

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF BEACH EXPLORATION,
INC. FOR STATUTORY UNITIZATION,
EDDY COUNTY, NEW MEXICO.

Case No. 13972

APPLICATION

Beach Exploration, Inc., 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 *et seq.* (the "Act").
2. Applicant is a working interest owner in, and the operator of, the proposed Eastland Queen Unit Area (the "Unit Area"), which covers the following lands located in Eddy County, New Mexico:

Township 19 South, Range 29 East, N.M.P.M.

Section 1: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, and NW $\frac{1}{4}$ SE $\frac{1}{4}$

Section 2: SE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$

Section 11: N $\frac{1}{2}$

Containing 1,040.00 acres of state lands.

A plat of the Unit Area is attached hereto as Exhibit A

← Changed after MYCO/Davon BUYOUT.

3. The vertical limits of the unitized formation is defined as:

That stratigraphic interval occurring between a point 100 feet above the top of the Queen Sand and 100 feet below the base of the Queen Sand, said Queen Sand interval occurring between 2,335 feet and 2,408 feet as shown by Schlumberger's Compensated Neutron/Litho-Density open hole log, dated June 8, 1987, in the Eastland Oil Company PJ State "A" Well No. 5, located 2,310 feet from the south line and 2,310 feet from the east line of Section 1, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

The Queen Sand reservoir underlying the Unit Area has been reasonably defined by development.

4. Applicant proposes to institute a waterflood project in the Unit Area, as further described in an injection application filed concurrently with this application.

5. The plan of unitization for the Unit Area is embodied in the Unit Agreement, which is attached hereto as Exhibit B. [★] The plan of unitization is fair, reasonable, and equitable, and the participation formula contained therein allocates the produced and saved hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable, and equitable basis.

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, which is attached hereto as Exhibit C. [★]

7. The unitized management, operation, and further development of the Queen Sand reservoir underlying the Unit Area is reasonably necessary in order to effectively carry on waterflood operations and to substantially increase the ultimate recovery of oil and gas therefrom.

8. The waterflood project, as applied to the Queen Sand reservoir 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 Queen Sand reservoir 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 approval of the waterflood project will benefit the working interest owners and royalty owners in the Queen Sand reservoir underlying the Unit Area.

11. Applicant has made a good faith effort to secure the voluntary unitization of interest owners in the Unit Area.

★ = See EXHIBITS presented @ Hearing

12. Approval of this application will prevent waste and protect correlative rights.

WHEREFORE, Beach requests that, after notice and hearing, the Division enter its order approving the injection application, and qualifying the project as an Enhanced Oil Recovery Project.

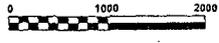
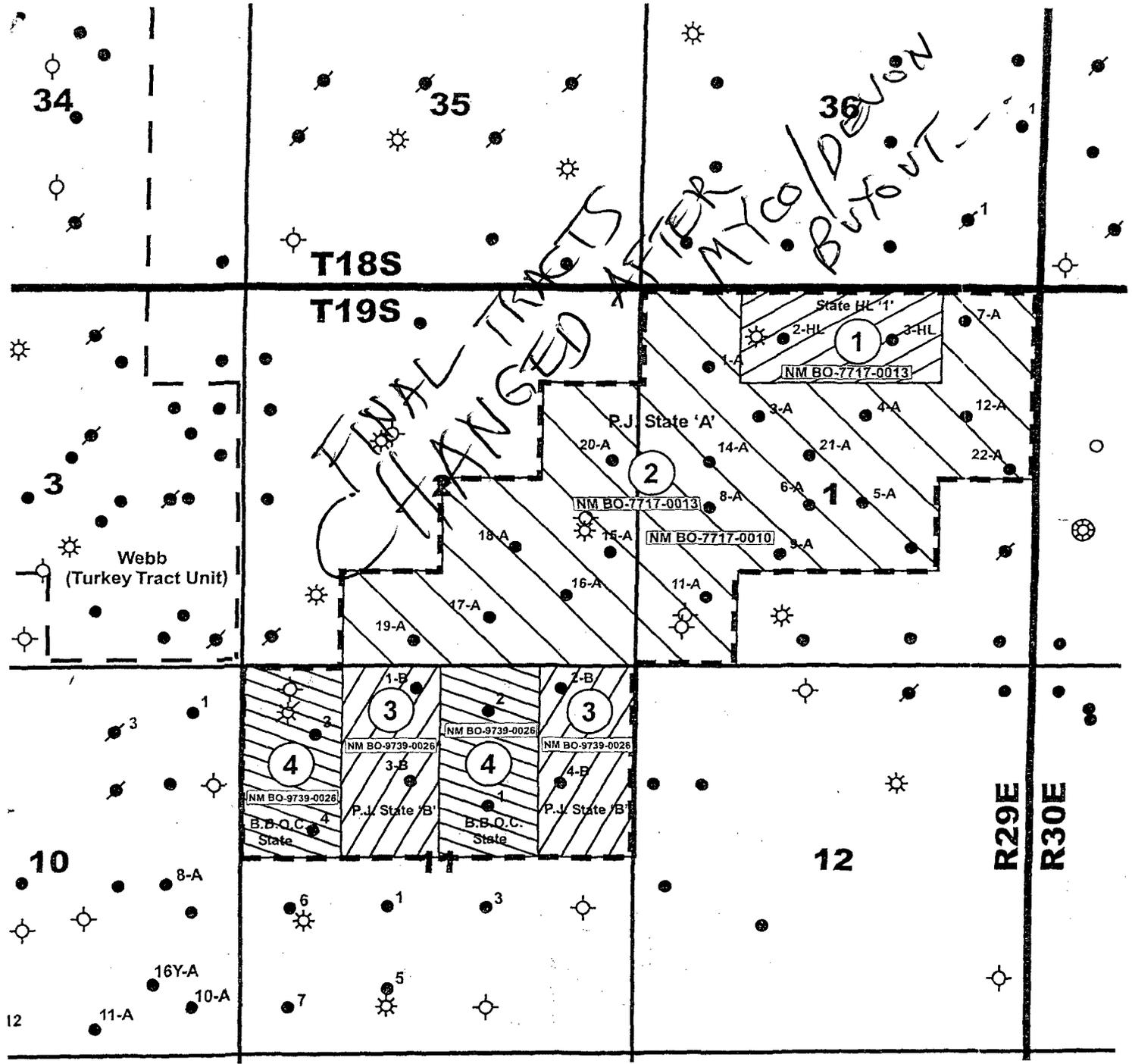
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

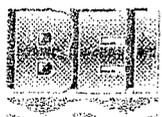
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Beach Exploration, Inc.

FINAL TRACTS AFTER MYCO/DEVON BUYOUT



0 Acres Federal Lands
 Tract # ① -- ④ 1040 Acres State Lands
 0 Acres Fee Lands
 1040 Acres Total Unit



Beach Exploration, Inc.

Beach Exploration, Inc.
EASTLAND QUEEN UNIT
 EDDY COUNTY, NEW MEXICO

EXHIBIT "A"
Proposed Unit Outline

Tract # Lease #

GEOLOGY :
 ENGINEERING : SCALE : 1 in. = 2000 ft.

PROPOSED ADVERTISEMENT

Case No. 13972 **Application of Beach Exploration, Inc. for statutory unitization, Eddy County, New Mexico.** Applicant seeks an order unitizing all mineral interests in the Queen Sand member of the Turkey Track Seven Rivers-Queen-Grayburg-San Andres Pool underlying parts of Sections 1, 2, and 11, Township 19 South, Range 29 East, N.M.P.M., comprising 1040.00 acres of state lands for its proposed Eastland Queen Unit. Among the matters to be considered at hearing, pursuant to the New Mexico Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.*, will be: The necessity of unit operations; the determination of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investments, to each of the tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate. The unit area is centered approximately 10 miles south-southwest of Loco Hills, New Mexico.

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