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2006 JUN 19 PM 2 03

June 19, 2006

Case 13749

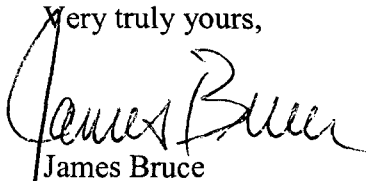
Hand Delivered

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

Dear Florene:

Enclosed for filing, on behalf of Magnum Hunter Production, Inc., are an original and one copy of an application for cancellation of an APD, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the July 20, 2006 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Magnum Hunter Production, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF MAGNUM HUNTER
PRODUCTION, INC. FOR CANCELLATION
OF ONE DRILLING PERMIT AND APPROVAL
OF A SECOND DRILLING PERMIT, LEA
COUNTY, NEW MEXICO.**

2006 JUN 19 PM 2 03

Case No. 13749

APPLICATION

Magnum Hunter Production, Inc., for its application, states:

1. Applicant is a working interest owner in the E½ of Section 10, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

2. Applicant proposes to drill its New Sheriff 10 Fed. Com. Well No. 1, to be located in the SE¼SE¼ of Section 10. Applicant plans to dedicate the E½ of Section 10 to the well to form a standard 320 acre gas spacing and proration unit for all formations or pools developed on 320 acre spacing, including the Undesignated West Teas-Morrow Gas Pool.

3. In late 2005 or early 2006, Samson Resources Company ("Samson") filed with the Division's Hobbs District Office an Application for Permit to Drill ("APD") for its Marshall 10 Fed. Com. Well No. 1, to be drilled at a location in the NE¼SW¼ of Section 10 to test the Morrow formation. Samson's APD was approved by the Division on January 4, 2006, with the S½ of Section 10 to be dedicated to the well to form a standard 320 acre gas spacing and proration unit for all formations or pools developed on 320 acre spacing, including the Undesignated West Teas-Morrow Gas Pool. A copy of a portion of Samson's APD is attached hereto as Exhibit A.

4. Subsequently, Gruy Petroleum Management Co., on applicant's behalf, filed with the Division's Hobbs District Office an APD for its proposed New Sheriff 10 Fed. Com. Well

No. 1. The APD was returned to applicant by the Hobbs District Office, unapproved, apparently because of Samson's previously approved APD. A copy of a portion of applicant's APD is attached hereto as Exhibit B.

5. Applicant is ready and willing to commence the New Sheriff 10 Fed. Com. Well No. 1. Applicant has been verbally informed by Samson that Samson is not ready to commence its Marshall 10 Fed. Com. Well No. 1, nor does it have any specific plans on when to commence the well.

6. Applicant should be allowed to form its proposed E $\frac{1}{2}$ well unit and to drill its New Sheriff 10 Fed. Com. Well No. 1, and applicant's APD should be approved. Such approval will not preclude Samson from later drilling its well, which is in a different quarter section from applicant's well and which could have a W $\frac{1}{2}$ unit dedicated to it.

7. The granting of this application is in the interests of conservation, the protection of correlative rights, and the prevention of waste.

WHEREFORE, applicant requests that, after notice and hearing: (i) Samson's APD be cancelled; (ii) a stand-up unit, as proposed by applicant, be approved; and (iii) the decision of the Hobbs District Office be reversed, and applicant's APD be approved.

Respectfully submitted,



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

Attorney for Magnum Hunter Production, Inc.

New Mexico Oil Conservation Division, District 4
1625 N. French Drive
Hobbs, NM 88240
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

A-49

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.
NM-13280

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No. **<35358>**
Marshall 10 Federal Com., #1

9. API Well No.
30-025-37627

10. Field and Pool, or Exploratory
Teas Morrow West

11. Sec., T., R., M., or Blk. and Survey or Area
Sec. 10-T20S-R33E

12. County or Parish
Lea

13. State
NM

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator

Samson Resources

3a. Address
Samson Plaza—Two W. 2nd St. Tulsa, OK 74103

3b. Phone No. (include area code)
(918) 591-1822

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 1980' FSL & 1980' FWL

At proposed prod. zone same

Unit **R-111-P-POTASH**

14. Distance in miles and direction from nearest town or post office*

37 miles northeast of Carlsbad, NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

660'

16. No. of Acres in lease
960

17. Spacing Unit dedicated to this well
320

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

N/A

19. Proposed Depth
14,000'

20. BLM/BIA Bond No. on file
NM-2037

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3565' GL

22. Approximate date work will start*
December 5, 2005

23. Estimated duration
5 weeks

24. Attachments

Capitan Controlled Water Basin

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

George R. Smith

Name (Printed/Typed)
George R. Smith

Date
10/28/05

Title

Agent for Samson Resources

Approved by (Signature)

/s/ Linda S. C. Rundell

Name (Printed/Typed)
/s/ Linda S. C. Rundell

Date
JAN 04 2006

Title

STATE DIRECTOR

Office

NM STATE OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Lease Responsibility Statement: Samson Resources Co. accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof.

George R. Smith
George R. Smith, agent

WITNESSES: 16", 11 3/4" and 8 5/8" ELEMENT JOBS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

EXHIBIT A

DISTRICT I
1000 N. FRANKLIN DR., SUITE 200, ALBUQUERQUE, NM 87102

State of New Mexico
Energy, Minerals and Natural Resources Department

DISTRICT II
1000 N. FRANKLIN DR., SUITE 200, ALBUQUERQUE, NM 87102

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 N. FRANKLIN DR., SUITE 200, ALBUQUERQUE, NM 87102

DISTRICT IV
1000 N. FRANKLIN DR., SUITE 200, ALBUQUERQUE, NM 87102

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-37627	Pool Code 86050	Pool Name Teas Morrow West
Property Code 35358	Property Name MARSHALL 10 FEDERAL COM	Well Number 1
OCRD No. 20165	Operator Name SAMSON RESOURCES	Elevation 3565'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	10	20-S	33-E		1980	SOUTH	1980	WEST	LEA

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill <input checked="" type="checkbox"/>	Consolidation Code Comm.	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>NM-13280</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=577469.4 N X=709619.9 E</p> <p>LAT.=32°35'08.61" N LONG.=103°39'09.98" W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>George R. Smith</i> Signature</p> <p>George R. Smith Printed Name</p> <p>Agent Title</p> <p>October 28, 2005 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>OCTOBER 13, 2005 Date Surveyed</p> <p>Signature of Prof. <i>Donald J. Simpson</i> Professional Surveyor</p> <p>10/24/05 105.11.1611</p> <p>Certificate No. DONALD J. SIMPSON 3929 REGISTERED PROFESSIONAL</p>

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*

(Other instructions on
reverse side)

FORM APPROVED

OMB NO 1004-0136

Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

1b. TYPE OF WELL

OIL ☐

GAS ☒

SINGLE ☐

MULTIPLE ☐

WELL

WELL

OTHER ZONE

ZONE

2. NAME OF OPERATOR

Gruy Petroleum Management Co

3. ADDRESS AND TELEPHONE NO

P O. Box 140907 Irving TX 75014 972-401-3111

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements *)

SHL: 330' FSL & 280' FEL

BHL: 710' FSL & 710' FEL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

19 miles SE of Maljamar

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE. T O
(Also to nearest drlg. unit line if any)

280'

16. NO. OF ACRES IN LEASE

320

17. NO. OF ACRES ASSIGNED
TO THIS WELL

E/2 320

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING COMPLETED
OR APPLIED FOR, ON THIS LEASE, FT

N/A

19. PROPOSED DEPTH

14200'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF RT GR etc.)

3575' GR

22. APPROX. DATE WORK WILL START*

01-15-06

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	H-40 13-3/8" ST&C	48#	500'	320sx Prem circ surf
12-1/4"	J-55 9-5/8" LT&C	40#	3500'	2000sx IntC/Prem circ surf
8-3/4"	P-110 5-1/2" LT&C	17#	14200'	1830sx TOC 2700'

From the base of the surface pipe through the running of production casing, the well will be equipped with a 5000 - psi BOP system. We are requesting a variance for the 13-3/8" surface casing and BOP testing from Onshore Order No. 2, which states all casing strings below the conductor shall be pressure tested to 0.22 psi per foot or 1500#, whichever is greater, but not to exceed 70% of the manufacturer's stated maximum internal yield. During the running of the surface pipe and the drilling of the intermediate hole, we do not anticipate any pressures greater than 1000# and are requesting a variance to test the 13-3/8" casing and BOP system to 1000# psi and to use rig pumps instead of an independent service company.

IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM:

If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED

Zeno Fane

TITLE

Mgr. Ops. Admin

DATE

11-29-05

(This space for Federal or State office use)

PERMIT No.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. CONDITIONS OF APPROVAL IF ANY:

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

EXHIBIT B

DISTRICT I

1625 N. FRENCH DR. BOBBS. NM 88240

DISTRICT II

1301 W. GRAND AVENUE ARTESIA NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec. NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
		Teas; Morrow, West
Property Code	Property Name	Well Number
	NEW SHERIFF 10 FEDERAL COM	1
OGRID No. 162683	Operator Name	Elevation
	GRUY PETROLEUM MANAGEMENT COMPANY	3575'

Surface Location

UI or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	20-S	33-E		330	SOUTH	280	EAST	LEA

Bottom Hole Location If Different From Surface

UI or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	20-S	33-E		710	SOUTH	710	EAST	LEA
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320	N	C							

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=575843.9 N X=712659.5 E</p> <p>LAT.=32°34'52.34" N LONG=103°38'34.58" W</p>	<p>DETAIL</p> <p>3573.7 3574.8</p> <p>600'</p> <p>600'</p> <p>3575.3 3577.6</p> <p>710'</p> <p>280'</p> <p>SEE DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i></p> <p>Signature</p> <p>Zeno Farris</p> <p>Printed Name</p> <p>Mgr Operations Admin</p> <p>Title</p> <p>November 30, 2005</p> <p>Date</p>
		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>NOVEMBER 19, 2005</p> <p>Date Surveyed</p> <p>Signature of Seal</p> <p>Professional Surveyor</p> <p>GARY EIDSON</p> <p>NEW MEXICO</p> <p>05.11.1747</p> <p>Certificate No. GARY EIDSON 12841</p>

PROPOSED ADVERTISEMENT

Case No. 13749 : Application of Magnum Hunter Production, Inc. for cancellation of one drilling permit and approval of a second drilling permit, Lea County, New Mexico. Applicant seeks an order canceling a drilling permit issued to Samson Resources Company covering the S/2 of Section 10, Township 20 South, Range 33 East, NMPM, and requiring the Division's Hobbs District Office to approve a drilling permit filed by applicant covering the E/2 of said Section 10, to form a standard 320-acre gas spacing and proration unit in the West Teas-Morrow Gas Pool. Applicant's well unit is located approximately 5 miles northeast of the intersection of State Highway 176 and U.S. Highway 62/180.

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