

January 13, 2011

**HAND-DELIVERY**

Mr. Daniel Sanchez, Acting Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14594*

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**Re: Application of Keystone Petroleum NM LLC for approval of a unit agreement, Chaves County, New Mexico.**

Dear Mr. Sanchez:

Enclosed in triplicate is the Application of Keystone Petroleum NM LLC in the above-referenced case as well as a copy of the legal advertisement. Keystone requests that this matter be placed on the February 17, 2011 Examiner Hearing docket.

Sincerely,

*Ocean Munds-Dry*  
Ocean Munds-Dry

Enclosures

cc: Keith Turner

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

**APPLICATION OF KEYSTONE PETROLEUM NM LLC  
FOR APPROVAL OF A UNIT AGREEMENT,  
CHAVES COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**APPLICATION**

KEYSTONE PETROLEUM NM LLC ("Keystone")(OGRID 269168), through its undersigned attorneys, hereby makes application for an order approving its West Newmill 4-26 Exploratory Unit and in support of this application states:

1. The proposed Unit Area consists of 4960 acres, more or less, of State of New Mexico and Fee lands, situated in Chaves County, New Mexico. The horizontal limits of said unit are described as follows:

**Township 4 South, Range 26 East, N.M.P.M.**

Section 9: E/2  
Section 14: SW/4  
Section 15: All  
Section 16: All  
Section 21: All  
Section 22: All  
Section 23: W/2  
Section 26: W/2  
Section 27: All  
Section 28: All

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Keystone Petroleum NM LLC, is designated as Unit Operator in said Unit Agreement and all oil and gas in all formations are unitized.

4. The unit boundaries are consistent and substantially supported by the geological limits of the unitized formations.

5. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and it will protect the correlative rights of all parties concerned.

WHEREFORE, Keystone Petroleum NM LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 17, 2011, that notice be given as required by law and the rules of the Division, and that the West Newmill 4-26 Exploratory Unit be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By:   
OCEAN MUNDS-DRY  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR KEYSTONE  
PETROLEUM NM LLC

CASE NO. 14594

**Application of Keystone Petroleum NM LLC for approval of a Unit Agreement, Chaves County, New Mexico.** Applicant seeks approval of the West Newmill 4-26 Exploratory Unit from the surface to the base of the Fusselman-Montoya formation in an area comprising 4960 acres of State of New Mexico and Fee lands in Sections 9, 14, 15, 16, 21, 22, 23, 26, 27 and 28 in Township 4 South, Range 26 East, NMPM, which is located approximately 45 miles south-southeast of Elkins, New Mexico.