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Ms. Florene Davidson
New Mexico Oil Conservation
Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Case 10336

Dear Florene:

Enclosed for filing are an original and two copies of an Application by Grace Petroleum Corporation for compulsory pooling and an unorthodox gas well location. Please set this matter for the June 27, 1991 hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

James Bruce
By: James Bruce

JB:le
Enclosures

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF GRACE PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

No. 10336

MAY 30 1961

APPLICATION

OIL CONSERVATION DIVISION

Grace Petroleum Corporation hereby makes application for an order pooling all mineral interests from the surface to the base of the Bone Springs formation underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is an interest owner in and has the right to drill a well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 3.

2. Applicant proposes to drill its Smith Ranch Fed. No. 1-3 Well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, at an orthodox location, to a depth sufficient to test the Bone Springs formation, and seeks to dedicate the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 to the well.

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold 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 acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the

SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, from the surface to the base of the Bone Springs formation, pursuant to N.M. Stat. Ann. §70-2-17 (1987 Repl.).

5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

6. The pooling of all interests underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Applicant requests this matter be heard at the June 27, 1991 Examiner hearing.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: 5/28/91.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
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