

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

**IN THE MATTER OF THE APPLICATION OF
GREAT WESTERN DRILLING COMPANY FOR
COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO.**

CASE NO. 12956

OIL CONSERVATION DIV.
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APPLICATION FOR COMPULSORY POOLING

GREAT WESTERN DRILLING COMPANY ("Great Western") through its attorneys, Montgomery & Andrews, P.A., Paul R. Owen, Esq., hereby makes application pursuant to NMSA 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 1, Township 16 South, Range 34 East, NMPM:

- a. Lots 1, 2, 7, 8, 9, 10, 15, and 16 to form a standard 328.34-acre E/2 gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Undesignated Townsend-Morrow Gas Pool;
- b. The NE/4 of said section to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent;
- c. The E/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations or pools spaced on 80 acres within this vertical extent; and
- d. The NE/4 NE/4 to form a standard 40-acre spacing and proration unit for any and all formations or pools spaced on 40 acres within this vertical extent.

Said units are to be dedicated to Applicant's proposed Lovington Federal No. 1 Well to be drilled

at a standard location in the NE/4 of said Section 1.

In support of this application, Great Western states:

1. Great Western owns a working interest in and under the E/2 of Section 1 and has a right to drill thereon.

2. Great Western, and one of the two other interest owners in the proposed well, Devoil, Inc. have been served with an Application for Compulsory Pooling in which David H. Arrington Oil and Gas Inc. ("Arrington") seeks to be designated the operator of a well which Arrington proposed with an A.F.E. at the same location as that proposed in this Application (Arrington seeks to call its well a different name than that proposed by Great Western). Arrington's case has been assigned New Mexico Oil Conservation Division Case Number 12942, and is set to be heard at the October 10, 2002 Examiner Hearing.

3. Great Western and Davoil agree that a well should be drilled at the location proposed by Arrington in Arrington's A.F.E., but oppose Arrington's operation of the well.

4. Great Western is prepared to drill the well at the location proposed by Arrington in Arrington's A.F.E., and Devoil Inc., supports Great Western's drilling and operation of the well.

5. Great Western has proposed drilling the subject well at the same location as that proposed by Arrington in Arrington's A.F.E., and Arrington has failed or refused to join Great Western's well proposal.

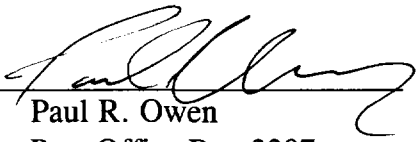
6. Approval of Great Western's pooling application will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

7. In order to permit Great Western and the working interest owners to obtain their just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Great Western should be designated the operator of the proposed well.

Therefore, Great Western requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 14, 2002, and that after notice and hearing as required by law the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Great Western Drilling Company operator of the units and the well to be drilled thereon,
- C. authorizing Great Western to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Great Western in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,
MONTGOMERY & ANDREWS

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ATTORNEYS FOR GREAT WESTERN
DRILLING COMPANY

PROPOSED LEGAL ADVERTISEMENT

CASE/2956: **Application of Great Western Drilling Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation under the following acreage in Section 1, Township 16 South, Range 34 East: Lots 1, 2, 7, 8, 9, 10, 15, and 16 to form a standard 328.34-acre E/2 gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Undesignated Townsend-Morrow Gas Pool; the NE/4 to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent; the E/2 NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations or pools spaced on 80 acres within this vertical extent; and the NE/4 NE/4 to form a standard 40-acre spacing and proration unit for any and all formations or pools spaced on 40 acres within this vertical extent. These spacing and proration units are to be dedicated to Applicant's proposed Lovington Federal No. 1 Well to be drilled at a standard location in the NE/4 of said Section 1. 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 10 miles northwest of Lovington, New Mexico.