

**BEFORE THE OIL CONSERVATION DIVISION
OF THE ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT OF THE STATE
OF NEW MEXICO**

**IN THE MATTER OF THE APPLICATION)
OF CORINNE B. GRACE dba GRACE OIL)
COMPANY FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)**

CASE NO. 12092

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OIL CONSERVATION DIV.

APPLICATION

COMES NOW, CORINNE B. GRACE dba GRACE OIL COMPANY, by and through her attorney, Ernest L. Padilla, Padilla Law Firm, P.A., and in support hereof, respectfully states:

1. Applicant is the operator of the Humble Grace Com No. 1 located at 990 FSL and 660 FEL of Section 2, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, dedicated to the S/2 of said Section 2.

2. By prior order of the Oil Conservation Commission, Order R-4034, issued on October 2, 1970, the Commission pooled all interests from the surface of the earth down to and including the Morrow formation underlying the S/2 of Section 2. A copy of Order R-4034 (the Order) is attached hereto as Exhibit 1 and incorporated herein by reference.

3. Following issuance of the Order, the Humble Grace Com. No. 1 was drilled and completed as a natural gas well in the Morrow and Strawn zones and was productive until sometime in 1985 and was then temporarily abandoned.

4. From the time that the well was drilled and completed the Humble Grace Com. No. 1 well was initially operated by Michael P. Grace and Corinne Grace pursuant to the

terms of the Order. It was later operated solely by Michael P. Grace dba Grace Energy until his death in April 1, 1995.

5. In December 1997, applicant purchased all of the interest of the Estate of Michael P. Grace, deceased, in and to the Humble Grace Com. No. 1 well and the oil and gas leasehold interests dedicated to the well.

6. Following applicant's purchase of the interest of the Estate of Michael P. Grace, the Division required that the well be plugged and abandoned or be placed back in production.

7. Applicant thereafter diligently and with due haste sought the approval to rework the well from the Division and proceeded to rework the well and placed it back into production under the reasonable belief that the Order was valid, but has since questioned its validity.

8. Applicant now desires to conduct further rework operations on the well and has secured or otherwise procured the consent of all of the interest owners of the interests dedicated to the well except for Mallon Oil Company, which has succeeded to some of the interests originally force-pooled by the Order as to the S/2 of Section 2.

9. Applicant should be designated the operator of the well and the proration unit.

10. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said unit, the opportunity to recover or receive without unnecessary expense, his just and fair share of the oil and gas in said unit, all mineral interests, whatever they may be, from the surface of the earth to the base of the Pennsylvanian Formation should be pooled underlying the S/2 of said Section 2 as to any

proration and spacing unit encountered by the wellbore of the the Humble Grace Com.

No.1 Well.

11. That any non-consenting working interest owner that does not pay his share of estimated well rework costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in reworking the well.

12. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for reworking and producing the well attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

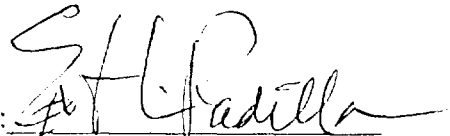
A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing, the Division enter its order pooling all oil and gas mineral interests, whatever they may be, from the surface of the earth to the base of the Pennsylvanian Formation as to any proration and spacing units encountered by the wellbore of the Humble Grace Com. No. 1 Well underlying the S/2 of said Section 2, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, as to such spacing and proration units as are appropriate and dedicated to applicant's well.

C. **In the alternative and only in the alternative**, applicant requests that Order R-4034 be declared applicable under the circumstances and in full force and effect.

D. And for such other relief as may be just in the premises.

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By: 

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