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March 10, 1998

Hand Delivered

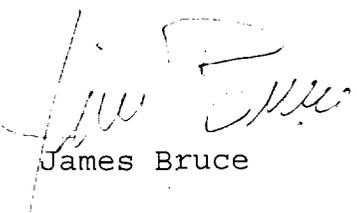
Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

11958

Dear Florene:

Enclosed are an original and two copies of an application for compulsory pooling and an unorthodox location, together with a proposed advertisement, filed on behalf of UMC Petroleum Corporation. Please set this matter for the April 2, 1998 Examiner hearing.

Very truly yours,


James Bruce

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF UMC PETROLEUM
CORPORATION FOR COMPULSORY
POOLING AND AN UNORTHODOX
WELL LOCATION, LEA COUNTY,
NEW MEXICO.

No. 11958

APPLICATION

UMC Petroleum Corporation applies for an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying Lots 9-16 of irregular Section 2, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as described below, and approving an unorthodox well location, and in support thereof, states:

1. Applicant is a working interest owner in Lots 9-16 of said Section 2, and has the right to drill a well thereon.

2. Applicant proposes to drill its Townsend State Com. Well No. 2, at an unorthodox location 3250 feet from the South line and 1400 feet from the West line of the section, to a depth sufficient to test the Mississippian formation, and seeks to dedicate the following acreage to the well:

(a) Lots 9-16 of Section 2 for all pools or formations spaced on 320 acres, including the Undesignated Townsend-Morrow Gas Pool; and

(b) Lots 13 and 14 of Section 2 for all pools or formations spaced on 80 acres, including the Undesignated South Big Dog-Strawn Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in Lots 9-16

of Section 2 for the purposes set forth herein.

4. Although Applicant has attempted to 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 Lots 9-16 of Section 2, pursuant to NMSA 1978 §70-2-17 (1995 Repl.).

5. The pooling of all mineral interests underlying Lots 9-16 of Section 2, as described above, and approval of the unorthodox 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 Lots 9-16 of Section 2, as set forth above;
- B. Approving the unorthodox well location;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and operating the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating costs 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,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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

Attorney for UMC Petroleum Corporation

PROPOSED ADVERTISEMENT

Case 11958: Application of UMC Petroleum Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in irregular Section 2, Township 16 South, Range 35 East, NMPM, and in the following manner: Lots 9-16 of Section 2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Townsend-Morrow Gas Pool and the Undesignated North Townsend-Mississippian Gas Pool; and Lots 13 and 14 of Section 2 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools spaced on 80 acres within said vertical extent, including the South Big Dog-Strawn Pool. Said unit is to be dedicated to applicant's Townsend State Com. Well No. 2, located at an unorthodox location 3250 feet from the South line and 1400 feet from the West line of said Section 2. 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 the risk involved in drilling and the well. Said unit is located approximately 5 miles West-Northwest of Lovington, New Mexico.