

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ST. MARY LAND & EXPLORATION
COMPANY FOR STATUTORY UNITIZATION, EDDY
AND LEA COUNTIES, NEW MEXICO.

No. 12207

APPLICATION

St. Mary Land & Exploration Company, for its application,
states:

1. Applicant is engaged in the business of producing and
selling oil and gas as defined in the Statutory Unitization Act,
NMSA 1978 §§70-7-1 through 21 (1996) (the "Act").

2. Applicant is a working interest owner within the proposed
East Shugart (Delaware) Unit Area (the "unit area"), covering the
following federal lands located in Eddy and Lea Counties, New
Mexico:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M.

Section 13: S½SE¼

Section 24: NE¼ and N½SE¼

TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

Section 18: Lot 4

Section 19: Lots 1, 2, 3, E½NW¼, and NE¼SW¼

A map of the unit area, containing 604.12 acres, more or less, is
attached hereto as Exhibit 1.

The vertical limits of the unitized formation are the top of
the Brushy Canyon formation of the Delaware Mountain Group to the
stratigraphic equivalent of 5600 feet subsurface (within the Brushy
Canyon formation), as recorded in the Compensated Neutron Litho
Density Log dated September 21, 1985 in the Geronimo Federal Well

99 Hikes
Oil Conservation Unit
April 28

No. 3, located 890 feet from the North line and 990 feet from the East line of Section 24, Township 18 South, Range 31 East, N.M.P.M.

3. The Brushy Canyon formation underlying the unit area has been reasonably defined by development.

4. Applicant proposes to institute a secondary recovery waterflood project in the unit area, as described in a related application filed herewith.

5. The plan of unitization for the unit area is embodied in the Unit Agreement attached hereto as Exhibit 2. The participation formula contained in the agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable, and equitable basis, and the agreement is otherwise fair, reasonable, and equitable.

6. The operating plan for the unit area, covering the manner in which the unit area will be supervised and managed, and costs allocated and paid, is embodied in the Unit Operating Agreement attached hereto as Exhibit 3.

7. The unitized management, operation, and further development of the Brushy Canyon formation underlying the unit area is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil and gas therefrom.

8. The proposed waterflood project, as applied to the Brushy Canyon formation underlying the unit area, is feasible, will prevent waste, and will result with reasonable probability in the

increased recovery of substantially more oil and gas from the Brushy Canyon formation than would otherwise be recovered.

9. The estimated additional costs of conducting unitized operations will not exceed the estimated value of the additional oil and gas recovered thereby, plus a reasonable profit.

10. Unitization and adoption of the proposed secondary recovery project will benefit the working interest owners and royalty owners of oil and gas rights within the Brushy Canyon formation underlying the unit area.

11. Applicant has made a good faith effort to secure voluntary unitization of the unit area.

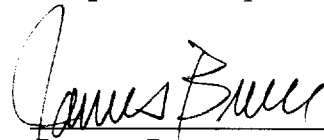
12. The granting of this application is in the interests of conservation and the prevention of waste.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

A. Approving statutory unitization of the lands described in paragraph 2 above; and

B. Granting such further relief as the Division deems proper.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for St. Mary Land &
Exploration Company