

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

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August 16, 2005

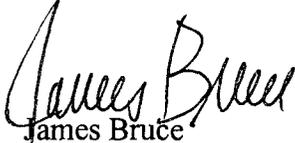
Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 13553*

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 September 8, 2005 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Magnum Hunter Production, Inc.

PARTIES BEING POOLED  
WORKING INTEREST OWNERS  
ADDRESSEE LIST

Fasken Oil and Ranch Ltd.  
303 W. Wall Ave., Suite 1800  
Midland, TX 79701-5116

Brooks Oil & Gas Interests  
P.O. Box 23314  
Santa Fe, NM 87505

Richard H. Gibson  
P.O. Box 6238  
Longview, TX 75608

Opal Investments LP  
c/o C. Wayne Nance  
214 North Bay Drive  
Bullard, TX 75757

Prospective Investment & Trading Company Ltd.  
Attn: Mr. Ken Gibson  
2162 E. 61<sup>st</sup> St.  
Tulsa, OK 74136

High Hopes Oil Company, L.L.C.  
Attn: Mr. Ken Gibson  
c/o Prospective Investment & Trading Company Ltd.  
2162 E. 61<sup>st</sup> St.  
Tulsa, OK 74136

AS IS Investments, L.L.C.  
Attn: Mr. Ken Gibson  
c/o Prospective Investment & Trading Company Ltd.  
2162 E. 61<sup>st</sup> St.  
Tulsa, OK 74136

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

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

2005 AUG 16 PM 11:40 / 13553  
Case No. \_\_\_\_\_

**APPLICATION**

Magnum Hunter Production, Inc. applies for an order pooling all mineral interests from 11,700 feet subsurface to the base of the Morrow formation underlying all of Section 11, 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 Section 11, and has the right to drill a well thereon.
2. Applicant proposes to drill the Grynberg 11 Fed. Com. Well No. 3, at an orthodox gas well location in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 11, to a depth sufficient to test the Morrow formation, and seeks to dedicate Section 11 to the well to form a standard 640 acre gas and spacing and proration unit for any formations and/or pools developed on 640 acre spacing within that vertical extent, including the White City-Pennsylvanian Gas Pool.
3. The depths being pooled are from 100 feet below total depth drilled, being 11,600 feet subsurface, in the Grynberg 11 Fed. Com. Well No. 1, located 1650 feet from the north and east lines of Section 11, to the base of the Morrow formation at an approximate depth of 12,150 feet subsurface.
4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in Section 11 for the purposes set forth herein.
5. 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

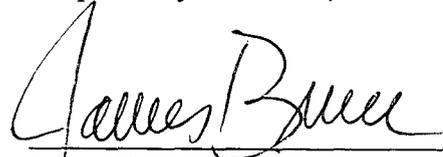
the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in Section 11, pursuant to NMSA 1978 §70-2-17.

6. The pooling of all mineral interests underlying Section 11, as to the above-stated depths, 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 Section 11, from 11,700 feet subsurface to the base of the Morrow formation;
- B. Designating Gruy Petroleum Management Company 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.

Case No. 13553: **Application of Magnum Hunter Production, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from a depth of approximately 11,700 feet subsurface to the base of the Morrow formation underlying Section 11, Township 25 South, Range 26 East, NMPM, to form a standard 640-acre gas spacing and proration unit for any and all formations or pools developed on 640-acre spacing within that vertical extent, including the White City-Pennsylvanian Gas Pool. The unit is to be dedicated to the Grynberg 11 Fed. Com. Well No. 3, to be drilled at an orthodox gas well location in the NW/4SW/4 of Section 11. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Gruy Petroleum Management Company as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 6 miles east-southeast of Whites City, New Mexico.

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