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2006 JUL 25 AM 9 28

Case 13755

July 24, 2006

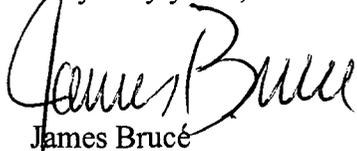
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Unit Petroleum Company, are an original and one copy of an 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 August 31, 2006 Examiner hearing. Thank you.

A pre-hearing statement is also enclosed.

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 2062
Midland, Texas 79702

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF UNIT PETROLEUM
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 13755

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 E $\frac{1}{2}$ of Section 23, Township 20 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

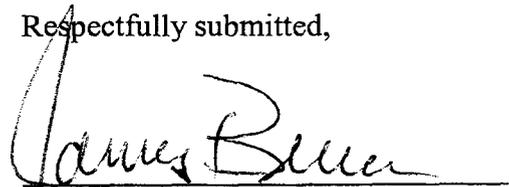
1. Applicant is an interest owner in the E $\frac{1}{2}$ of Section 23, and has the right to drill a well thereon.
2. Applicant proposes to drill its Byers Well No. 2, at an orthodox gas well location in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E $\frac{1}{2}$ 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 E $\frac{1}{2}$ 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 E $\frac{1}{2}$ 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.

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; 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 Unit Petroleum Company

PROPOSED ADVERTISEMENT

Case No. 13755 : Application of Unit Petroleum Company for compulsory pooling, 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. The well unit is located approximately 10-1/2 miles southwest of Monument, New Mexico.

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