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2008 OCT 15 AM 8 45

October 13, 2008

Case 14242

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Enervest Operating LLC, are (i) an application for statutory unitization, and (ii) an application for approval of expansion of a waterflood project, together with proposed advertisements. The advertisements have also been e-mailed to the Division. Please set these matters for the November 13, 2008 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Enervest Operating LLC

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ENERVEST OPERATING LLC
TO AMEND THE UNIT AGREEMENT AND THE
UNIT OPERATING AGREEMENT FOR THE
WEST LOCO HILLS GRAYBURG NO. 4 SAND
UNIT, AND FOR STATUTORY UNITIZATION,
EDDY COUNTY, NEW MEXICO.

Case No. 14242

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APPLICATION

Enervest Operating LLC, 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 the operator of the West Loco Hills Grayburg No. 4 Sand Unit (the "Unit Area"). The Unit Area was approved by Commission Order No. R-2166, and covers the lands located in Eddy County, New Mexico described in Exhibit A attached hereto, containing 5307.73 acres, more or less. A plat of the Unit Area is attached hereto as Exhibit B.

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

"Unitized Formation" shall mean that heretofore established underground reservoir, the top of which is found at 2767 feet, and the base of which is found at 2792 feet, on the Gamma Ray Neutron Log of the Newmont-Ballard Well No. B-6 located in the SE/4SW/4NE/4 of Section 1, Township 18 South, Range 29 East, Eddy County, New Mexico, together with Grayburg Sand Stringers encountered at varying intervals between the depths from 100 feet above the top and 50 feet below the bottom of the principal sand body shown by said log, insofar as the same lies within the Unit Area.

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

4. A waterflood project was previously approved for the Unit Area, as described in Commission Order Nos. R-2178 and R-3204, attached hereto as Exhibits C and D. Applicant proposes to expand the waterflood project in the Unit Area, as further described in an injection application filed concurrently with this application.

5. The Unit Area is subject to a voluntary Unit Agreement, approved by the Commission under statutes in effect in 1962 when the Unit Area was formed. Applicant proposes to amend the Unit Agreement to conform with current unitization practices and the Statutory Unitization Act. The amended plan of unitization for the Unit Area is embodied in the Amended Unit Agreement for the unit Area, which is attached hereto as Exhibit E. The amended 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 Unit Area is subject to a voluntary Unit Operating Agreement, approved by the Commission under statutes in effect in 1962 when the Unit Area was formed. Applicant proposes to amend the Unit Operating Agreement to conform with current operating practices and the Statutory Unitization Act. The proposed 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 proposed Unit Operating Agreement, which is attached hereto as Exhibit F.

7. The statutorily unitized management, operation, and further development of the Grayburg 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 Grayburg 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 Grayburg 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.

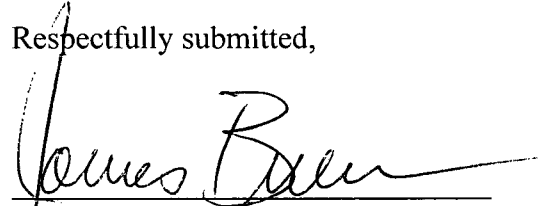
10. Unitization and approval of the waterflood project will benefit the working interest owners and royalty owners in the Grayburg reservoir underlying the Unit Area.

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

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 statutory unitization of the West Loco Hills Grayburg No. 4 Sand Unit.

Respectfully submitted,

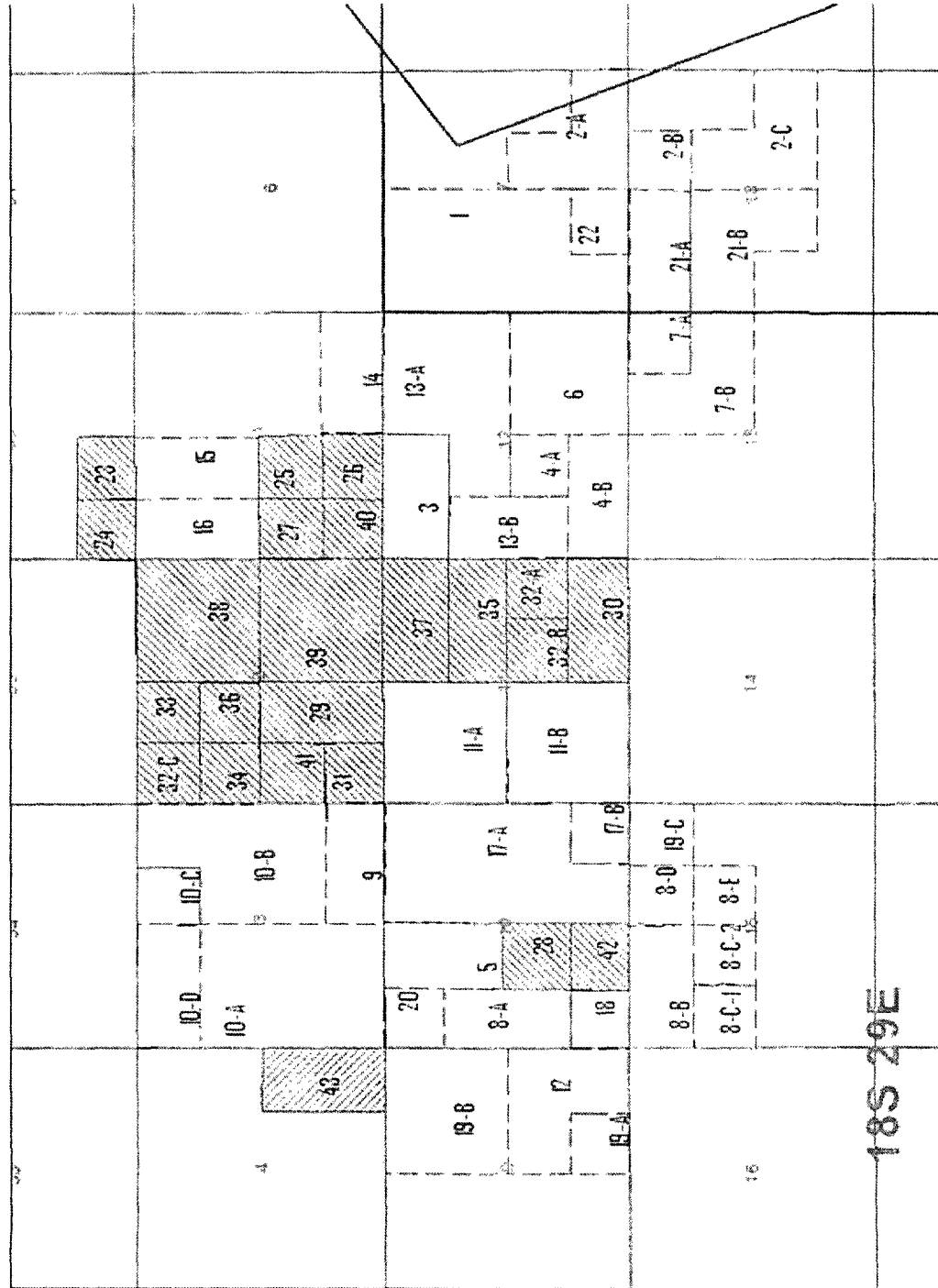
A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Enervest Operating LLC

WEST LOCO HILLS GRAYBURG NO.4 SAND UNIT AGREEMENT

EXHIBIT A



SandDuneLizard_Habitat
Volumetric Polygon
Volumetric Polygon

LPC_Habitat_Polys
Volumetric Polygon
Volumetric Polygon

Lea County Survey
Public Land Survey System (USGS)
Township
Section

Eddy County Survey
Public Land Survey System (USGS)
Township
Section

West Loco Hills SU State Lands <Loco Hills Area>
Tract

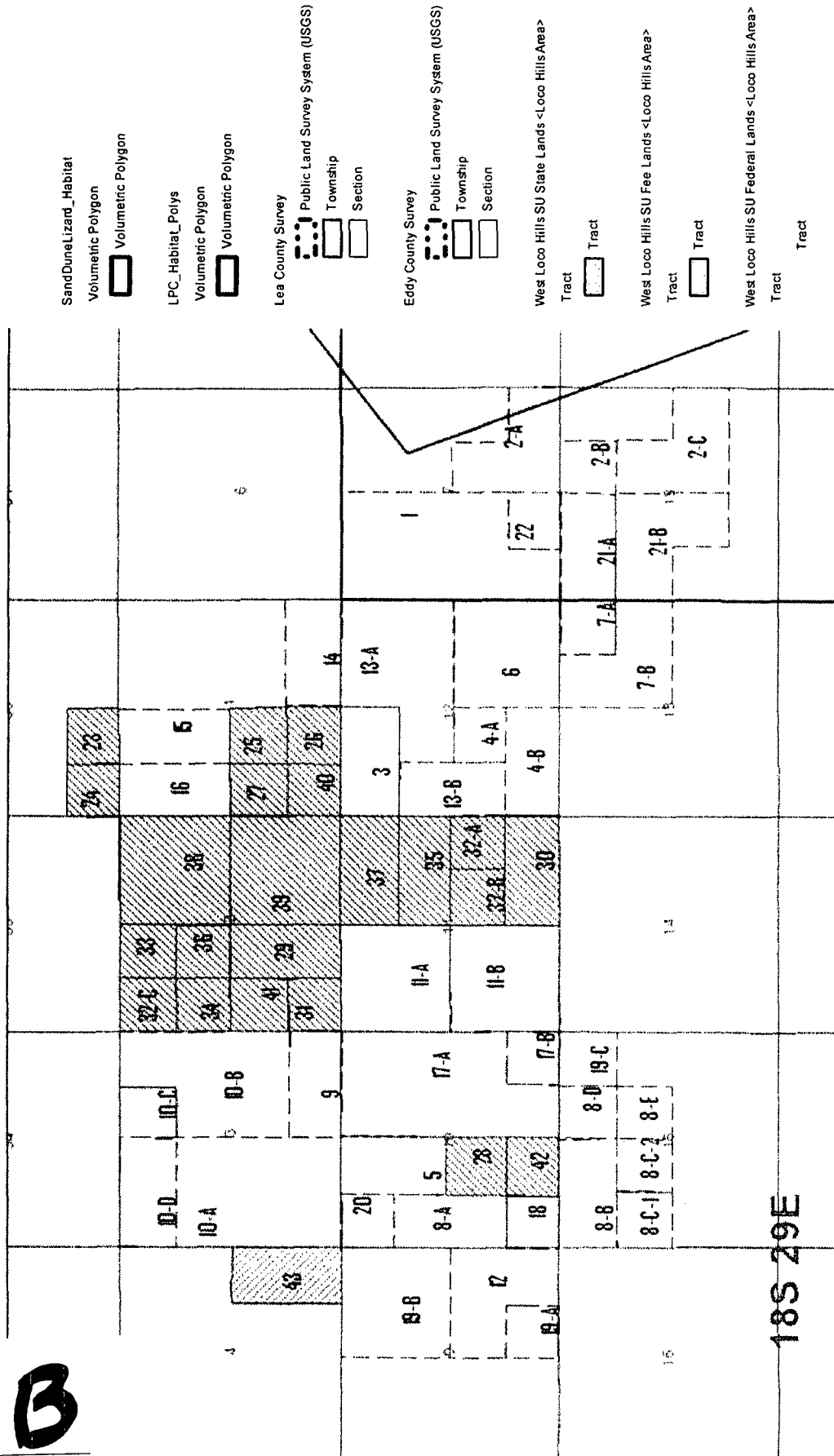
West Loco Hills SU Fee Lands <Loco Hills Area>
Tract

West Loco Hills SU Federal Lands <Loco Hills Area>
Tract

WEST LOCO HILLS GRAYBURG NO.4 SAND UNIT AGREEMENT EXHIBIT A

EXHIBIT

B



PROPOSED ADVERTISEMENT

Case No. 1420: Application of Enervest Operating LLC to amend the Unit Agreement and the Unit Operating Agreement for the West Loco Hills Grayburg No. 4 Sand Unit, and for statutory unitization, Eddy County, New Mexico. Applicant seeks an order amending the Unit Agreement and Unit Operating Agreement, and statutorily unitizing all mineral interests in, the Grayburg formation in the previously approved West Loco Hills Grayburg No. 4 Sand Unit underlying 5307.73 acres of federal, state, and fee lands covering parts of Township 17 South, Range 29 East, Township 18 South, Range 29 East, and Township 18 South, Range 30 East, N.M.P.M., described in Commission Order No. R-2166. 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 6 miles southwest of Loco Hills, New Mexico.