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April 10, 2006

Hand Delivered

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 13702*

2006 APR 10 PM 2 54

Dear Florene:

Enclosed for filing, on behalf of Magnum Hunter Production, Inc., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the May 11, 2006 Examiner hearing. Thank you.

Also enclosed is a pre-hearing statement for this matter.

Very truly yours,



James Bruce

Attorney for Magnum Hunter Production, Inc.

PERSONS BEING POOLED

OXY USA WTP Limited Partnership  
P.O. Box 50250  
Midland, Texas 79710

KSA Petroleum LLC  
507 West Tennessee Avenue  
Midland, Texas 79701

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

2006 APR 10 PM 2 54

**APPLICATION OF MAGNUM HUNTER  
PRODUCTION, INC. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 13702

**APPLICATION**

Magnum Hunter Production, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$  of Section 9, Township 25 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$  of Section 9, and has the right to drill a well thereon.
2. Applicant proposes to drill its Parks Well No. 1, at an orthodox well location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 9, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:
  - (a) the SW $\frac{1}{4}$ SW $\frac{1}{4}$  to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent;
  - (b) the SW $\frac{1}{4}$  to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and
  - (c) the S $\frac{1}{2}$  to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Chosa Draw-Morrow Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$  of Section 9 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 interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 9, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 9 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 the S½ of Section 9, from the surface to the base of the Morrow formation;
- B. Designating Gruy Petroleum Management Co. as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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

Attorney for Magnum Hunter Production, Inc.