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March 10, 1998

Hand Delivered

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

11900

Dear Florene:

Enclosed are an original and two copies of an application for compulsory pooling, and a proposed advertisement, filed on behalf of Redstone Oil & Gas Company. Please set this case for the April 2, 1998 Examiner hearing.

Very truly yours,



James Bruce

PROPOSED ADVERTISEMENT

Case 11960: Application of Redstone Oil & Gas Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 12, Township 23 South, Range 24 East, NMPM, and in the following manner: All of Section 12 to form a standard 640-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre spacing within said vertical extent, including but not limited to the Rock Tank-Upper Morrow Gas Pool and the Rock Tank-Lower Morrow Gas Pool; and the N½ of Section 12 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent. Said units are to be dedicated to a well to be located at an unorthodox gas well location 500 feet from the North line and 2515 feet from the East line (Unit B) of said Section 12. 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 the well. Said unit is located approximately 11 miles northwest of Whites City, New Mexico.

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. 11960

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

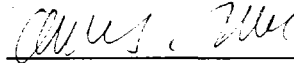
well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in Section 12, pursuant to NMSA 1978 §70-2-17 (1995 Repl. Pamp.).

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,



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Attorney for Redstone Oil & Gas
Company