



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

#4911

Anadarko Production Company
2 Greenway Plaza East
Suite 410
Houston, Texas 77046

JUL 24 1972

Attention: Mr. C. W. Stumhoffer

Gentlemen:

Your application of June 6 filed with the Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Ballard Grayburg San Andres unit area embracing 2,580.59 acres, more or less, of Federal and fee lands in Eddy County, New Mexico, as logically subject to operation under the unitization provisions of the Mineral Leasing Act, as amended.

Unitization is for the purpose of conducting secondary recovery operations by waterflooding and will be limited to the stratigraphic interval in the Grayburg and San Andres formations as defined by section 2(f) of the unit agreement. You estimate that secondary recovery operations will result in the additional recovery of 2,693,000 barrels of oil.

The proposed unit area has been developed by 64 wells that have been completed in the formations to be unitized. Participation in unitized substances for each qualified tract will be in one phase as defined by section 13 of the proposed unit agreement.

The land outlined on your plat marked "Exhibit A to Unit Agreement, Ballard Grayburg San Andres Unit, Loco Hills Grayburg San Andres Field, Eddy County, New Mexico," is acceptable as a logical unit area for secondary recovery operations. We hereby concur in the Supervisor's recommendation that the proposed basis for allocating unitized production be accepted. Your proposed form of unit agreement, which modifies the standard form to the extent necessary to cover conditions incidental to secondary recovery operations in a producing unit, will be acceptable if further modified in accordance with the marked form returned herewith. The remaining copies of the proposed form of unit agreement are being retained for distribution to the appropriate offices of the Geological Survey.

EXHIBIT 2

U.S.G.S. PRELIMINARY APPROVAL
(PAGE 1, PAGE 2)

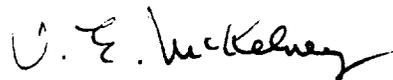
APPLICATION OF ANADARKO PRODUCTION COMPANY TO NEW MEXICO OIL CONSERVATION COMMISSION
FOR AUTHORITY TO INJECT WATER INTO THE GRAYBURG AND JACKSON RESERVOIRS.

BALLARD GRAYBURG SAN ANDRES UNIT, LOCO HILLS FIELD, EDDY COUNTY, NEW MEXICO

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement conformed to the marked copy will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of secondary recovery operations.

Please include the latest status of all acreage when the executed agreement is submitted for final approval. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of exhibits A and B.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "C. E. McKelvey".

Director