

OIL CONSERVATION DIV.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF CROSS TIMBERS OIL
COMPANY FOR COMPULSORY POOLING AND
AN UNORTHODOX OIL WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

Case No.

12143

APPLICATION

Cross Timbers Oil Company applies for an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the W $\frac{1}{2}$ of Section 21, Township 28 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, and for an unorthodox oil well location, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of said Section 21, and has the right to drill a well thereon.

2. Applicant proposes to drill its Kutz Federal Well No. 12E, at a location 970 feet from the North line and 1000 feet from the West line of the section, to a depth sufficient to test the Dakota formation, and seeks to dedicate the following acreage to the well:

(a) The W $\frac{1}{2}$ of Section 21 for all pools or formations spaced on 320 acres within said vertical extent, including but not limited to the Undesignated Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool;

(b) The NW $\frac{1}{4}$ of Section 21 for all pools or formations spaced on 160 acres within said vertical extent, including but not limited to the Otero-Chacra Gas Pool; and

(c) The NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21 for all pools or formations spaced on 40 acres within said vertical extent, including but

not limited to the Undesignated Armenta-Gallup Pool.

The proposed well is at an orthodox gas well location, but the location is unorthodox for an oil well.

3. Applicant has in good faith sought the voluntary joinder of all other mineral interest owners in the W½ of Section 21 for the purposes set forth herein.

4. Although Applicant 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 acreage. Therefore, Applicant seeks an order pooling all mineral interest owners in the W½ of Section 21, pursuant to NMSA 1978 §70-2-17 (1996 Supp.).

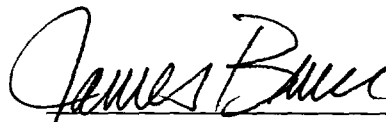
5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that Cross Timbers Operating Company be designated operator of the well, and that the Division set a penalty for the risk involved in drilling the well.

6. The pooling of all interests underlying the W½ of Section 21, and approval of the unorthodox oil 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 underlying the W½ of Section 21 from the base of the Pictured Cliffs formation to the base of the Dakota formation;
- B. Approving an unorthodox oil well location;
- C. Designating Cross Timbers Operating Company 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 pursuant to 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 black ink, appearing to read "James Bruce", written over a horizontal line.

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Attorney for Cross Timbers Oil Company

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Case

: Application of Cross Timbers Oil Company for compulsory pooling and an unorthodox oil well location, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the following described acreage in Section 21, Township 28 North, Range 10 West, NMPM, and in the following manner: The $W\frac{1}{2}$ of Section 21 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 but not limited to the Undesignated Blanco-Mesaverde Gas Pool and Basin-Dakota Gas Pool; the $NW\frac{1}{4}$ of Section 21 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within said vertical extent, including but not limited to the Otero-Chacra Gas Pool; and the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 21 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated Armenta-Gallup Pool. Said units are to be dedicated to the applicant's Kutz Federal Well No. 12E, to be drilled at an orthodox gas well location/unorthodox oil well location 970 feet from the North line and 1000 feet from the West line of said Section 21. 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 Cross Timbers Operating Company as operator of the well, and a charge for the risk involved in drilling and completing the well. Said units are located approximately 6 miles southeast of Bloomfield, New Mexico.