



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



December 3, 2009

James Bruce
Attorney at Law,
Agent for Enervest Operating, LLC
P.O. Box 1056
Santa Fe, New Mexico 87501

Re: Request for extension of the deadline in Ordering Paragraph (6) of Order No. R-13128 Regarding Enervest Operating, LLC Statutory Unitization and Operating agreement.

Dear Mr. Bruce:

The Oil Conservation Division (OCD) received your letter dated November 25, 2009, regarding the referenced subject on November 30, 2009. The OCD has reviewed your request and hereby extends the date for the persons owning the required percentage of royalty interest in the Unit Area to approve the plan for Unit operations to May 30, 2010.

If you have any question, please contact Richard Ezeanyim at (505)-476-3467

Sincerely;

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

Mark E. Fesmire, P.E.
Director

Cc: Oil Conservation Division District II – Artesia



JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

RECEIVED OGD

2009 NOV 30 A 7:55

November 25, 2009

Hand delivered

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Request for extension of Order No. R-13128
Enervest Operating LLC

Dear Mr. Fesmire:

Order No. R-13128, entered on June 3, 2009, granted the application of Enervest Operating LLC to amend the unit agreement for the West Loco Hills Grayburg No. 4 Sand Unit, and to statutorily unitize all interest owners in the unit area. Ordering Paragraph (6) provides:

If the persons owning the required percentage of royalty interest in the Unit Area do not approve the plan for unit operations within a period of six months from the date of this order, this order shall cease to be effective unless the Division shall extend the time for ratification for good cause.

The unit is comprised of state, federal, and fee minerals, and assuming final approval of the unit agreement by the Commissioner of Public Lands ("Commissioner") and Bureau of Land Management ("BLM"), approximately 95% of royalty owners will have ratified the unit agreement.

The Commissioner is ready to finally approve the unit agreement, but is waiting on the BLM to approve. I have been in contact with the BLM to obtain final approval, but the BLM informed me that they want to have the solicitor's office review and approve the unit agreement form. The e-mail, and my response (that the BLM has approved of the Commissioner's form for decades) is attached hereto. I have not had this happen before; it is probably due to unitization authority being moved from the Roswell BLM office to the Carlsbad BLM office over a year ago.

As a result, there will be a delay of a month or more to obtain final BLM approval, and Enervest Operating LLC requests a three month extension of the deadline in Ordering Paragraph (6)

Thank you for your consideration of this request.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for Enervest Operating LLC

From: jamesbruc@aol.com

To: Wesley_Ingram@blm.gov

Subject: Re: Enervest/West Loco Hills Grayburg No. 4 Sand Unit

Date: Tue, Nov 24, 2009 9:39 am

Attachments: form-state_fed_fee_wf_unit_agreement.docx (45K)

Wesley: I ask the Carlsbad BLM office to certify the amended unit agreement submitted to you. I do not think you need to have the solicitor's office review the unit agreement form, for the following reasons:

1. The only unit agreement in the Code of Federal Regulations is for a federal exploratory unit. There is no set federal waterflood unit agreement form. As a result, for decades operators in New Mexico have used the forms prescribed by the New Mexico State Land Office. In fact, because there are state lands in Enervest's unit, the SLO requires that its form be used, and for decades the BLM has agreed to use the SLO's forms.

The following units, which contain state-federal-fee lands, or state-federal lands, have been approved by the BLM, SLO, and Oil Conservation Division using the SLO waterflood unit agreement form:

West Lovington Strawn Unit (OCD Order No. R-10449)
West Teas (Yates-Seven Rivers) Unit (R-11375)
West High Lonesome Unit (R-11673)
Avalon Delaware Unit (R-10460)
Square Lake Grayburg-San Andres Unit (R-11435)
West Blinebry Drinkard Unit (R-12981)
Trinity Burrus Unit (R-12496)
North Dagger Draw Upper Pennsylvanian Unit (R-12251)

I could provide further examples, but the point is that the BLM has approved the SLO form.

2. I downloaded the SLO's state-federal-fee waterflood unit agreement form, and it is attached. Or, you can go to www.nmstatelands.org, and click on "Forms and Permits," then "Oil and Gas Forms," and get to this form. As you will see, it is a fixed form, with blanks only for such matters as unit operator, tract participation, and unitized formation. The only reason that the agreement submitted to you is "amended" is because it is amending the existing existing unit agreement form, which is old and out-of-date. In addition, because when the original unit was formed the New Mexico statutes did not provide for statutory unitization, Enervest statutorily unitized this time to get all interest owners committed.

You can call Pete Martinez at SLO at 505-827-5791 to verify these statements.

Thank you.

Jim Bruce

-----Original Message-----

From: Wesley_Ingram@blm.gov

To: jamesbruc@aol.com

Sent: Mon, Nov 23, 2009 5:24 pm

Subject: Re: Enervest/West Loco Hills Grayburg No. 4 Sand Unit

Jim Bruce,

The package arrived Friday afternoon, November 20, 2009.

I will have a look at it, but I am not authorized to sign these type of documents.

Since the document has been amended to incorporate the revised State of New Mexico standard Waterflood Unit Agreement form into the Federal Unit Agreement form, this will have to be reviewed by the BLM solicitor.

Where can I obtain a copy of the revised State of New Mexico standard Waterflood Unit Agreement to aid with my initial review?

Thank you,
Wesley Ingram

jamesbruc@aol.co
m

11/23/2009 04:18
PM

Wesley.Ingram@blm.gov

To

cc

Subject
Enervest/West Loco Hills Grayburg
No. 4 Sand Unit

Wesley: I am the attorney representing Enervest, and sent you a package last week regarding this matter. Please let me know if there is anything else you need for final approval or certification by the BLM.

Pete Martinez at the State Land Office has asked for two things before the SLO grants final approval: (1) the status of BLM approval; and (2) a corrected OCD order (see attached letter to the OCD).

I know you're busy, but Enervest would like to finalize this by 11/30. Thanks.

Jim Bruce

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)