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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 26, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87504

Case 12616

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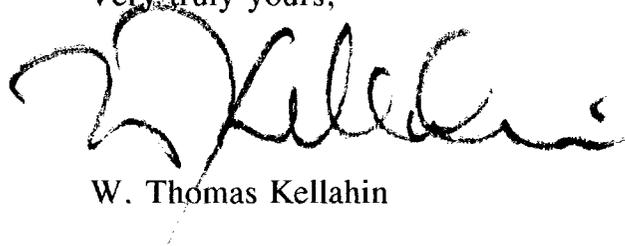
FILED OFFICE OF OIL AND GAS

**Re: NESTE Kenwood Federal "6" Well No. 1
Application of Magnum Hunter Production, Inc.
for compulsory pooling and a non-standard
proration and spacing unit
Eddy County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Magnum Hunter Production, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for March 22, 2001. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Magnum Hunter Resources, Inc.
Attn: Gayle Arnold

CASE 126/6 Application of Magnum Hunter Production, Inc. for compulsory pooling and a non-standard spacing and proration unit, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 equivalent of Irregular Section 6, T18S, R31E, NMPM, Eddy County, New Mexico, forming a non-standard 295.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, including the North Shugart-Morrow Gas Pool. This unit is to be dedicated to its Neste Kenwood Federal "6" Well No. 1 which will be located at a standard location in Unit C of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Gruy Petroleum Management Company as the operator of the well and a charge for risk involved in this well. This unit is located approximately 5 miles southeast of Loco Hills, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
MAGNUM HUNTER PRODUCTION, INC. FOR
COMPULSORY POOLING AND A NON-
STANDARD SPACING AND PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12616

A P P L I C A T I O N

Comes now MAGNUM HUNTER PRODUCTION, INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 equivalent of Irregular Section 6, T18S, R31E, NMPM, Eddy County, New Mexico, forming a non-standard 295.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, including the North Shugart-Morrow Gas Pool. This unit is to be dedicated to its Neste Kenwood Federal "6" Well No. 1 which will be located at a standard location in Unit C of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Gruy Petroleum Management Company as the operator of the well and a charge for risk involved in this well.

In support of its application, Magnum Hunter Production, Inc. ("Magnum Hunter") states:

1. Magnum Hunter has the right to drill and develop the oil and gas minerals from the surface to the base of the Mississippian formation underlying the SW/4 equivalent of Irregular Section 6, T18S, R31E, NMPM, Eddy County, New Mexico.

2. Magnum Hunter has proposed its Neste Kenwood Federal "6" Well No 1 at a standard location in unit C and a W/2 equivalent spacing unit to EOG Resources Inc, ("EOG") who has a farmout from Canadian Kenwood Co. for the NW/4 of Section 6.

3. Magnum Hunter, despite its good faith efforts, has been unable to obtain written voluntary agreement from all the parties listed on Exhibit "A."

4. Magnum Hunter proposes the dedication of a non-standard 295.19 acre spacing and proration unit for the well because of variations in the Unit States Public Lands Survey for Irregular Section 6.

5. Pursuant to NMSA 1987 Section 70-2-17.C and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "A" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 22, 2001.

WHEREFORE, Magnum Hunter Production Inc., as applicant, requests that this application be set for hearing on March 22, 2001 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of this well location upon terms and conditions which include:

- (1) Gruy Petroleum Management Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.


RESPECTFULLY SUBMITTED:
W. THOMAS KELLAHIN
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P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"
Parties to be pooled

EOG Resources Inc.
P. O. Box 2267
Midland, Texas 79702
Attn: Patrick J. Towers

Canadian Kenwood Company
80 South 8th Street
Suite 1910
Minneapolis, MN 55402

Camterra Resources Partners, Ltd.
P.O. Box 2069
Marshal, Texas 75671
Attn: Paul Marchand