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44519-0005

June 29, 2004

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HAND-DELIVERED

Mark E. Fesmire, P.E.
Director - Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of HEC Petroleum, Inc. for Compulsory Pooling
Eddy County, New Mexico.
Douglas Com Well No. 2

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of HEC Petroleum, Inc. in the above-referenced case, as well as a copy of the docket advertisement. HEC Petroleum requests that this matter be placed on the docket for the July 22, 2004, Examiner hearings.

Sincerely,

Michael H. Feldewert

MHF:jl

Enclosures

cc: Robert Ready
HEC Petroleum, Inc.

Holland & Hart LLP

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Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☎

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

**IN THE MATTER OF THE APPLICATION OF
HEC PETROLEUM, INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

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APPLICATION

HEC PETROLEUM, INC. ("HEC"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. 70-2-17, (1978), for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Pennsylvanian formation underlying the E/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320-acres spacing within that vertical extent, which includes but is not limited to the Carlsbad Morrow South Gas Pool. In support of this application HEC states:

1. HEC is a working interest owner in the E/2 of said Section 7 and has a right to drill thereon.
2. HEC proposes to dedicate the above-referenced spacing or proration unit to its Douglas Com Well No. 2 to be drilled at a standard bottom hole gas well location in Unit P of the SE/4 of said Section 7, at a point 990 feet from the south line and 990 feet from the east line to a depth sufficient to test the Morrow formation.
3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from the parties set forth on Attachment A.
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

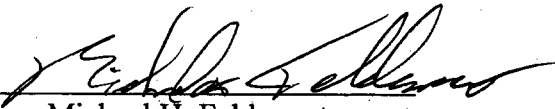
underlying the subject lands, all mineral interests should be pooled, and HEC should be designated the operator of the well to be drilled.

WHEREFORE, HEC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 22, 2004, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration unit,
- B. designating HEC Petroleum, Inc. operator of the unit and the well to be drilled thereon,
- C. authorizing HEC 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 the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of these additional wells.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR HEC Petroleum, Inc.

ATTACHMENT A

**APPLICATION OF HEC PETROLEUM, INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Douglas Com Well No . 2

James E. Earnest Estate
Betty Crowley, PR and Exec
Route 3, Box17
Peculiar, MO 64078

Corrine Grace
P.O. Box 1418
Carlsbad, N.M. 88220

Michael P. Grace II Estate
Caleb Loring III & E.J. Sullivan
D. Rich Ardson Co-Execs
P.O. Box 5600
Beverly Farms, MA 01915-0512

George E. & Elizabeth Hutton
1804 Indian School, NW #15
Albuquerque, N.M. 87104

Armando Larez
Dora A. Larez
P.O. Box 538
Carlsbad, N.M. 88220

Olivia Navarro
300 Calle Quieta
Los Lunas, N.M. 87031-8725

Harold S. Winston
P.O. Box 101235
Fort Worth, TX 76185-1235

CASE _____:

Application of HEC Petroleum, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Pennsylvanian formation in the E/2 of Section 7, Township 22 South, Range 27 East, N.M.P.M. to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320-acres within that vertical extent, which includes but is not necessarily limited to the Carlsbad Morrow Gas Pool. Said unit is to be dedicated to applicant's proposed Douglas Com. Well No. 2 to be drilled at a standard bottom hole gas well location in SE/4 (Unit P) of said Section 7, at a point 990 feet from the north line and 990 feet from the west line to a depth sufficient to test the Morrow formation. 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 risk involved in drilling said well. Said area is located approximately 1 mile south of Carlsbad, New Mexico.