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February 5, 2008

Hand-Delivered

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

Re: *NMOCD Case No. 14094: Application of Arena Resources, Inc. to Amend Order
No. R-11980-A Authorizing Injection of Water in the East Hobbs San Andres Unit,
Lea County, New Mexico*

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Dear Ms. Davidson:

Enclosed for filing are the original and two copies of the Application in the above-referenced matter. On behalf of Koch Exploration Company, LLC, we request that this Application be set for hearing on the March 6, 2008 examiner hearing docket.

Enclosed in hard-copy and on disk is a proposed advertisement for the case.

Thank you.

Very truly yours,

MILLER STRATVERT, PA



J. Scott Hall

JSH/kfh

Enclosures: As stated

S:\Clients\12629\40222 East Hobbs San Andres Unit\Correspondence\Davidson 2-05-08.doc

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

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**IN THE MATTER OF THE APPLICATION OF ARENA
RESOURCES, INC. TO AMEND ORDER NO. R-11980-A
AUTHORIZING INJECTION OF WATER IN THE EAST
HOBBS SAN ANDRES UNIT, LEA COUNTY, NEW MEXICO**

CASE NO. 14084

APPLICATION

Applicant, Arena Resources, Inc., through its undersigned attorneys, Miller Stratvert P.A., (J. Scott Hall) hereby makes application for an order amending Order No. R-11980-A authorizing the injection of fresh water into the San Andres formation, East Hobbs San Andres Pool (32300), for use in enhanced recovery operations being conducted in the East Hobbs San Andres Unit. In support thereof, Applicant would show the Division:

1. Applicant is the successor Operator of the East Hobbs San Andres Unit, the Unit Area of which is comprised of approximately 920 acres of State of New Mexico and fee lands located in Lea County, New Mexico, described as follows:

Township 18 South, Range 39 East, NMPM

Section 29: SW/4, SW/4 NW/4
Section 30: S/2, S/2 N/2
Section 31: N/2 N/2
Section 32: N/2 NW/4

2. The East Hobbs San Andres Unit was originally approved by the Oil Conservation Commission on November 14, 2003 by Order No. R-11980-A. The Unitized Formation under the Unit Agreement includes that interval extending from 50 feet above the top of the San Andres formation to a point 50 feet below the base of the P-5 marker in the San

Andres formation underlying the Unit Area. The Unit, as approved, was formed for the purposes of conducting pressure maintenance and secondary recovery operations in the Unit Area.

3. Injection operations are currently being conducted in the San Andres formation between the depths of 4450' and 4650', through the following five wells:

<u>Well Name & No.</u>	<u>API Number</u>	<u>Location</u>
East Hobbs Unit No. 109	30-025-07954	Unit H Section 30 T18S-R39E
East Hobbs Unit No. 502	30-025-07948	Unit L Section 30 T18S-R39E
East Hobbs Unit No. 504	30-025-34610	Unit K Section 30 T18S-R39E
East Hobbs Unit No. 715	30-025-07943	Unit N Section 29 T18S-R39E
East Hobbs Unit No. 905	30-025-07960	Unit B Section 31 T18S-R39E

Order No. R-11980-A also provides for the administrative approval of additional injection wells pursuant to Rule 701.F(3).

4. Decretal paragraph 8 of Order No. R-11980-A authorized the Unit Operator to inject produced water into the Unitized Formation through the referenced injection wells. Decretal paragraph 9 of the Order specified that “[n]o fresh water shall be used as make-up water or otherwise injected.” The Order does not contain adequate findings supporting the restriction of decretal paragraph 9 and the evidentiary basis for the provision is not apparent in the record. (See *Case No. 13041, Application of Enerquest Resources LLC for Approval of a Waterflood Project and Qualification of the Project Area for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act*; *Case No. 13042, Application of Enerquest Resources LLC for Statutory Unitization, Lea County, New Mexico.*)

5. Applicant has determined that in the course of expanding production and injection operations within the Unit Area, volumes of produced water available for injection will be insufficient to maintain efficient pressure maintenance pressures in the unitized intervals.

Applicant has available to it sources of fresh water which it seeks to inject as "make-up" water until such time as production of produced water increases to volumes sufficient to satisfy the requirements of the pressure maintenance project.

7. Authorization to expand currently approved injection and pressure maintenance operations either vertically or horizontally is not sought by this Application. Neither does the Applicant seek to amend the injection pressure limitations or any of the other operating provisions set forth in Order No. R-11980-A.

8. Granting this Application will result with reasonable probability in the increased recovery of substantially more oil and/or gas from the Unit Area than would otherwise be recovered if Applicant is not permitted to temporarily utilize injection water from alternative sources to augment the insufficient volumes of produced water.

8. Granting the relief requested in this Application will also benefit the working interest owners and the royalty owners in the Unit Area, and is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant Arena Resources, Inc. requests that this Application be set for hearing before one of the Division's examiners on March 6, 2008 and that after notice and hearing, the Division enter its order granting the relief requested above.

MILLER STRATVERT P.A.

By: _____

J. Scott Hall

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Case 14094: Application of Arena Resources, Inc. to Amend Order No. R-11980-A Authorizing Injection of Water in the East Hobbs-San Andres Unit, Lea County, New Mexico. Applicant seeks amendment of Order No. R-11980-A to authorize the injection of fresh water into the San Andres formation, East Hobbs San Andres Pool (32300), for use in enhanced recovery operations being conducted in the East Hobbs San Andres Unit. The Unit is comprised is comprised of approximately 920 acres of State of New Mexico and fee lands described as follows:

Township 18 South, Range 39 East, NMPM

Section 29: SW/4, SW/4 NW/4

Section 30: S/2, S/2 N/2

Section 31: N/2 N/2

Section 32: N/2 NW/4

The Unit is located approximately one-half mile east of Hobbs, New Mexico.

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