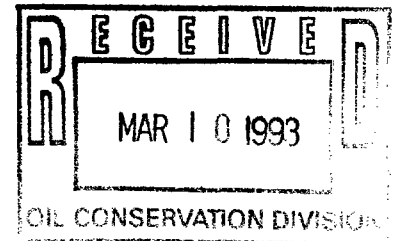


BEFORE THE
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF HANSON OPERATING COMPANY, INC.
FOR APPROVAL OF A WATERFLOOD PROJECT,
EDDY COUNTY, NEW MEXICO.



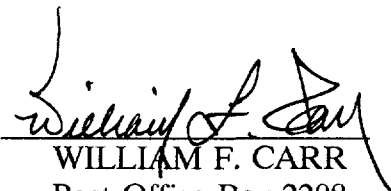
CASE NO. 10686

ENTRY OF APPEARANCE

COMES NOW CAMPBELL, CARR, BERGE & SHERIDAN, P.A., and hereby
enters its appearance in the above referenced case on behalf of Hanson Operating
Company, Inc.

Respectfully submitted,

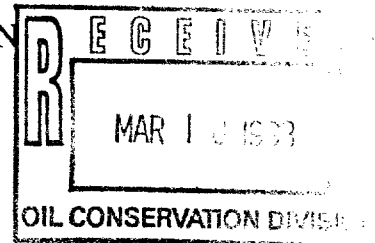
CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR HANSON OPERATING
COMPANY, INC.

BEFORE THE
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION
OF HANSON OPERATING COMPANY, INC.
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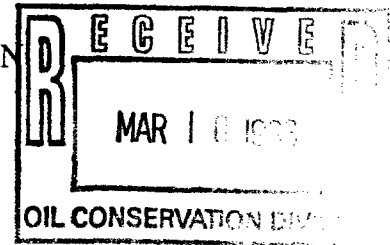
CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR HANSON OPERATING
COMPANY, INC.

BEFORE THE
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION
OF HANSON OPERATING COMPANY, INC.
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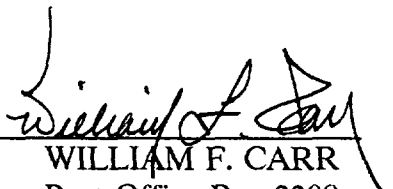
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Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR HANSON OPERATING
COMPANY, INC.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell District Office

P.O. Box 1397

Roswell, New Mexico 88202-1397



IN REPLY
REFER TO:

RECEIVED MAR 13 1993

NMNM88499X
3180 (065)

Sanders, Bruin, Coll & Worley, P. A.
Attention: Mr. Damon Richards
P. O. Box 550
Roswell, NM 88202-0550

MAR 09 1993

Gentlemen:

Your application of March 3, 1993, filed with the BLM on behalf of Hanson Operating Company, Inc., requests the designation of the Benson Shugart Waterflood Unit area, embracing 911.00 acres, more or less, Eddy County, New Mexico, as logically subject to secondary operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Hanson Operating Company, Inc., Benson Shugart Waterflood Unit, Eddy County, New Mexico, is hereby designated as a logical unit area for the purpose of conducting secondary recovery operations and has been assigned No. NMNM88499X. This designation is valid for a period of one year from the date of this letter.

Waterflooding will be limited to the following interval: That interval defined as the correlative interval between 1,800 feet and 3,500 feet beneath the surface of the ground as found in the Compensated Density Log of the Ginsberg Federal No. 13 located 1650 feet from the North line and 1800 feet from the East line, Section 26, T. 18 S., R. 30 E., NMPM, Eddy County, New Mexico, which includes the Sugart Yates, Seven Rivers, Queen, Penrose and Grayburg formations.

Your basis for allocation of unitized substances is acceptable. Your proposed use of the Form of Agreement for Waterflood Units will be accepted with the modifications and corrections requested by the Bureau of Land Management and shown in red on the enclosed Form of Agreement and Exhibit B.

If conditions are such that further modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

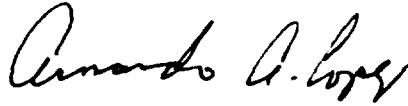
In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

Please submit three executed copies of the agreement with your application for final approval. You will also need to submit an initial plan of operations at that time. We are returning three copies of the unit agreement that were submitted as only two copies are needed at this time.

Hanson 4
10685 and 10686

Inasmuch as this unit agreement involves Fee land, we are sending a copy of this letter to the New Mexico Oil Conservation Division.

Sincerely,

A handwritten signature in dark ink, appearing to read "Armando A. Lopez". The signature is fluid and cursive, with the first name being the most prominent.

Armando A. Lopez
Assistant District Manager,
Minerals

Enclosures

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HANSON OPERATING COMPANY, INC.
FOR STATUTORY UNITIZATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10685


IN THE MATTER OF THE APPLICATION
OF HANSON OPERATING COMPANY, INC.
FOR APPROVAL OF A WATERFLOOD PROJECT,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10686

AFFIDAVIT

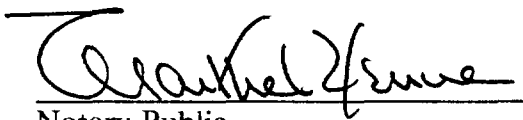
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Ken Hammonds, landman, being first duly sworn, upon oath, states that in accordance with the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division the Applicant has attempted to find the correct addresses of all interested persons entitled to receive notice of this application and that notice has been given as provided in Rule 1207.



Ken Hammonds

SUBSCRIBED AND SWORN to before me this 17th day of March, 1993.



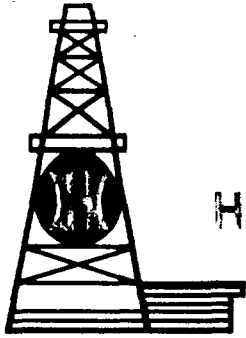
Notary Public

My Commission Expires:

August 19, 1995

HANSON

5
10685 AND 10686



HANSON OPERATING COMPANY, INC.

P.O. BOX 1515

ROSWELL, NEW MEXICO 88202-1515

PHONE AC 505-622-7330

March 1, 1993

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL WORKING AND ROYALTY INTEREST OWNERS AND ALL OFFSET OPERATORS

RE: APPLICATION OF HANSON OPERATING COMPANY, INC. FOR STATUTORY UNITIZATION
EDDY COUNTY, NEW MEXICO

Pursuant to several meetings with the Bureau of Land Management, they have requested the name be changed to **BENSON SHUGART WATERFLOOD UNIT**. Additionally, in accordance with certain requirements and suggestions made by them in order to obtain their approval of the proposed waterflood, we are enclosing replacement Unit Agreement to take the place of the Unit Agreement submitted previously to you and contained within the brochure. The enclosed Unit Agreement is on the "approved form" and is necessary in order to obtain timely approval. The Bureau of Land Management has required that the Exhibit "A" in the prior Unit Agreement be re-named Exhibit "B". Likewise, the Exhibit "B" in the prior Unit Agreement must be re-named Exhibit "A". Please find enclosed these revised Exhibits which are Exhibits to both the Unit Agreement and the Unit Operating Agreement.


As you will note from the enclosures, the Bureau of Land Management has requested that we renumber the tracts and has required the deletion of the SE/4 NE/4 Section 35, T. 18 S., R. 30 E. from the Unit. This does not change the calculations of interest since the ownership interest is based upon prior production from the wells and future reserves and there was not a well on the land which was deleted.

The hearing date before the New Mexico Oil Conservation Division has been changed to March 18, 1993, at 8:00 o'clock a.m.

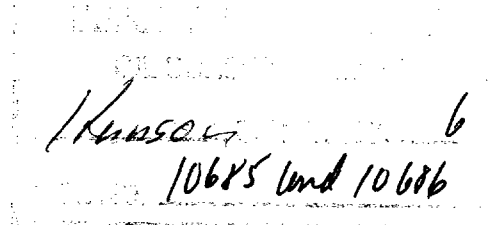
Should you have any questions with regard to the proposed Waterflood Unit or these changes, please do not hesitate to contact me.

Yours very truly,

HANSON OPERATING COMPANY, INC.


Kenton A. Hammonds
Landman

KAH:DR:lt:jmc
Enclosures



NAMES & ADDRESS LIST - BENSON SHUGART WATERFLOOD UNIT
EDDY COUNTY, NEW MEXICO

FOR ALL ROYALTY, OVERRIDING ROYALTY, WORKING INTEREST OWNERS
AND OFFSET OPERATORS

OVERRIDING ROYALTY OWNERS

Mrs. Anne R. Hyman
Mrs. Lynne H. Drazin
9212 East Nassau Avenue
Denver, Colorado 80237-1921

Mrs. Ruth Gluck
Post Office Box 548
Las Cruces, New Mexico 88004-0548

Babe Development Co., Inc.
Post Office Box 758
Roswell, New Mexico 88202-0758

Mrs. Mary Louise Scott
2958 Sundown Road
Las Cruces, New Mexico 88001-4612

Mrs. Blanche Stidham
1021 East Cypress
Lompoc, California 93436

Ginsberg Investments
Post Office Box 100
Roswell, New Mexico 88202-0100

Mr. Bernard R. Ginsberg
Mrs. Mary Hannah Ginsberg
Trustees U/T/A Dated 1-24-85
Post Office Box 100
Roswell, New Mexico 88202-0100

Mr. Bernard R. Ginsberg, Trustee
Mabelle E. Ginsberg Trust
dated 1-8-85
Post Office Box 100
Roswell, New Mexico 88202-0100

Mr. Bernard R. Ginsberg, Trustee
Benjamin B. Ginsberg Trust
Post Office Box 100
Roswell, New Mexico 88202-0100

Mrs. Barbara Kruse Frankenfield
10328 Stoneflower Drive
Parker, Colorado 80134-9545

Mrs. Sandra Leigh Terry
Post Office Box 12617
El Paso, Texas 79912-0617

Mrs. Susan Lynn Terry
Post Office Box 1167
Santa Teresa, New Mexico 88008

First Baptist Church of Artesia
Post Office Box 1343
Artesia, New Mexico 88210

Immanuel Lutheran Church of Artesia
Post Office Box 1251
Artesia, New Mexico 88210

St. Paul's Protestant Episcopal
Church of Artesia
Post Office Box 1308
Artesia, New Mexico 88210

Mrs. Julia R. Keinath Calvert
905 Hermosa Drive
Artesia, New Mexico 88210

Ms. Sally R. Lanning
905 Hermosa Drive
Artesia, New Mexico 88210

Mr. Anthony D. Eckman
11915 Winterthur Lane #109
Reston, Virginia 22091

Mr. William G. Parker
Mrs. Nancy Parker (Strong) Halsell
Mrs. Sylvia S. Voorhies
Trustees of Testamentary Trust
U/L/W/T of T. R. Parker, Deceased
Post Office Box 1281
Medford, Oregon 97501

Ms. Deirdre Jean Joyce
14 Hullcrest Road
Shelburne, Vermont 05482

Canadian Kenwood Company
a Minnesota Limited Partnership
800 Marquette Avenue
Minneapolis, Minnesota 55402

ROYALTY OWNERS

Donald E. Blackmar Testamentary
Trust
Post Office Box 608
Roswell, New Mexico 88202-0608

The Pecos Abstract Co.
Post Office Box 629
Pecos, Texas 79772

WORKING INTEREST OWNERS

Hanson-McBride Petroleum Company
Post Office Box 1515
Roswell, New Mexico 88202-1515

Babe Development Co., Inc.
Post Office Box 758
Roswell, New Mexico 88202-0758

Mrs. Barbara Loffland Middleton
1114 Ridglea Bank Building
6300 Ridglea Place
Fort Worth, Texas 76116-5765

Mr. Thomas R. Loffland
Mrs. Barbara Loffland Middleton
Co-Trustees Margaret R. Loffland
Trust
1114 Ridglea Bank Building
6300 Ridglea Place
Fort Worth, Texas 76116-5765

Mr. Tom Loffland
1114 Ridglea Bank Building
6300 Ridglea Place
Fort Worth, Texas 76116-5765

McBride Oil & Gas Corporation
Post Office Box 1515
Roswell, New Mexico 88202-1515

Mr. Samuel S. Spencer
Post Office Box 2083
Roswell, New Mexico 88202-2083

Mr. Reagan S. Sweet
Post Office Box 1207
Roswell, New Mexico 88202-1207

Hanson Operating Company, Inc.
Post Office Box 1515
Roswell, New Mexico 88202-1515

Hilo Development Company
c/o Mr. Dale R. Gwilliam
Tempe City Center
1400 E. Southern Avenue #1040
Tempe, Arizona 85282-5679

Dr. Grover N. Shrader
1403 W. Lomita Blvd., Suite 301
Harbor City, California 90710-2076

Manzano Oil Corporation
Post Office Box 2107
Roswell, New Mexico 88202-2107

Siete Oil & Gas Corporation
Post Office Box 2523
Roswell, New Mexico 88202-2523

OPERATORS WITHIN THE BENSON SHUGART WATERFLOOD UNIT
AND OFFSET OPERATORS WITHIN ONE MILE OF THE UNIT BOUNDARY

Meridian Oil, Inc.
Post Office Box 51810
Midland, Texas 79710-1810

SDX Resources, Inc.
Post Office Box 5061
Midland, Texas 79704

Ray Westall
Post Office Box 4
Loco Hills, New Mexico 88255

Trigg Family Trust
Post Office Box 520
Roswell, New Mexico 88202-0520

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Manzano Oil Corporation
Post Office Box 2107
Roswell, New Mexico 88202-2107

JFG Enterprises
Post Office Box 100
Artesia, New Mexico 88210

C. E. LaRue and B. N. Muncy, Jr.
Post Office Box 196
Artesia, New Mexico 88210

Merit Energy Company
12221 Merit Drive, Suite 500
Dallas, Texas 75251

Mack Energy Corp.
Post Office Box 276
Artesia, New Mexico 88210

B & A Operating Co.
Post Office Box 136
Lovington, New Mexico 88260

Xeric Oil & Gas Company
Post Office Box 51311
Midland, Texas 79710

Ozark Exploration
Suite 1525
Two Turtle Creek Village
Dallas, Texas 75219

Siete Oil & Gas Corporation
Post Office Box 2523
Roswell, New Mexico 88202-2523

LAW OFFICES OF
SANDERS, BRUIN, COLL & WORLEY, P.A.

600 UNITED BANK PLAZA
400 NORTH PENNSYLVANIA AVENUE
ROSWELL, NEW MEXICO 88201
POST OFFICE BOX 550
ROSWELL, NEW MEXICO 88202-0550

JAMES L. BRUIN
T. T. SANDERS, JR.
OF COUNSEL

TELEPHONE
505-622-5440

TELECOPIER
505-622-5853

KELLY M. CASSELS
CHARLES H. COLL
CLARKE C. COLL *
ERIC J. COLL
STEVEN P. FISHER
RICHARD L. KRAFT
CLAY H. PAULOS **
DAMON RICHARDS **
MICHAEL H. STONE
MARK W. TAYLOR
MICHAEL T. WORLEY **

January 20, 1993

* ALSO LICENSED IN VIRGINIA
** ALSO LICENSED IN TEXAS

CERTIFIED MAIL

**TO: ALL WORKING AND ROYALTY INTEREST OWNERS WITHIN PROPOSED
UNIT BOUNDARIES (SEE ATTACHED LIST)**

**RE: APPLICATION OF HANSON OPERATING COMPANY, INC. FOR
STATUTORY UNITIZATION, EDDY COUNTY, NEW MEXICO**

As you are aware, Hanson Operating Company, Inc. proposes a Waterflood in the Shugart Field, covering portions of Sections 25, 26, and 35, Township 18 South, Range 30 East, NMPM, and a part of Section 30, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, which will comprise 1,111 total acres. Enclosed please find a brochure which contains a Design and Cost Estimate as well as an Authority for Expenditure. It also contains a copy of the Unit Agreement and Unit Operating Agreement. In the pocket on the back cover of the brochure you will find several copies of documents to be signed by you.

If you are a Working Interest Owner, you will find copies of an Authority for Expenditure and a Ratification and Joinder of Unit Agreement and Unit Operating Agreement. Please execute two copies of the AFE and two copies of the Ratification. Please execute the Ratification in the presence of a Notary Public because it must be notarized in order to be effective. Please return the four executed documents in the prepaid postage envelope which can also be found in the pocket of the back cover of the brochure.

If you are a Royalty Interest Owner or Overriding Royalty Interest Owner, you will only find copies of the Ratification and Joinder of Unit Agreement and Unit Operating Agreement. Please execute two of the copies, have them notarized, and return them in the prepaid postage envelope which is provided for your convenience.

Please return these executed documents to Hanson Operating Company, Inc., prior to February 15, 1993.

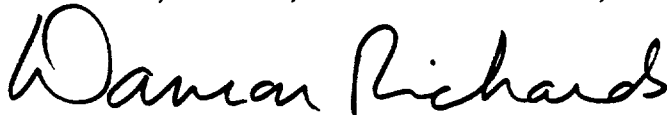
We contemplated whether to send the brochure and wait for two or three weeks for responses, and then send out Notices of the Application for Statutory Unitization; however, we decided that those of you who have already decided to sign the documents would not want to receive a duplication of the Application at a later date. We decided to send this letter as Notice of the Application in order to save postage and waste of paper; thus, you will find enclosed an Application for Statutory Unitization. The Exhibits which are referenced in the Application are contained in the brochure.

Pursuant to the Rules and Regulations of the Oil Conservation Division of New Mexico, notice is given to you of the above-referenced Application. You may protest the proposed Application by appearing at the hearing of this Application which will be heard on March 4, 1993, beginning at the hour of 8:15 a.m. at the Offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico. Of course, should you decide not to join the Unit and should you decide to protest the Application, we would like to hear from you in order to determine whether we can address your concern prior to the hearing.

Should you have any questions with regard to the proposed Waterflood Unit, please do not hesitate to contact me or please feel free to contact Ken Hammonds at Hanson Operating Company, Inc., Post Office Box 1515, Roswell, New Mexico, 88202-1515, telephone number (505) 622-7330.

Very truly yours,

SANDERS, BRUIN, COLL & WORLEY, P.A.



Damon Richards

DR:lt

Attachments

dr/oil/ocd.let

NAMES & ADDRESSES - SHUGART WATERFLOOD UNIT - EDDY COUNTY, NEW MEXICO

FOR ROYALTY & OVERRIDING ROYALTY INTEREST OWNERS

RATIFICATIONS

Mrs. Anne R. Hyman
Mrs. Lynne H. Drazin
9212 East Nassau Avenue
Denver, Colorado 80237-1921

Mr. Bernard R. Gluck
Mrs. Ruth Gluck
Post Office Box 548
Las Cruces, New Mexico 88004-0548

Mrs. Mary Charlene Conlee
Personal Representative
Estate of Marie L. Rapkoch, Dec'd
1060 Rainbow Drive
Las Cruces, New Mexico 88005-3833

Mrs. Mary Louise Scott
2958 Sundown Road
Las Cruces, New Mexico 88001-4612

Mrs. Blanche Stidham
1021 East Cypress
Lompoc, California 93436

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Roswell, New Mexico 88202-0100

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905 Hermosa Drive
Artesia, New Mexico 88210

Mrs. Jean A. Nelson, P. R.
Estate of Ruby P. Pior, Dec'd
8281 Windham Drive
Mentor, Ohio 44060

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Mrs. Nancy Parker (Strong) Halsell
Mrs. Sylvia S. Voorhies
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U/L/W/T of T. R. Parker, Deceased
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Medford, Oregon 97501

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Shelburne, Vermont 05482

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Post Office Box 608
Roswell, New Mexico 88202-0608

Canadian Kenwood Company
a Minnesota Limited Partnership
800 Marquette Avenue
Minneapolis, Minnesota 55402

First National Bank of Pecos
Post Office Box 2077
Pecos, Texas 79772

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Roswell, New Mexico 88202-1515

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Mrs. Barbara Loffland Middleton
Co-Trustees Margaret R. Loffland Fort
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Roswell, New Mexico 88202-1207

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Roswell, New Mexico 88202-1515

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c/o Mr. Dale R. Gwilliam
Tempe City Center
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Tempe, Arizona 85282-5679

Dr. Grover N. Shrader
1403 W. Lomita Blvd., Suite 301
Harbor City, California 90710-2076

Manzano Oil Corporation
Post Office Box 2107
Roswell, New Mexico 88202-2107

Siete Oil & Gas Corporation
Post Office Box 2523
Roswell, New Mexico 88202-2523



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 27, 1996

Hanson Operating Company, Inc.
P.O. Box 1515
Roswell, New Mexico 88202-1515

Attn: Mr. David Sweeney

**RE: *Injection Pressure Increase Benson Shugart Unit
Waterflood Project, Eddy County, New Mexico***

Dear Mr. Sweeney:

Reference is made to your request from a telephone call on March 25, 1996 to reconsider data previously submitted. The original data and request was submitted December 7, 1995 to increase the surface injection pressure on 4 wells in the above referenced waterflood project. This request is based on step rate tests conducted between November 7 and December 5, 1995. After further review by my staff, we feel an increase in injection pressure two of the wells is justified at this time.

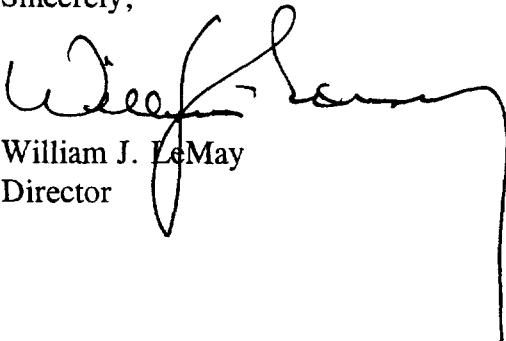
You are therefore authorized to increase the surface injection pressure on the following wells:

Well and Location	Maximum Surface Injection Pressure
Benson Shugart Unit Well No.5, Unit Letter A, Section 26	1090 PSIG
Benson Shugart Unit Well No.15, Unit Letter L, Section 25	1170 PSIG
Located Township 18 South, Range 31 East, Eddy County, New Mexico.	

Benson Shugart Well Nos.6 and 7 shall remain at the injection pressures originally authorized by Division Order No.R-9895.

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected water is not being confined to the injection zone or is endangering any fresh water aquifers.

Sincerely,



William J. LeMay
Director

Injection Pressure Increase
Hanson Operating Company, Inc.
March 27, 1996
Page 2

WJL/BES

cc: Oil Conservation Division - Artesia
Files: Case No.10686; EOR-7; PSI-X 3rd QTR 96



OIL CONSERVATION DIVISION

RECEIVED

HANSON OPERATING COMPANY, INC.

P.O. BOX 1515

ROSWELL, NEW MEXICO 88202-1515

PHONE AC 505-622-7330

January 3, 1994

New Mexico Oil Conservation Division
State Land Office Building
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Mike Stogner

Dear Mr. Stogner:

On May 19th, 1993, Hanson Operating Company, Inc. received approval for a waterflood project in Eddy County, New Mexico, Case #10686, Order #R-9895, now known as the Benson Shugart Waterflood Unit, (B.S.W.U.). Hanson is requesting administrative approval to use the B.S.W.U. Well #34, located in Section 30, Township 18 South, Range 31 East, NE $\frac{1}{4}$ SW $\frac{1}{4}$, 2160'FWL and 2310'FSL in Eddy County, New Mexico, formerly known as the Kenwood Federal Well #5, as a water source well for the purposes of flooding the B.S.W.U. At present, this well is being used as a disposal well. The well is disposing of produced water from the wells in the B.S.W.U. out of the Seven Rivers, Queen and Grayburg formations. The produced water is being injected into perforations from 3379' to 3614' the Queen, Grayburg formations. A compatibility test has been performed using the water from the injection well and the produced water being injected. The test shows no problem since it is essentially the same water.

Hanson Operating Company, Inc. is hopeful that this well will produce enough water, along with the produced water from the B.S.W.U. wells, that we will not have to use fresh water for this project.

Attached you will find two plats of the Unit along with a Geological Report. If you have any questions, please feel free to contact me at 622-7330.

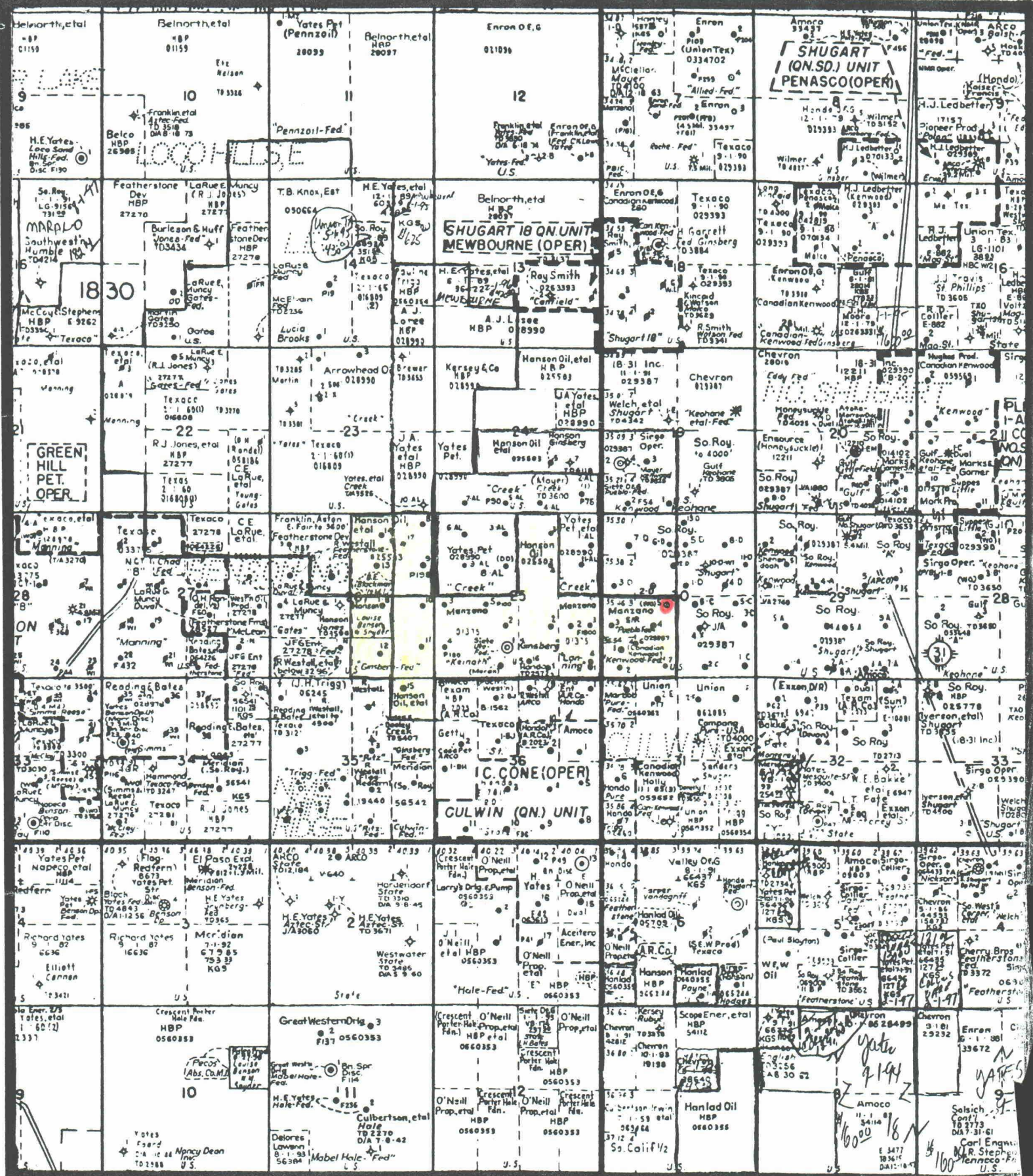
Thank you.

Sincerely,

HANSON OPERATING COMPANY, INC.

David Sweeney
Drilling & Production Superintendent

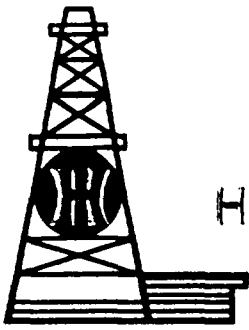
DS:bc
Attachments



HANSON OPERATING COMPANY, INC.

P.O. BOX 1515

ROSWELL, NEW MEXICO 88202-1515



HANSON OPERATING COMPANY, INC.

P.O. BOX 1515

ROSWELL, NEW MEXICO 88202-1515

PHONE AC 505-622-7330

BENSON SHUGART WATERFLOOD UNIT

Township 18 South, Range 30 East, N.M.P.M.

Section 25: S/2; W/2 NE/4

Section 26: E/2

Section 35: NE/4 NE/4

Township 18 South, Range 31 East, N.M.P.M.

Section 30: SW/4

Eddy County, New Mexico

G E O L O G I C A L S U M M A R Y

The first production in the unit boundary was established in April, 1961, in the R. Q. Silverthorne #1 Keinath, located in Section 25, Township 18 South, Range 30 East, 400'FSL and 2140'FWL. This well was a workover of the well drilled by Moran Oil Production that was plugged and abandoned in 1959. Production was from the Seven Rivers formation.

In May, 1969, production was established in the Queen (Penrose) and Grayburg formations in the Hanson Oil Corporation Ginsberg Federal #3, located in Section 25, Township 18 South, Range 30 East, 660'FNL and 1650'FEL.

As a result of these two wells, sixteen (16) additional Seven Rivers and twelve (12) Queen-Grayburg producers were drilled in the proposed unit. Total production within the proposed unit has exceeded 1,400,000 BO with 1,000,000 BO from the Queen-Grayburg and 400,000 BO from the Seven Rivers formation. Presently, the proposed unit is producing a total of 72 BOPD and 31 MCFGPD, at a per well average of 2.4 BOPD and 1 MCFGPD, indicating that the wells are in the final phase of primary production.

As a result of the production decline, it was decided that the appropriate next step in conserving production in the proposed unit would be to institute secondary recovery operations. An analysis of the results of a Queen-Grayburg waterflood initiated in 1968 in Sections 19, 20, 21, 28, 29, 30, 31 and 32, Township 18 South, Range 31 East, just to the east of the proposed unit, confirmed this decision. Over-all, this waterflood resulted in an approximate 2:1 secondary to primary recovery ratio.

Because of the age of production, the stratigraphic nature of the traps and the less than diagnostic logs run in the area, a pragmatic criterion for determining the limits of the reservoirs to be flooded was used which was based on the assumptions that a dry hole meant there was no reservoir present in that well, and that in the producers the better production, the better the reservoir quality. The zones to be flooded include one zone in the Seven Rivers formation which we have designated the "C" Zone, one zone in the Queen formation which we have designated the "Third" Penrose Sand, and one zone in the Grayburg formation which we have designated the "Third" sand. The location of these zones are shown on the attached cross-sections. Analysis of the production histories of the wells in the proposed unit has shown that these zones have been the prime contributors to production. We have included the Seven Rivers, Queen and Grayburg formations in the unit, and therefore comply with the New Mexico Oil Conservation Division pool rules in the area.

The attached "Production With Permeability Limits" map shows that the Seven Rivers and Queen-Grayburg production are mutually exclusive, i.e. there is no overlap of their production. The boundaries are defined by dry holes and marginal wells. Analysis of the edge well response to flooding to the east resulted in the assumption that in our area a cumulative production of 15,000 BO or less would probably result in marginal response to flooding.

The Ginsberg Federal #3 and #4 are included in the unit because we plan to flood the wells by placing an injector in the Center W/2 W/2 NE/4 Section 25, Township 18 South, Range 30 East. The lease to the east of these wells has no flood value because it has already been flooded by the Shugart "D" #7 in Section 30, Township 18 South, Range 31 East as shown on the attached production histories. The Ginsberg Federal #3 And #4 have not responded to this flood placing the flood boundary to the east of our wells.

In view of the foregoing, it is apparent to this company that a waterflood recovery should be initiated immediately. By so doing, waste would be prevented and correlative rights protected in the area.

HANSON OPERATING COMPANY, INC.

Dated: 2/26/93


Gary Fitzsimmons, Geologist

GF:RW:bc
Attachments



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

April 11, 1994

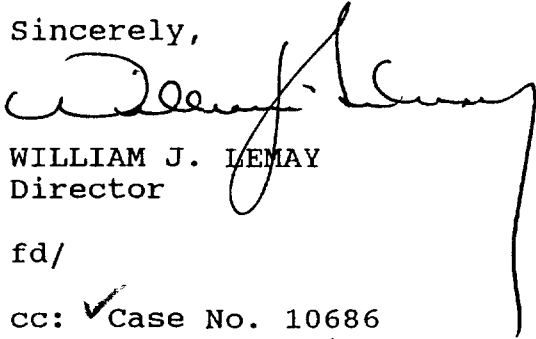
POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. William F. Carr
Campbell, Carr, Berge, & Sheridan
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Based upon the reasons stated in your letter of April 8, 1994, and in accordance with the provisions of Division Order No. R-9895, Hanson Operating Company, Inc. is hereby granted an extension of time in which to commence injection operations pursuant to said Order No. R-9895 until September 1, 1994.

Sincerely,


WILLIAM J. LEMAY
Director

fd/

cc: ✓ Case No. 10686
OCD - Artesia

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ
TANYA M. TRUJILLO

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 8, 1994

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

APR - 8 1994

Re: Oil Conservation Division Case No. 10686:
Application of Hanson Operating Company, Inc., For a Waterflood Project,
Eddy County, New Mexico

Dear Mr. LeMay:

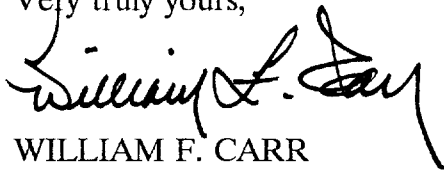
On May 19, 1993, the Division entered Order No. R-9895 in the above-referenced case granting the application of Hanson Operating Company, Inc., to institute a waterflood project in its Benson Shugart Waterflood Unit Area. Order Paragraph 17 provides that the injection authority granted by this Order will terminate one year after the effective date of Order No. R-9895 (May 19, 1994), if injection operations have not been commenced by that time. Another condition of the Order is that injection not commence until the Yates Petroleum Corporation Creek "AL" Well No. 10 has been properly cased and cemented or permanently plugged and abandoned in a manner approved by the Supervisor of the Division's Artesia Office (Order Paragraph 5).

Hanson has completed all work to enable it to commence injection but has been in negotiations with Yates Petroleum Corporation concerning the status of its Creek "AL" Well No. 10. Yates Petroleum Corporation has recently advised us it they will go forward with the required work on the Creek "AL" Well No. 10 in the immediate future. However, Hanson is concerned that this work may not be completed in time for Hanson to commence injection before May 19, 1994. Accordingly, pursuant to the provisions of Order Paragraph No. 17 of Order No. R-9895, Hanson hereby requests an extension of the time within which to commence injection operations pursuant to this Order through September 1, 1994.

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
April 8, 1994
Page 2

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

WILLIAM F. CARR
ATTORNEY FOR HANSON OPERATING COMPANY, INC.
WFC:mlh
cc: David Sweeney

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

January 14, 1994

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800



Hanson Operating Company, Inc.
Attention: David Sweeney, Drilling & Production Superintendent
P. O. Box 1515
Roswell, New Mexico 88202-1515

**RE: Case 10686 - Order No. R-9895 Benson Shugart Waterflood Unit
Project Area: Eddy County, New Mexico.**

Dear Mr. Sweeney:

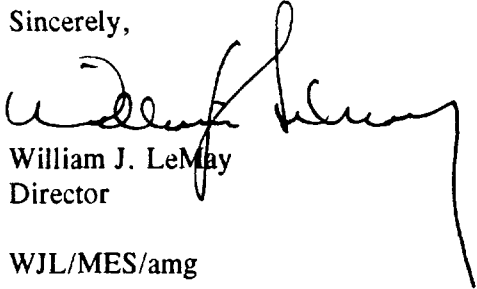
Per your letter dated January 3, 1994, it is the Division's understanding that the Benson Shugart Waterflood Unit Well No. 34, located 2310 feet from the South line and 2160 feet from the West line (Unit K) of Section 30, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, is to be utilized as a water source well for the subject project. Withdrawal of water from this well is to be from the Queen and Grayburg formations through the perforated interval from 3379 feet to 3614 feet.

This is a variance from the plan presented at the March 18, 1993 hearing in which Hanson proposed to utilize the Benson Shugart Waterflood Unit Well No. 26 (formerly named the Lanning Well No. 3), located in Unit "I", and the Benson Shugart Waterflood Unit Well No. 27 (formerly named the Lanning Well No. 4), located in Unit "P", both in Section 25, Township 25, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, as the only two "Seven Rivers" water source wells for said project. Any additional project water needed would come from the City of Carlsbad "fresh" Water System.

Utilizing the No. 34 well at this time would serve to alleviate the need to utilize fresh water as "make-up water" for said secondary recovery project.

The Division hereby approves of Hanson's proposal to recomplete its Benson Shugart Waterflood Unit Well No. 34, as described above, from a producing oil well to a "service well" for the purpose of supplying water to its Benson Shugart Waterflood Unit Project.

Sincerely,


William J. LeMay
Director

WJL/MES/amg

cc: Oil Conservation Division - Artesia
NM State Land Office - Santa Fe
US Bureau of Land Management - Carlsbad
File: Case No. 10686



OIL CONSERVATION DIVISION
RECEIVED

104 1994 4 8 50
STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

BRUCE KING
GOVERNOR

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE



ANITA LOCKWOOD
CABINET SECRETARY

May 2, 1994

Yates Petroleum
105 South Fourth Street
Artesia, New Mexico 88210

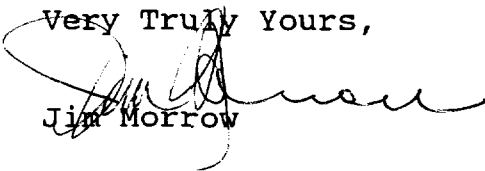
*CASE FILE-
10686*

Attention: Ms. Theresa Sloan

Dear Ms. Sloan:

As discussed with you by phone today, we are unable to approve your request of April 26, 1994 to defer work on your Creek AL Federal No.10.

Very Truly Yours,


Jim Morrow

CC: File
David Catanach - Santa Fe

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 26, 1994

New Mexico Oil Conservation Division
P. O. Drawer DD
Artesia, New Mexico 88211

APR 26 1994

Attention: Jim Morrow

Dear Mr. Morrow:

Yates Petroleum Corporation is requesting temporary exception to either plugging or casing and cementing the Creek AL Federal #10 located in P 23-18S-30E. This is per Order No. R-9895 which authorized Hanson Operating Company, Inc. to institute its Benson Shugart Waterflood Unit Project in Sections 25, 26 & 35-18S-30E. Hanson cannot commence injection into its Ginsberg Federal #17 located in A 26-18S-30E until Yates Petroleum's Creek AL #10 is either plugged or cased and cemented.

The attached plat shows the locations of the Yates Petroleum Creek AL Waterflood and the Hanson Operating Benson Shugart Waterflood. I spoke with you April 5th with respect to plugging the Creek AL #10 in a TA status due to a delay in initiating Yates' Creek AL Federal Waterflood because of oil prices. I have attached a copy of the sundry notice along with a schematic of the proposed P&A.

In order to temporarily plug the Creek AL #10 in this manner, it will cost \$7500. To rig up and drill out the cement plugs, it will cost an additional \$15,000. In the interest of conservation of resources and to prevent waste, Yates Petroleum Corporation respectfully requests exception to temporarily plugging the Creek AL #10 in this manner and propose the following.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.

NMLC028990B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Creek AL #10

9. API Well No.

30-015-20731

10. Field and Pool, or Exploratory Area

Shugart Yates Seven Rivers

11. County or Parish, State Queen

Eddy Co., NM

SUBMIT IN TRIPLICATE

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

YATES PETROLEUM CORPORATION

(505) 748-1471

3. Address and Telephone No.

105 South 4th St., Artesia, NM 88210

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

330' FSL & 330' FEL (SESE, Unit P) of Section 23-T18S-R30E

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Plug & Abandon with
TA Status
- ☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Verbal approval was obtained by Theresa Sloan, Engineer with Yates Petroleum Corporation, from Mr. Jim Morrow with the Oil Conservation Division in Artesia, on April 5, 1994, to plug and abandon with TA Status well. The reason being is that the waterflood has been delayed due to declining oil prices. Well needs to be plugged or cased and cemented due to NMOCD Order No. R-9895. Propose to leave in TA Status for 2 months to one year. Propose to plug and abandon by setting plugs as follows:

1. 3375-3275' (100') - tag plug.
2. 2945-2845' (100')
3. 1905-1805' (100')
4. 1800-1700' (100') (across 8-5/8" shoe) - tag plug.

NOTIFY BLM (887-6544) and OCD (748-1283) 24 HOURS PRIOR TO COMMENCING PLUGGING OPERATIONS!

14. I hereby certify that the foregoing is true and correct

Signed Rusty Allen

Title Production Clerk

Date April 7, 1994

(This space for Federal or State office use)

Approved by _____

Title _____

Date _____

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

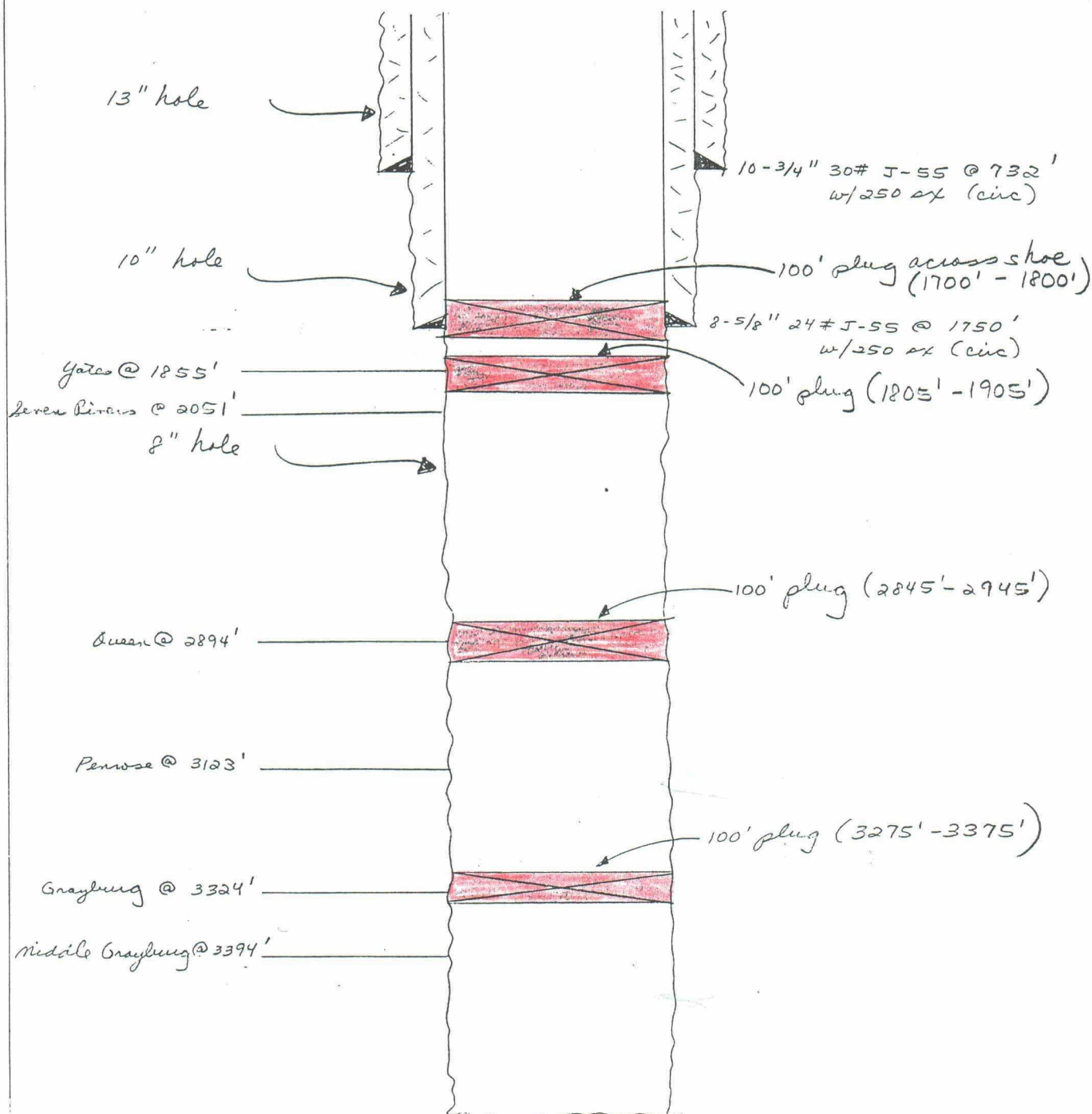
4/5/94 (E)

330' FSL & 330' FEL

DF - 3495'

STATUS- TA

PROPOSED WELL CONDITION
P&A in TA STATUS



TD-3519' - Completion Report
TD-3525' - Drilling Chronological

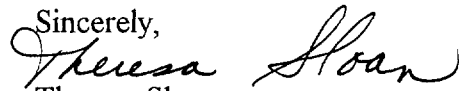
42-381	50 SHEETS EYE-EASE®	5 SQUARE
42-382	100 SHEETS EYE-EASE®	5 SQUARE
42-389	200 SHEETS EYE-EASE®	5 SQUARE
42-392	100 RECYCLED WHITE	5 SQUARE
42-399	200 RECYCLED WHITE	5 SQUARE

Ex-National[®] Brand

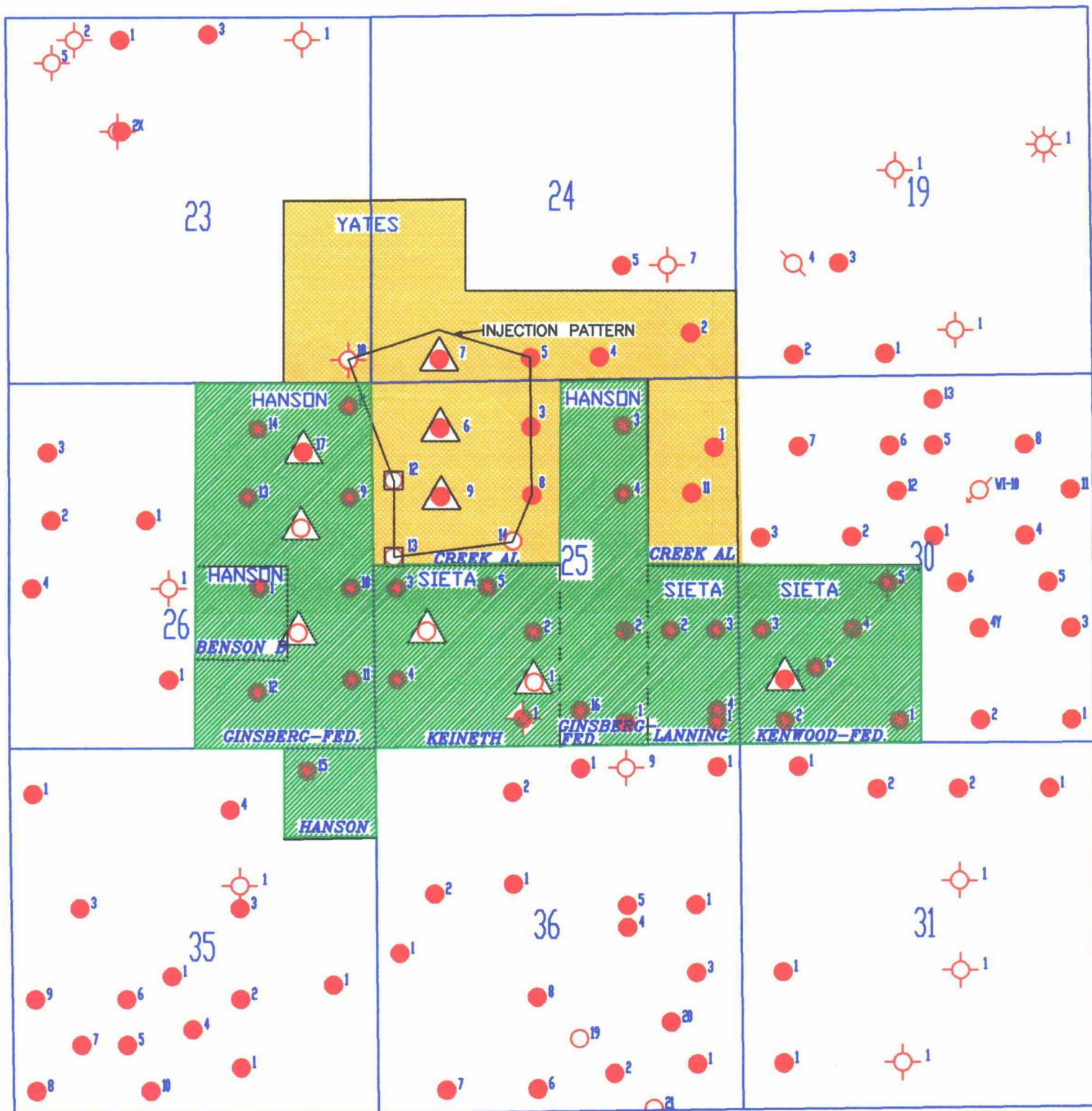
NMOCD
Jim Morrow
Page 2

We propose to run tubing in the hole and clean out the hole. The tubing will be placed at +2300'. We would monitor the pressure at the surface. At the first indication of a response, we would commit to immediately either permanently plug and abandon or case and cement the well. We want to be careful in making the correct decision on this well and conserve our resources.

Please advise us of your decision. Thank you for your consideration.

Sincerely,

Theresa Sloan
Petroleum Engineer

Enclosures



INJECTION WELLS



APPROVED LOCATIONS



NEW LOCATIONS



AREA PLAT
PROPOSED WATERFLOOD
SHUGART FIELD

SEC. 23,24,25 T18S - R30E
EDDY COUNTY, NEW MEXICO

DRAFT\A93010 JF

EXHIBIT 2

12/6/93 revised
SCALE 1"=2000'