

Catanach, David, EMNRD

From: Marcie St. Germain [mstgermain@stmaryland.com]
Sent: Tuesday, August 23, 2005 5:28 AM
To: Catanach, David, EMNRD
Subject: RE: C-108 Application

Thanks for checking. I placed the Legal Notice in the Artesia paper August 8 but haven't received a copy of the notice so I can send you a copy as proof. Everything else is ready to go. I asked again yesterday for something from the paper but have not received a response. I'm in class the next two days but will attack the problem when I get back Thursday.

Marcie

From: Catanach, David, EMNRD [mailto:david.catanach@state.nm.us]
Sent: Thursday, August 18, 2005 9:26 AM
To: Marcie St. Germain
Subject: C-108 Application

Hi Marcie,

I was just wondering if you were making any progress on the additional requested information for the East Shugart Delaware Unit Well No. 25. This would also include the publication notice and offset operator notice. If you could give me an update, it would be appreciated.

Thanks,

David Catanach
Engineer

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager. This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail.

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

8/24/2005

580 WESTLAKE PARK BLVD., SUITE 600

HOUSTON, TEXAS 77079

281/677-2800

FAX 281/677-2810



September 14, 2005

**State of New Mexico
Oil Conservation Division
1220 South St. Francis Drive
Sante Fe, NM 87505**

Attn: David Catanach

**Re: Form C-108 Application for Authorization to Inject
East Shugart Delaware Unit #25**

Dear Mr. Catanach:

Enclosed are the following documents requested in your phone conversation as follow-up to the information sent July 18, 2005, for the ESDU #25.

- **A copy of the Order of the Division, Order No. R-11254.**
- **Maps with the ½ mile and 2 mile radius from the proposed ESDU #25 showing wells and leases.**
- **A copy of Form C-108 items VII, VIII, IX and XI from the original Form C-108 submitted and approved for the ESDU Waterflood Project.**
- **An Affidavit of Publication from the Artesia Daily Press for the Legal Notice published August 9, 2005.**
- **Copies of the notification letters sent to the surface owner and operators as required. I have not received the Return Receipt from Harvey E. Yates or Yates Petroleum and will forward those as soon as received from the USPS.**

Please let me know if there is any additional paperwork required for the processing of Form C-108.

Sincerely,

Marcie St. Germain

**Marcie St. Germain
Production Tech**

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

*Case No. 12208
Order No. R-11254*

**APPLICATION OF ST. MARY LAND & EXPLORATION COMPANY FOR
APPROVAL OF A WATERFLOOD PROJECT AND TO QUALIFY THE
PROJECT FOR THE RECOVERED OIL TAX RATE PURSUANT TO THE
ENHANCED OIL RECOVERY ACT, EDDY AND LEA COUNTIES, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 5, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of October, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 12207 and 12208 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, St. Mary Land & Exploration Company, seeks authority to institute a waterflood project within its proposed East Shugart Delaware Unit (the subject of companion Case No. 12207) by the injection of water into the Delaware formation, East Shugart-Delaware Pool, Eddy and Lea Counties, New Mexico, through the gross interval from approximately 5,015 feet to 5,420 feet in nine proposed injection wells shown on the attached Exhibit "A".
- (4) Intoil, Inc., an interest owner in the proposed East Shugart Delaware Unit, appeared at the hearing but did not object to the proposed waterflood project.
- (5) The East Shugart Delaware Unit is proposed to comprise the following described acreage in Eddy and Lea Counties, New Mexico:

Eddy County
Township 18 South, Range 31 East, NMPM

Section 13: S/2 SE/4
Section 24: NE/4, N/2 SE/4

Lea County
Township 18 South, Range 32 East, NMPM

Section 18: Lot 4
Section 19: Lots 1 through 3, E/2 NW/4, NE/4 SW/4

(6) The East Shugart-Delaware Pool was created by Division Order No. R-8179 dated March 14, 1986. The pool, which was discovered by the Siete Oil and Gas Corporation Geronimo Federal Well No. 3 located in Unit A of Section 24, Township 18 South, Range 31 East, NMPM, currently comprises portions of Sections 13 and 24, Township 18 South, Range 31 East, Eddy County, and portions of Sections 18 and 19, Township 18 South, Range 32 East, Lea County.

- (7) The applicant presented geologic evidence indicating that:
- a) the Unitized Formation comprises that interval from the "top of the Brushy Canyon formation of the Delaware Mountain Group to the stratigraphic equivalent of 5,600 feet within the Delaware Brushy Canyon formation as determined by the Geronimo Federal Well No. 3 well log";
 - b) within the Unitized Formation, there are ten separate pay sands that are generally continuous across the East Shugart Delaware Unit; however, there can be significant variations in porosity from one well location to the next;
 - c) the applicant has determined the approximate location of the oil-water contact within each of the pay sands of the Unitized Formation. Each of the pay sands is productive across some portion of the East Shugart Delaware Unit, the amount of such productive area being dictated by the location of the oil-water contact;
 - d) producing wells within the East Shugart-Delaware Pool are completed in an average of three to five pay sands of the Unitized Formation, and

- e) the applicant proposes to conduct waterflood operations within each of the ten pay sands of the Unitized Formation.
- (8) The applicant presented engineering evidence indicating that:
- a) there are currently 15 active and 1 inactive producing wells within the East Shugart Delaware Unit. These wells are in an advanced state of depletion and produce at an average rate of approximately 12 barrels of oil and 21 barrels of water per day from the East Shugart-Delaware Pool;
 - b) cumulative oil production within the proposed unit area is approximately 2.2 million barrels of oil and 5.0 BCF of gas. Remaining primary reserves, in the absence of workover and waterflood operations, is estimated at 600,000 barrels of oil;
 - c) an estimated 822,000 barrels of additional primary oil will be recovered from the unit area as a result of perforating behind-pipe zones and performing re-fracture stimulations on existing producing zones. Secondary reserves from waterflood operations are estimated to be approximately 2.9 million barrels of oil; and
 - d) an inverted five spot injection pattern will be utilized within the East Shugart Delaware Unit. Ultimately, nine injection wells and 15 producing wells will be utilized for the proposed secondary recovery operations.
- (9) The proposed waterflood project will result in the recovery of an additional 3.7 million barrels of oil from the East Shugart Delaware Unit which would otherwise not be recovered, thereby preventing waste.
- (10) The applicant estimates that \$5.6 million in capital costs will be required to conduct waterflood operations within the East Shugart Delaware Unit.
- (11) The proposed waterflood project should be approved.
- (12) The applicant should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production or plugged and abandoned wells.
-

(13) The injection of water into each of the wells shown on Exhibit "A" should be accomplished through 2 3/8 inch internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforations. The casing-tubing annulus should be filled with an inert fluid and a gauge or approved leak-detection device should be attached to the annulus in order to detect leakage in the casing, tubing or packer.

(14) Prior to commencing injection operations into the wells shown on Exhibit "A", the casing in each well should be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing.

(15) The injection wells or pressurization system should be initially equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 1,003 psi.

(16) The Division Director should have the authority to administratively authorize an increase in injection pressure upon a showing by the operator that such higher pressure will not result in fracturing of the injection formation or confining strata.

(17) The operator should give advance notice to the supervisor of the Division's Artesia District Office of the date and time i) injection equipment will be installed on each of the proposed injection wells, and ii) the mechanical integrity pressure tests will be conducted on each of the proposed injection wells, so these operations may be witnessed.

(18) The waterflood project should be governed by Division Rules No. 701 through 708.

(19) The injection authority granted herein for the wells shown on Exhibit "A" should terminate one year after the effective date of this order if the operator has not commenced injection operations into these wells; provided however the Division, upon written request by the operator, may grant an extension for good cause.

(20) The applicant seeks to qualify the waterflood project as an Enhanced Oil Recovery Project pursuant to the Enhanced Oil Recovery Act (Sections 7-29A-1 through 7-29A-5, NMSA 1978).

(21) The evidence presented indicates that the waterflood project meets all the criteria for certification.

(22) The certified project area should initially comprise that area contained within the East Shugart Delaware Unit, as described in Finding No. 5 above, provided however the project area and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the applicant in its demonstration of a positive production response.

(23) To be eligible for the EOR tax rate, the operator should advise the Division of the date and time water injection commences within the waterflood project. At such time, the Division will certify the project to the New Mexico Taxation and Revenue Department.

(24) At such time as a positive production response occurs and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced oil recovery operations and the specific wells eligible for the tax credit. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, St. Mary Land & Exploration Company, is hereby authorized to institute a waterflood project within its East Shugart Delaware Unit (further described in Finding No. 5 above and in companion Case No. 12207) by the injection of water into the Delaware formation, East Shugart-Delaware Pool, Eddy and Lea Counties, New Mexico, through the gross interval from approximately 5,015 feet to 5,420 feet in nine proposed injection wells shown on the attached Exhibit "A".

(2) The applicant shall take all steps necessary to ensure that the injected fluid enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production or plugged and abandoned wells.

(3) The injection of water into each of the wells shown on Exhibit "A" shall be accomplished through 2 3/8 inch internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforations. The casing-tubing annulus shall be filled with an inert fluid and a gauge or approved leak-detection device shall be attached to the annulus in order to detect leakage in the casing, tubing or packer.

(4) Prior to commencing injection operations into the wells shown on Exhibit "A", the casing in each well shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing.

(5) The injection wells or pressurization system shall be initially equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 1,003 psi.

(6) The Division Director shall have the authority to administratively authorize an increase in injection pressure upon a showing by the operator that such higher pressure will not result in fracturing of the injection formation or confining strata.

CASE NO. 12208
Order No. R-11254

6

(7) The operator shall give advance notice to the supervisor of the Division's Artesia District Office of the date and time i) injection equipment will be installed on each of the proposed injection wells, and ii) the mechanical integrity pressure tests will be conducted on each of the proposed injection wells, so these operations may be witnessed.

(8) The applicant shall immediately notify the supervisor of the Division's Artesia District Office of the failure of the tubing, casing or packer in any of the injection wells or the leakage of water or oil from or around any producing or plugged and abandoned well within the project area, and shall take such steps as may be necessary and timely to correct the failure or leakage.

(9) The waterflood project is hereby designated the East Shugart Delaware Unit Waterflood Project, and the applicant shall conduct injection operations in accordance with Division Rules No. 701 through 708, and shall submit monthly progress reports in accordance with Division Rules No. 706 and 1115.

(10) The injection authority granted herein for the wells shown on Exhibit "A" shall terminate one year after the effective date of this order if the operator has not commenced injection operations into these wells; provided however the Division, upon written request by the operator, may grant an extension for good cause.

(11) The East Shugart Delaware Unit Waterflood Project is hereby qualified as an "Enhanced Oil Recovery Project." The project area shall initially comprise that area contained within the East Shugart Delaware Unit, as described in Finding No. 5 above, provided however the project area and/or the producing wells eligible for the enhanced oil recovery (EOR) tax rate may be contracted and reduced based upon the evidence presented by the applicant in its demonstration of a positive production response.

(12) To be eligible for the EOR tax rate, the operator shall advise the Division of the date and time water injection commences within the waterflood project. At such time, the Division will certify the project to the New Mexico Taxation and Revenue Department.

(13) At such time as a positive production response occurs and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area actually benefiting from enhanced oil recovery operations and shall identify the specific wells eligible for the tax credit. The Division may review the application administratively or set it for hearing. Based upon the evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

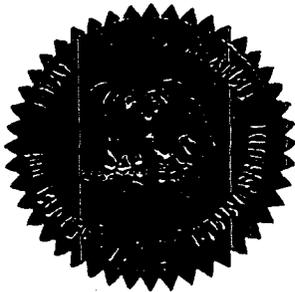
(14) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 12208

Order No. R-11254

7

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director

Exhibit "A"
Division Order No. R-11254
East Shugart Delaware Unit Waterflood Project
Approved Injection Wells

<i>Well Name & Number</i>	<i>Well Location</i>	<i>Injection Interval</i>	<i>Packer Setting Depth</i>	<i>Tbg. Size</i>	<i>Maximum Surface Injection Pressure</i>
ESDU No. 1	430' FSL & 1650' FEL (Unit O) Section 13, T-18S, R-31E	5,090'-5,420'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 17	248' FNL & 302' FEL (Unit A) Section 24, T-18S, R-31E	5,030'-5,310'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 18	190' FNL & 1045' FWL (Unit D) Section 19, T-18S, R-32E	5,065'-5,320'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 19	1288' FNL & 1361' FEL (Unit B) Section 24, T-18S, R-31E	5,020'-5,310'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 20	1250' FNL & 303' FEL (Unit A) Section 24, T-18S, R-31E	5,020'-5,310'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 21	1193' FNL & 1018' FWL (Unit D) Section 19, T-18S, R-32E	5,015'-5,330'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 22	2330' FNL & 1320 FEL Section 24, T-18S, R-31E	5,030'-5,340'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 23	2322' FNL & 248' FEL (Unit H) Section 24, T-18S, R-31E	5,025'-5,345'	5,000'	2 3/8"	1,003 PSIG
ESDU No. 24	2322' FNL & 1073' FWL (Unit E) Section 19, T-18S, R-32E	5,030'-5,360'	5,000'	2 3/8"	1,003 PSIG

<p>10410 10411 10412 10413 10414 10415 10416 10417 10418 10419 10420 10421 10422 10423 10424 10425 10426 10427 10428 10429 10430 10431 10432 10433 10434 10435 10436 10437 10438 10439 10440 10441 10442 10443 10444 10445 10446 10447 10448 10449 10450 10451 10452 10453 10454 10455 10456 10457 10458 10459 10460 10461 10462 10463 10464 10465 10466 10467 10468 10469 10470 10471 10472 10473 10474 10475 10476 10477 10478 10479 10480 10481 10482 10483 10484 10485 10486 10487 10488 10489 10490 10491 10492 10493 10494 10495 10496 10497 10498 10499 10500</p>	<p>10501 10502 10503 10504 10505 10506 10507 10508 10509 10510 10511 10512 10513 10514 10515 10516 10517 10518 10519 10520 10521 10522 10523 10524 10525 10526 10527 10528 10529 10530 10531 10532 10533 10534 10535 10536 10537 10538 10539 10540 10541 10542 10543 10544 10545 10546 10547 10548 10549 10550 10551 10552 10553 10554 10555 10556 10557 10558 10559 10560 10561 10562 10563 10564 10565 10566 10567 10568 10569 10570 10571 10572 10573 10574 10575 10576 10577 10578 10579 10580 10581 10582 10583 10584 10585 10586 10587 10588 10589 10590 10591 10592 10593 10594 10595 10596 10597 10598 10599 10600</p>	<p>10601 10602 10603 10604 10605 10606 10607 10608 10609 10610 10611 10612 10613 10614 10615 10616 10617 10618 10619 10620 10621 10622 10623 10624 10625 10626 10627 10628 10629 10630 10631 10632 10633 10634 10635 10636 10637 10638 10639 10640 10641 10642 10643 10644 10645 10646 10647 10648 10649 10650 10651 10652 10653 10654 10655 10656 10657 10658 10659 10660 10661 10662 10663 10664 10665 10666 10667 10668 10669 10670 10671 10672 10673 10674 10675 10676 10677 10678 10679 10680 10681 10682 10683 10684 10685 10686 10687 10688 10689 10690 10691 10692 10693 10694 10695 10696 10697 10698 10699 10700</p>	<p>10701 10702 10703 10704 10705 10706 10707 10708 10709 10710 10711 10712 10713 10714 10715 10716 10717 10718 10719 10720 10721 10722 10723 10724 10725 10726 10727 10728 10729 10730 10731 10732 10733 10734 10735 10736 10737 10738 10739 10740 10741 10742 10743 10744 10745 10746 10747 10748 10749 10750 10751 10752 10753 10754 10755 10756 10757 10758 10759 10760 10761 10762 10763 10764 10765 10766 10767 10768 10769 10770 10771 10772 10773 10774 10775 10776 10777 10778 10779 10780 10781 10782 10783 10784 10785 10786 10787 10788 10789 10790 10791 10792 10793 10794 10795 10796 10797 10798 10799 10800</p>	<p>10801 10802 10803 10804 10805 10806 10807 10808 10809 10810 10811 10812 10813 10814 10815 10816 10817 10818 10819 10820 10821 10822 10823 10824 10825 10826 10827 10828 10829 10830 10831 10832 10833 10834 10835 10836 10837 10838 10839 10840 10841 10842 10843 10844 10845 10846 10847 10848 10849 10850 10851 10852 10853 10854 10855 10856 10857 10858 10859 10860 10861 10862 10863 10864 10865 10866 10867 10868 10869 10870 10871 10872 10873 10874 10875 10876 10877 10878 10879 10880 10881 10882 10883 10884 10885 10886 10887 10888 10889 10890 10891 10892 10893 10894 10895 10896 10897 10898 10899 10900</p>	<p>10901 10902 10903 10904 10905 10906 10907 10908 10909 10910 10911 10912 10913 10914 10915 10916 10917 10918 10919 10920 10921 10922 10923 10924 10925 10926 10927 10928 10929 10930 10931 10932 10933 10934 10935 10936 10937 10938 10939 10940 10941 10942 10943 10944 10945 10946 10947 10948 10949 10950 10951 10952 10953 10954 10955 10956 10957 10958 10959 10960 10961 10962 10963 10964 10965 10966 10967 10968 10969 10970 10971 10972 10973 10974 10975 10976 10977 10978 10979 10980 10981 10982 10983 10984 10985 10986 10987 10988 10989 10990 10991 10992 10993 10994 10995 10996 10997 10998 10999 11000</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

NMOCD Form C-108 Sections VII thru XII

VII. Data on proposed operation.

1. Proposed average injection rate: 150 BWPD per well
Proposed maximum injection rate: 300 BWPD per well
2. The system will be a closed system.
3. Proposed average injection pressure: 700 PSI
Proposed maximum injection pressure: 1000 PSI
4. The proposed injection fluid is produced water and is compatible with the reservoir fluids in the proposed injection horizon. This is shown on the attached compatibility analysis.
5. A chemical analysis of the formation water in the proposed injection horizon is attached.

VIII. The proposed injection interval is located in the Delaware Sand formation. The Shugart East Field is located within Sections 13 and 24, T-18-S, R-31-E, Eddy County and Sections 18 and 19 T-18-S, R-32-E, Lea County New Mexico. Production is from the lower Guadalupian (Permian) Brushy Canyon Formation of the Delaware Mountain Group.

The Brushy Canyon reservoirs of the Shugart East Field are combination stratigraphic-structural traps. Ten (10) discrete sand packages are draped over a structural high. A depositional model is a sand rich submarine fan/channel complex. The sands are sourced from the north and northeast.

The Shugart East structure is an asymmetrical high with about 75' of closure centered in the NE/4 Section 24, T-18-S, R-31-E. The closure is probably due to differential compaction of the sand thicks versus the surrounding shale interval. The productive interval has a gross thickness of 300 to 400' at a depth of 5000' to 5400'. Individual sand bodies vary in thickness from 10' to over 100'. Porosity in the producing intervals range from 14% to 20% with an average of 17%.

There are no fresh water zones within the area of these injection wells above or below the proposed injection horizon.

IX. It is anticipated the South Taylor 13 #3 will have additional pay perfed and fraced from 5090-5420'.

- X. Logs have previously been submitted to the OCD.
- XI. There are no fresh water wells of record within one mile of the proposed injection wells.
- XII. An examination of this area has determined there are no open faults or other hydrologic connection between the disposal zone and any underground drinking water.

Affidavit of Publication

NO. 18969

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn, says: That he is the Publisher of The

Artesia Daily Press, a daily newspaper of general circulation, published in English at Artesia, said county and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of the state of New Mexico for

1 consecutive week/days on the same

day as follows:

First Publication August 9 2005

Second Publication

Third Publication

Fourth Publication

Subscribed and sworn to before me this

23rd Day August 2005

Barbara Ann Brown
Notary Public, Eddy County, New Mexico

My Commission expires September :23, 2007

Copy of Publication:

LEGAL NOTICE

St. Mary Land & Exploration Company, seeks authority to institute a waterflood well within its proposed East Shugart Delaware Unit by the injection of water into the Delaware formation, East Shugart-Delaware Pool, Eddy County, New Mexico, through the gross interval at approximately 5550 feet in a proposed injection well. The acreage for this well is described as Sec 24, T18S, R31E, 250 FNL & T125 FEL, NE/4, N/2 SE/4. The proposed Water Injection Well will result in the recovery of additional oil which would otherwise not be recovered, thereby preventing waste. The maximum injection rate will be 800 bbls. at a surface injection pressure of no more than 1003 psi.

St. Mary Land & Exploration Company is located at 580 Westlake Park Blvd. #800, Houston, TX 77079. Mr. Chuck Jones, Operation Manager, can be contacted at 281-677-2771. Objections or requests for hearings must be filed with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, NM 87505, within 15 days.

Published in the Artesia Daily Press, Artesia, N.M. August 9, 2005.

Legal 18969

580 WESTLAKE PARK BLVD., SUITE 600

HOUSTON, TEXAS 77079

281/677-2800

FAX 281/677-2810



August 25, 2004

Bureau of Land Management
1301 W. Grand Avenue
Artesia, NM 88210

Attn: Tim Gum

Re: Application for Authorization to Inject
East Shugart Delaware Unit #25

Dear Tim,

As required by the State of New Mexico, under Form C-108 Application for Authorization to Inject, please find enclosed a copy of the Affidavit of Publication from the Artesia Daily Press regarding St. Mary Land & Exploration Company's intent to drill an Active Injection Well named the East Shugart Delaware Unit #25. A copy of the application is also enclosed.

If additional information is required, please contact me at (281) 677-2772.

Sincerely,

Marcie St. Germain

Marcie St. Germain
Production Tech

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee	
1. Article Addressed to: Bureau of Land Management 1301 W. Grand Ave. Artesia NM 88210 Attn: Tim Gum	B. Received by (Printed Name)	C. Date of Delivery
2. Article Number (Transfer from service label)	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

7005 0390 0002 9607 8541

580 WESTLAKE PARK BLVD., SUITE 600

HOUSTON, TEXAS 77079

281/677-2800

FAX 281/677-2810



August 25, 2004

ConocoPhillips Company
P O Box 2197
Houston, TX 77252

Re: Application for Authorization to Inject
East Shugart Delaware Unit #25

As required by the State of New Mexico, under Form C-108 Application for Authorization to Inject, please find enclosed a copy of the Affidavit of Publication from the Artesia Daily Press regarding St. Mary Land & Exploration Company's intent to drill an Active Injection Well named the East Shugart Delaware Unit #25. A copy of the application is also enclosed.

If additional information is required, please contact me at (281) 677-2772.

Sincerely,

Marcie St. Germain

Marcie St. Germain
Production Tech

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Conoco Phillips Company
P.O. Box 2197
Westlake 3 - 6106
Houston, TX 77252

2. Article Number
(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X *St Germain* Agent
 Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery
AUG 29 2005

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

7005 0390 0002 9607 8572

580 WESTLAKE PARK BLVD., SUITE 600

HOUSTON, TEXAS 77079

281/677-2800

FAX 281/677-2810



August 25, 2004

Harvey E. Yates
P O Box 1933
Roswell, NM 88202-1933

Re: Application for Authorization to Inject
East Shugart Delaware Unit #25

As required by the State of New Mexico, under Form C-108 Application for Authorization to Inject, please find enclosed a copy of the Affidavit of Publication from the Artesia Daily Press regarding St. Mary Land & Exploration Company's intent to drill an Active Injection Well named the East Shugart Delaware Unit #25. A copy of the application is also enclosed.

If additional information is required, please contact me at (281) 677-2772.

Sincerely,

Marcie St. Germain

Marcie St. Germain
Production Tech

7005 0390 0002 9607 8565

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Harvey E. Yates
Street, Apt. No.,
or PO Box No. PO Box 1933
City, State, ZIP+4® Roswell NM 88202-1933

PS Form 3800, June 2002 See Reverse for Instructions

580 WESTLAKE PARK BLVD., SUITE 600
 HOUSTON, TEXAS 77079
 281/677-2800
 FAX 281/677-2810



August 25, 2004

Yates Petroleum
 105 S. 4th
 Artesia, NM 88210

Re: Application for Authorization to Inject
 East Shugart Delaware Unit #25

As required by the State of New Mexico, under Form C-108 Application for Authorization to Inject, please find enclosed a copy of the Affidavit of Publication from the Artesia Daily Press regarding St. Mary Land & Exploration Company's intent to drill an Active Injection Well named the East Shugart Delaware Unit #25. A copy of the application is also enclosed.

If additional information is required, please contact me at (281) 677-2772.

Sincerely,

Marcie St. Germain

Marcie St. Germain
 Production Tech

7005 0390 0002 9607 8534

U.S. Postal Service™		CERTIFIED MAIL™ RECEIPT <i>(Domestic Mail Only; No Insurance Coverage Provided)</i>
For delivery information visit our website at www.usps.com .		
OFFICIAL USE		
Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee <small>(Endorsement Required)</small>		
Restricted Delivery Fee <small>(Endorsement Required)</small>		
Total Postage & Fees	\$	
Sent To <u>Yates Petroleum</u>		
<small>Street, Apt. No.; or PO Box No.</small>		
<small>City, State, ZIP+4</small>		
PS Form 3800, June 2002		See Reverse for Instructions