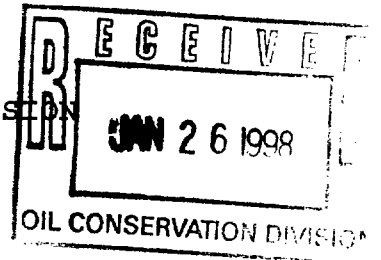


BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION



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

No. 11927

APPLICATION

Redstone Oil & Gas Company hereby applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Section 12, Township 23 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and approving an unorthodox gas well location, and in support thereof states:

1. Applicant is a working interest owner in Section 12, and has the right to drill a well thereon.

2. Applicant proposes to drill a well at an unorthodox gas well location 500 feet from the North line and 2515 feet from the East line (Unit B) of Section 12, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) All of Section 12 for all pools or formations spaced on 640 acres, including the Rock Tank-Upper Morrow Gas Pool and the Rock Tank-Lower Morrow Gas Pool; and

(b) The N½ of Section 12 for all pools or formations spaced on 320 acres.

3. Applicant has in good faith sought all mineral interest owners to join in the drilling of a well in Section 12.

4. To the extent that applicant must obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the

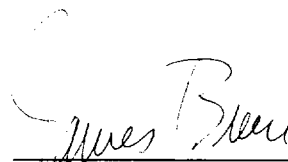
well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in Section 12, pursuant to N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying Section 12, as set forth above, and approval of the unorthodox gas well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Pooling all mineral interests in Section 12, from the surface to the base of the Morrow formation;
- (b) Approving the above-described unorthodox gas well location;
- (c) Designating applicant as operator of the well;
- (d) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (e) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- (f) Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- (g) Granting such further relief as the Division deems proper.

Respectfully submitted,



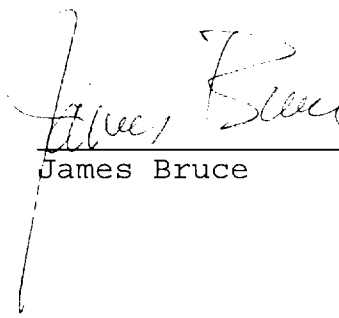
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Redstone Oil & Gas
Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing application was
mailed this 26th day of January, 1998.

W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504



James Bruce