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2005 DEC 2 PM 1 19

December 1, 2005

Case 13615

Hand Delivered

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

Dear Florene:

Enclosed for filing, on behalf of Latigo Petroleum, 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 **January 19, 2006** Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Latigo Petroleum, Inc.

PERSONS BEING POOLED

Chevron U.S.A. Inc.
15 Smith Road
Midland, Texas 79705

Occidental Permian Ltd.
P.O. Box 50250
Midland, Texas 79710

Brian Scarborough
P.O. Box 2474
Midland, Texas 79702

Grand Banks Energy Company
P.O. Box 2474
Midland, Texas 79702

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF LATIGO PETROLEUM,
INC. FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

Case No. 13615

APPLICATION

Latigo Petroleum, 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 10, Township 16 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ of Section 10, and has the right to drill or re-enter a well thereon.
2. Applicant proposes to re-enter the plugged and abandoned State "10" Well No. 1, located 660 feet from the south line and 1980 feet from the east line of Section 10, and deepen the well to test the Morrow formation, and seeks to dedicate the following acreage to the well:
 - (a) The SE $\frac{1}{4}$ 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
 - (b) 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 Anderson Ranch-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 10 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the Re-entry 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.

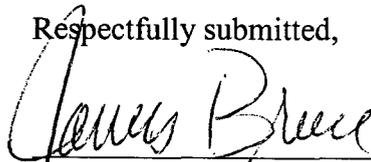
Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 10, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 10, as set forth above, 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 10, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of re-entering 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 Latigo Petroleum, Inc.

PROPOSED ADVERTISEMENT

Case No. 13615 : **Application of Latigo Petroleum, Inc. 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 underlying the following described acreage in Section 10, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, and in the following manner: The S½ to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Anderson Ranch-Morrow Gas Pool; and the SE¼ to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent. The units are to be designated to the existing State "10" Well No. 1, located 660 feet from the south line and 1980 feet from the east line of Section 10, which is to be re-entered. Also to be considered will be the cost of re-entering and completing the 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 200% charge for the risk involved in re-entering and completing the well. The units are located approximately 5-1/2 miles north-northeast of Maljamar, New Mexico.

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