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August 15, 2006

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

*Case 13781*

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 September 14, 2006 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Unit Petroleum Company

PARTIES BEING POOLED

Apache Corporation  
Suite 1500  
6120 South Yale  
Tulsa, Oklahoma 73136

Attention: Mario R. Moreno, Jr.

BP America Production Company  
P.O. Box 3092  
Houston, Texas 77253

Chevron U.S.A. Inc.  
15 Smith Road  
Midland, Texas 79705

ConocoPhillips Company  
P.O. Box 2197  
Houston, TX 77252

Attention: Linda Hicks

EOG Resources, Inc.  
P.O. Box 2267  
Midland, Texas 79702

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

**APPLICATION OF UNIT PETROLEUM COMPANY FOR COMPULSORY POOLING AND A NON-STANDARD GAS SPACING AND PRORATION UNIT, LEA COUNTY, NEW MEXICO.**

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Case No. 13781

**APPLICATION**

Unit Petroleum Company applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 9, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and approving a non-standard gas spacing proration unit in the Morrow formation, and in support thereof, states:

1. Applicant is an interest owner in the S½ of Section 9, and has the right to drill a well thereon.
2. Applicant proposes to drill its Monument 9 Fed. Well No. 1 in the SW¼SW¼ of Section 9, to a depth sufficient to test the Morrow formation, and seeks to dedicate the S½ of Section 9 to the well to form:
  - (a) A standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent; and
  - (b) A non-standard 320 acre gas spacing and proration unit in the North Osudo-Morrow Gas Pool, which is developed on 640 acre spacing.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 9 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.

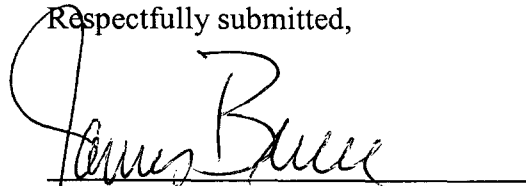
Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 9, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 9, and approval of the non-standard unit, 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 S½ of Section 9, from the surface 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. Approving a non-standard 320 acre gas spacing and proration unit in the North Osudo-Morrow Gas Pool.

Respectfully submitted,

A handwritten signature in black 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. 13781 : **Application of Unit Petroleum Company for compulsory pooling and approval of a non-standard gas spacing and proration unit, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 9, Township 20 South, Range 36 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, and a non-standard 320-acre gas spacing and proration unit in the Undesignated North Osudo-Morrow Gas Pool. The unit is to be dedicated to the Monument 9 Fed. Well No. 1, to be drilled in the SW/4SW/4 of Section 9. 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, as well as approval of the non-standard gas well unit. The well unit is located approximately 6 miles southwest of Monument, New Mexico.

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