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May 18, 1999

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

12198

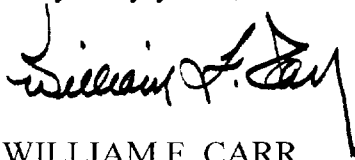
OIL CONSERVATION DIV.
MAY 18 AM 8:25

Re: *Application of Ameristate Oil & Gas, Inc. for Compulsory Pooling, Lea County, New Mexico*

Dear Ms. Wrotenbery:

Enclosed in triplicate is an Application of Ameristate Oil & Gas, Inc. in the above-referenced case as well as a copy of a legal advertisement. Ameristate Oil & Gas, Inc. respectfully requests that this matter be placed on the docket for the June 10, 1999 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh
Enclosures

cc: Mr. Mark Nearburg
Ameristate Oil & Gas, Inc.
1211 West Texas
Midland, Texas 79701

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF AMERISTATE OIL & GAS, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 12198

APPLICATION

AMERISTATE OIL & GAS, INC. ("Ameristate"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.S.A. 1978, Section 70-2-17, for an order pooling all mineral interests from the surface to the base of the Morrow formation under the following acreage in Section 15, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico:

- A. the E/2 to form a standard 320-acre gas spacing and proration unit for formations and/or pools developed on 320-acre spacing within that vertical extent which presently include but are not necessarily limited to the North Shoe Bar-Atoka Gas Pool and the Townsend-Morrow Gas Pool;
- B. the NE/4 to form a standard 160-acre spacing and proration unit for formations and/or pools developed on 160-acre spacing within that vertical extent which presently includes but is not limited to the North Shoe Bar-Wolfcamp Gas Pool;
- C. the S/2 NE/4 to form a standard 80-acre spacing and proration unit for formations and/or pools developed on 80-acre spacing within that vertical

extent; and

- D. the SE/4 NE/4 to form a standard 40-acre gas spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Townsend-Permo Upper Pennsylvanian Pool.

Said spacing and proration units are to be dedicated to a well to be drilled at standard location in the SE/4 NE/4 of said Section 15, and in support of its application states:

1. Ameristate is a working interest owner in said Section 15 and has the right to drill thereon.
2. Ameristate proposes to dedicate the above-referenced spacing or proration units to a well to be drilled at a standard location in the SE/4 NE/4 of said Section 15, to a depth sufficient to test any and all formations to the base of the Morrow formation, Townsend-Morrow Gas Pool.
3. Ameristate has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units from those interest owners identified on Exhibit A to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Ameristate Oil

& Gas, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, Ameristate Oil & gas, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 10, 1999 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Ameristate operator of these spacing and proration units, and authorizing Ameristate to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by Ameristate in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 

WILLIAM F. CARR
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Telephone: (505) 988-4421

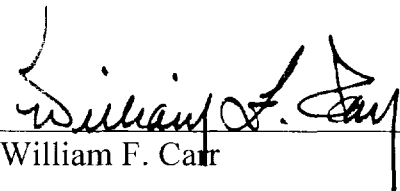
ATTORNEYS FOR AMERISTATE
OIL & GAS, INC.

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of May, 1999, I have caused to be hand-delivered a copy of our Application in the above-captioned case to the following named counsel:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

Attorney for Chesapeake Operating, Inc.



William F. Carr

CASE 12198:

Application of Ameristate Oil and Gas, Inc. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, the E/2 for all formations developed on 320-acre spacing including but not limited to the North Shoe Bar-Atoka Gas Pool and the Townsend-Morrow Gas Pool, the NE/4 for all formations developed on 160-acre spacing including but not limited to the North Shoe Bar-Wolfcamp Gas Pool, the S/2 NE/4 for all formations developed on 80-acre spacing, and the SE/4 NE/4 for all formations developed on 40-acre spacing including but not limited to the Townsend-Permo Upper Pennsylvanian Pool, all in Section 15, Township 16 south, Range 35 East, NMPM. Applicant proposes to dedicate these pooled units to a well to be drilled at a standard gas well in the SE/4 NE/4 of said Section 15. Also to be considered will 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 risk involved in drilling said well. Said area is located approximately 5.5 miles southwest of the center of the City of Lovington, New Mexico.

OIL CONVEYANCE DIV.
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