

March 6

LAW OFFICES OF
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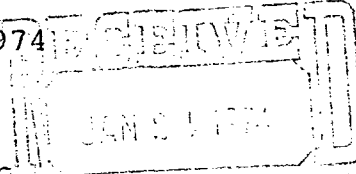
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TELEPHONE 622-2700
AREA CODE 505

January 23, 1974



A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: South Carlsbad-Wolfcamp Pool,
Eddy County, New Mexico

Dear Mr. Porter:

In connection with the common source of supply defined as the Wolfcamp Pool, South Carlsbad Area, Eddy County, New Mexico, we hand you herewith on behalf of D. L. Hannifin and Joe Don Cook, an Application to force pool the mineral interests in and under the S $\frac{1}{2}$ of Section 24, Township 22 South, Range 26 East, for Wolfcamp production, and also requesting the approval of an unorthodox location. Will you please docket this Application at an early date and advise us as to the date being set for a hearing of the matter.

We are sending a signed copy of the Application to Michael P. Grace, II, and Corinne Grace, at their Carlsbad, New Mexico, address, and we are sending a copy of the Application and of this letter to Mr. John P. Otto, an Attorney of record for Mr. and Mrs. Grace, at his address in Phoenix, Arizona. We understand that Mr. Otto is a member of the New Mexico Bar.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

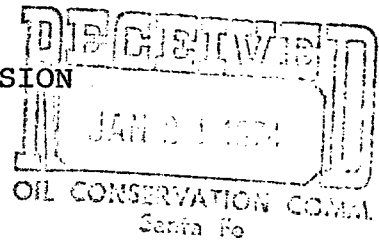
George H. Hunker, Jr.
George H. Hunker, Jr.

GHH:dd
Enc.

cc: Messrs. D. L. Hannifin
and Joe Don Cook, w/enc.
cc: Michael P. Grace, II,
and Corinne Grace, Carlsbad, w/enc., certified mail
cc: Mr. John P. Otto, Phoenix, w/enc.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION
OF D. L. HANNIFIN AND JOE DON COOK
FOR COMPULSORY POOLING AND AN
UNORTHODOX LOCATION, SOUTH CARLSBAD
WOLFCAMP POOL, EDDY COUNTY,
NEW MEXICO.

A P P L I C A T I O N

COME NOW D. L. Hannifin and Joe Don Cook, herein sometimes referred to as "Applicants", and as provided by Section 65-3-14 NMSA 1943, as amended, apply to the Oil Conservation Commission of the State of New Mexico for an Order pooling certain mineral interests in and under the S $\frac{1}{2}$ of Section 24, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, would show the Commission:

1. D. L. Hannifin and Joe Don Cook are the owners of an oil and gas leasehold interest in the S $\frac{1}{2}$ of Section 24, Township 22 South, Range 26 East (being all of the leasehold estate covering 160 mineral acres in and under the SE $\frac{1}{4}$ of Section 24, subject to lessor's reserved 3/16 royalty interest), and as such owners, have the right to drill and propose to drill a well on a well spacing or proration unit consisting of the S $\frac{1}{2}$ of Section 24, Township 22 South, Range 26 East, to a common source of supply, namely the Wolfcamp formation. That Applicants propose to commence said well within 120 days after the date of the Commission's Order entered herein, and when commenced, propose to complete said well (either as a producer or as a dry hole) within 120 days after commencement. That said well should be timely and promptly drilled in order to prevent drainage by production of gas from an offset well.

2. That the Commission, by Order R-4683, Case No. 5099, dated November 30, 1973, has established 320-acre proration units for the South Carlsbad Wolfcamp gas pool. Applicants propose that all mineral interests in the South Carlsbad Wolfcamp Pool underlying the S½ of Section 24, be dedicated to a pooled unit.

3. After notice and hearing, Applicants request that an Order be entered herein, imposing such terms and conditions as are just and reasonable so as to afford the owners of each tract in the unit an opportunity to receive without unnecessary expense, his just and fair share of the oil or gas from the unit. In this connection, Applicants submit that the royalty prescribed in the oil and gas lease embracing the SE¼ of Section 24, is 18.75%, and that the royalty (including overriding royalty interests) applicable to the SW¼ of Section 24, may be more or less than 18.75%. As a consequence of this variable and the matter of the recoupment of costs applicable to the drilling of the initial Wolfcamp well, Applicants submit that Applicants should be regarded as having recovered their reasonable well costs when out of gross production they have been paid such costs, actual operating costs, the reasonable risk factor apportioned to Non-Operator's interest, lessor royalty assumed to be 18.75% and such amount of taxes as are imposed out of such gross production.

4. Applicants are informed and believe that Michael P. Grace and Corinne Grace are the owners of operating rights in and under the SW¼ of Section 24, Township 22 South, Range 26 East, N.M.P.M. They are informed and believe that their address of record for purposes of the New Mexico Oil Conservation Commission is P. O. Box 1418, Carlsbad, New Mexico 88220.

5. That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

6. That a reasonable risk factor to be applied to the pooled unit is believed to be 25%, with charges for supervision of \$150 per month and a charge of \$1,100 per month during the drilling of the test well.

7. That Applicants should be designated as Operators. That Non-Operator or Non-Operators should be required to furnish to the Commission an official address in the State of New Mexico to which notices may be delivered or sent certified mail. Applicants state that for the purposes of this matter and communications between the parties hereto, their official address may be regarded as P. O. Box 182 (J. P. White Building), Roswell, New Mexico 88201.

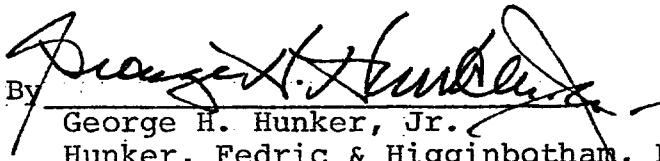
8. That Applicants should be permitted to drill a test well to the Wolfcamp formation, which said well should be located at an unorthodox location, 1,980 feet from the South line and 660 feet from the West line of Section 24, Township 22 South, Range 26 East, N.M.P.M. That a well drilled at the above described unorthodox location should encounter the producing formation in the subject pool structurally higher than a well at a standard location. That the entire S $\frac{1}{2}$ of Section 24, Township 22 South, Range 26 East, can be efficiently and economically drained and developed by the subject well.

WHEREFORE, Applicants pray that the Commission set this matter for hearing before the Commission or the Commission's duly appointed examiner and that after notice and hearing as required by law, the Commission enter its Order pooling the Wolfcamp formation underlying the S $\frac{1}{2}$ of Section 24, Township 22 South, Range 26 East, designating Applicants as Unit Operator, with provisions for Applicants to recover Applicants' costs

out of the production, including a reasonable risk factor to be determined by the Commission, with provision for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interests may appear, for an unorthodox location as specified, and for such further Orders as may be proper in the premises.

Respectfully submitted,

D. L. HANNIFIN and JOE DON COOK

By 
George H. Hunker, Jr.
Hunker, Fedric & Higginbotham, P.A.
P. O. Box 1837
Roswell, New Mexico 88201
Attorneys for Applicants