

M. BRAD BENNETT
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RECEIVED

August 31, 2006

SEP 05 2006

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Mr. James Bruce
PO Box 1056
Santa Fe, NM 87504

Re: Case No. 13755

CERTIFIED MAIL – RETURN RECEIPT REQUESTED
7004 1160 0000 4839 7417

Dear Mr. Bruce:

On behalf of Hayes Land Corporation and myself, this letter is a written request for continuance in the referenced case to allow time to obtain an attorney and properly prepare our position in the case.

Thank you for your consideration and please contact me should you have any questions.

Sincerely,



M. Brad Bennett

Cc: Correspondence

Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

WVD: 9/11/06

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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Case 13755

August 15, 2006

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

Dear Florene:

Enclosed for filing, on behalf of Unit Petroleum Company, are an original and one copy of an amended 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 14, 2006 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Unit Petroleum Company

PARTIES BEING POOLED

Hayes Land Corporation
P.O. Box 51510
Midland, Texas 79710

M. Brad Bennett
P.O. Box 51510
Midland, Texas 79710

Magnolia, L.L.C.
P.O. Box 51510
Midland, Texas 79710

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**APPLICATION OF UNIT PETROLEUM
COMPANY FOR COMPULSORY POOLING
AND TO ADDRESS THE APPROPRIATE
OVERRIDING ROYALTY BURDENS FOR
THE PURPOSES OF THE CHARGE FOR RISK
INVOLVED IN DRILLING WELLS ON THE
WELL UNIT, LEA COUNTY, NEW MEXICO.**

Case No. 13755

AMENDED APPLICATION

Unit Petroleum Company applies for an order pooling all mineral interests from approximately 11,920 feet subsurface to the base of the Morrow formation underlying the E½ of Section 23, Township 20 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and requesting a determination of the appropriate overriding royalty burden on certain working interests in the well unit, and in support thereof, states:

POOLING

1. Applicant is an interest owner in the E½ of Section 23, and has the right to drill a well thereon.
2. Applicant proposes to drill its Byers Well No. 2, at an orthodox gas well location in the SE¼NE¼ of Section 23, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E½ of Section 23 to the well 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 West Osudo-Morrow Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 23 for the purposes set forth herein.

4. 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 the E½ of Section 23, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 23 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

OVERRIDING ROYALTY BURDENS

6. By Order No. R-12050, as amended (Case No. 13124), the Division pooled the working interest of M. Brad Bennett and wife Linda L. Bennett, who are also being pooled in this application, for purposes of drilling the Byers Well No. 1, located in NW¼SE¼ of Section 23. That well has been drilled and completed as a producing well.

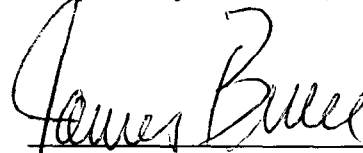
7. During the course of the pooling proceedings, M. Brad Bennett and wife Linda L. Bennett assigned an overriding royalty out of their working interest to Magnolia, L.L.C., an entity owned or controlled by them. The assignment, recorded at Lea County Records Book 1246, page 338, conveys an overriding royalty such that Mr. and Mrs. Bennett's working interest has a net revenue interest of less than 20%.

8. The assignment was done in contemplation of pooling and serves to defeat the state's pooling authority. Therefore, for purposes of recovering the risk charge under the pooling statutes, for both the Byers Well No. 1 and Byers Well No. 2, the overriding royalty discussed above must be disallowed.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E½ of Section 23, from approximately 11,920 feet subsurface to the base of the Morrow formation;
- B. Designating applicant 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;
- 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; and
- F. Disallowing the above-described overriding royalty for purposes of the risk charge allowed by the pooling statutes.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Unit Petroleum Company

PROPOSED ADVERTISEMENT

Case No. 13755 (amended and readvertised): Application of Unit Petroleum Company for compulsory pooling and to address the appropriate overriding royalty burdens for purposes of the charge for risk involved in drilling wells on the well unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from approximately 11,920 feet subsurface to the base of the Morrow formation underlying the E/2 of Section 23, Township 20 South, Range 35 East, NMPM, to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320 acre spacing within that vertical extent, including the West Osudo-Morrow Gas Pool. The unit is to be dedicated to the Byers Well No. 2, to be drilled at an orthodox gas well location in the SE/4NE/4 of Section 23. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. Applicant also request that an overriding royalty owned by Magnolia, L.L.C. be disallowed for purposes of recovering the risk charge under the pooling orders for the existing Byers Well No. 1 (Order No. R-12050) and for the proposed Byers Well No. 2. The well unit is located approximately 10-1/2 miles southwest of Monument, New Mexico.

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