worked with Fasken to bring this matter to a quick resolution.

3. Redstone's well proposal was sent on February 9, 1998.

* Redstone's proposal was made only to protect its rights based on the Division's ruling on the motion to dismiss Case No. 11,877. See Testimony of J. Small at February 5, 1998 hearing. While not strictly complying with Division guidelines, Redstone's proposal was made within a reasonable time period in order to encourage a quick resolution of both cases. *

As noted above, both the Redstone and Fasken applications involve the same land. Deciding one application and not the other is a waste of the Division's time and effort. If the Division dismisses Redstone's application, then Redstone requests that a decision in Fasken's case be stayed until a hearing can be held on a renewed pooling application Redstone will file on its well proposal.

¹Because of issues regarding the orientation of 320 acre spacing units, raised by Redstone at the February 5, 1998 hearing, Fasken (after the hearing) sent a new proposal for its well, and re-advertised its case for the March 5, 1998 hearing. Redstone could assert that Fasken must start over, due to its new well proposal. It has not done so, in order to encourage a quick resolution of both cases.

WHEREFORE, Redstone requests that (a) Fasken's motion be denied, or (b) if the motion is granted, that a decision in Fasken's application be stayed until Redstone re-applies for pooling, and its case is heard before the duly appointed hearing examiner.

Respectfully submitted,



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

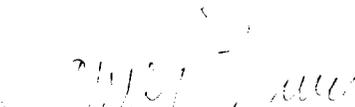
Attorney for Redstone Oil & Gas
Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing application was sent via facsimile transmission this 5th day of March, 1998.

W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-2047

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
(505) 983-6043



James Bruce