STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

December 6, 1982

HARVEY E. YATES CO.
P.O. Box 1933
Suite 300
Security National Bank Bldg.
Roswell, NM 88201

ATTENTION: Thomas J. Hall

RE: Travis Penn Unit
1983 Plan of Operation
Eddy County, NM

Dear Mr. Hall:

The above referenced submittal has been approved by the New Mexico Oil Conservation Division effective this date. Such approval is contingent upon like approval by the New Mexico Commissioner of Public Lands and the United States Minerals Management Service.

Sincerely,

Roy E. Johnson
Petroleum Geologist

REJ/dp

cc: Commissioner of Public Lands - Santa Fe
Minerals Management Service - Albuquerque
OCD District Office

Case # 7391
R # 6947

HEYCO **HARVEY E. YATES COMPANY**

PETROLEUM PRODUCERS

P. O. BOX 1933 SUITE 300, SECURITY NATIONAL BANK BUILDING 505/623-6601

ROSWELL, NEW MEXICO 88201

November 19, 1982

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

RE: 1983 Plan of Operation
Travis Penn Unit
No. 14-08-0001-19575
T-18S, R-28E, N.M.P.M.
Eddy County, New Mexico

Gentlemen:

Pursuant to Section 11 of the Travis Penn Unit Agreement, Harvey E. Yates Company, as Unit Operator, hereby submits this 1983 Plan of Operation.

Currently, in accordance with the proposed Plan of Operation dated April 2, 1982, we are injecting 900 BBLs of water per day at 1200 psi into the Travis Upper Penn Pool through the single injection well, Travis Penn Unit #5, located 1780' FSL and 2080' FWL of Section 13, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. A total of 127,932 BBLs had been injected at a steady rate and pressure by the end of October.

To date, we have been unable to detect any response to the water injection program. Any additional drilling or any expansion of the program will depend on the response to the flood. We plan to continue the current rate of injection until a response has been detected and evaluated.

Sincerely,

Thomas J. Hall, III
Attorney

TJH/jft

Robert H. Strand, P.A.

Attorney at Law

Practice Limited to Oil and Gas Law

Telephone (505) 624-0251
Suite 124 - Petroleum Building
Roswell, New Mexico 88201

Please Reply To: P.O. Box 2541

April 9, 1982

Mr. Richard Stamets
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 7391

Dear Mr. Stamets:

Enclosed is the original and one copy of a proposed Order in the above reference case.

If you have any questions, please let me know.

Yours truly,

Robert H. Strand

RHS/bjt
encls

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7391
Order No. _____

APPLICATION OF HARVEY E. YATES COMPANY
FOR STATUTORY UNITIZATION,
EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 14, 1981, at Santa Fe, New Mexico, before the Examiner Richard L. Stamets.

NOW, on this _____ day of _____, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice has been given as required by law, the Division has jurisdiction of this case and cause of action and the subject matter hereof.

(2) That the applicant, Harvey E. Yates Company , seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21, NMSA 1978, of 480.00 acres, more or less, being a portion of the Travis upper Penn Pool, Eddy County, New Mexico, said portion to be known as the Travis Penn Unit Area; that applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as applicant's Exhibits No. 1 and 2 in this case.

(3) That the proposed unit area should be designated the Travis Penn Unit Area, and the horizontal limits of said unit area should be comprised of the following described lands:

Township 18 South, Range 28 East, NMPM
Section 12: S/2 SE/4
Section 13: N/2, N/2 SW/4

(4) That the vertical limits of said Travis Penn Unit Area should comprise a portion of the Cisco-Canyon formation of Pennsylvanian age as found from a depth of 9,815 feet to a depth of 9,935 feet, on the CNL Density Radioactive log run June 23, 1977 in the Travis Deep Unit Well No. 2, located 1980 feet from the North line and 1780 feet from the East line of Section 13, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(5) That the portion of the Travis Upper Penn Pool proposed to be included in the aforesaid Travis Penn Unit Area has been reasonably defined by development.

(6) That the applicant proposes to institute a water flood project for the secondary recovery of oil, gas, gaseous substances, sulfur contained in gas, condensate, distillate and all associated and constituent liquid or liquifiable hydrocarbons within and to be produced from the proposed unit area, which water flood project is the subject of Case No. 7320 and Order No. R-6765 entered therein on August 18, 1981.

(7) That the proposed enhanced recovery operations should result in the additional recovery of approximately 415,500 thousand barrels of oil.

(8) That the unitized management, operation and further development of the Travis Penn Unit Area, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(9) That the proposed unitized method of operation as applied to the Travis Penn Unit Area is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

(10) That the estimated additional investment costs of the proposed enhanced recovery operations are $1,995,000.

(11) That the estimated additional costs of the proposed operations (as described in Finding No. (10) above) will not exceed the estimated value of the additional oil and gas plus a reasonable profit.

(12) That the applicant, the designated Unit Operator pursuant to the Unit Agreement and the Unit Operating Agreement, has made a good faith effort to secure voluntary unitization within the Travis Penn Unit Area.

(13) That Holly Energy, Inc. has declined to voluntarily join the unit, but has not notified the applicant with any particularity of the basis of its non-joinder.

(14) That the Technical Report introduced as applicant's Exhibit No. 6 in Case No. 7320 was prepared by the applicant's Consultant Reservoir Engineer.

(15) That applicant and said Engineer met with the parties owning working interests under the proposed unit area in February, 1981, and all parties were given an opportunity to discuss the above described technical report and the proposed Unit Agreement and Operating Agreement.

(16) That Holly Energy, Inc. was represented at such meetings, and its representative did not dispute the findings of such report or object to the terms of the proposed Unit Agreement and Unit Operating Agreement.

(17) That the participation formula contained in the unitization agreement allocates the produced and saved unitized substances to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

(18) That unitization and the adoption of the proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Travis Penn Unit Area.

(19) That the granting of the application in this case will have no adverse effect upon other portions of the Travis Penn Unit Pool.

(20) That applicant's Exhibits Nos. 1 and 2 in this case, being the Unit Agreement and the Unit Operating Agreement, re-

spectively, should be incorporated by reference into this Order.

(21) That the Travis Penn Unit Agreement and the Travis Penn Unit Operating Agreement provide for unitization and unit operation of the Travis Penn Unit Area upon terms and conditions that are fair, reasonable and equitable and which include:

(a) an allocation to the separately owned tracts in the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;

(b) a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;

(c) a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately owned tracts and how said costs shall be paid including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay his share of the costs of unit operations shall be charged to such owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;

(d) a provision designating the Unit Operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substituation of an operator from among the working interest owners to conduct the unit operations;

(e) a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and

(f) the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination;

(22) That the proposed Unit Operating Agreement shall, upon entry of this Order, be deemed to include the following provisions relating to carrying any working interest owner on a limited, carried or net profits basis, payable out of production:

OPERATIONS BY LESS THAN ALL WORKING INTEREST OWNERS: If all the working interest owners cannot mutually agree upon the drilling of any well on the Unit Area, or upon the re-working, deepening or plugging back of a dry hole drilled at the joint expense of all such working interest owners or a well jointly owned by all the working interest owners and not then producing in paying quanitities (i.e., in quantities sufficient to pay the costs of producing same) on the Unit Area, or any other operations on the Unit Area, any working interest owner or owners wishing to drill, re-work, deepen or plug back such a well or conduct other proposed operations, may give the other working interest owners written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The working interest owners receiving such a notice shall have thirty (30) days (except that as to re-working, plugging back or drilling deeper, where a drilling rig is on location, the notice shall be given by telegram, and the period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday or holidays) after receipt of the notice within which to notify the working interest owners wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a working interest owner receiving such a notice to so reply to it within the period above fixed shall constitute an election by that working interest owner not to participate in the cost of the proposed operation.

If any working interest owner receiving such a notice elects not to participate in the proposed operation (such working interest owner or owners being hereafter referred to as "Non-Consenting Working Interest Owners"), then in order to be entitled to the benefits of this section, the working interest owner or owners giving the notice and such other working interest owners as shall elect to participate in the op-

eration (all such working interest owners being referred to hereafter as the "Consenting Working Interest Owners") shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be), actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Working Interest Owners in the proportions that their respective interests, as shown on Exhibit "C" to said Unit Operating Agreement, bears to the total interest of all Consenting Working Interest Owners. Consenting Working Interest Owners shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Working Interest Owners. If such an operation results in a dry hole, the Consenting Working Interest Owners shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, re-worked, deepened or plugged back under the provisions of this Section results in a producer of oil and/or gas in paying quantities (i.e., in quantities sufficient to pay the cost of producing same), the Consenting Working Interest Owners shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Unit Operator and shall be operated by it at the expense and for the account of the Consenting Working Interest Owners. Upon commencement of operations for the drilling, re-working, deepening or plugging back of any such well or other operations by Consenting Working Interest Owners in accordance with the provisions of this Section, each Non-Consenting Working Interest Owner shall be deemed to have relinquished to Consenting Working Interest Owners, and the Consenting Working Interest Owners shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Working Interest Owner's interest in the Unit, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interest pay-

able out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) One hundred percent (100%) of each such Non-Consenting Working Interest Owner's share of the cost of any newly acquired surface equipment beyond wellhead conneactions (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus one hundred percent (100%) of each such Non-Consenting Working Interest Owner's share of the cost of such operating commencing with first production and continuing until each such Non-Consenting Working Interest Owner's relinquished interest shall revert to it under the provisions of this Section, it being agreed that each Non-Consenting Working Interest Owner's share of such cost and equipment will be that interest which would have been chargeable to each Non-Consenting Working Interest Owner had all participated in the well from the beginning of the operation. In addition, the unpaid balance of such amount, shall bear interest at a rate equal to the prime rate plus two percent (2%) per annum.

(b) Three hundred percent (300%) of that portion of the costs and expenses of drilling, re-working, deepening or plugging back, testing and completing, after deducting any cash contributions received, and three hundred percent (300%) of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connenctions) which would have been chargeable to such Non-Consenting Working Interest Owners if all had participated therein.

Within sixty (60) days after the completion of any operation under this Section, the working interest owner conducting the operations for the Consenting Working Interest Owners shall furnish each Non-Consenting Working Interest Owner with an inventory of the equipment utilized, and an itemized statement of the cost of such operations, or, at its option,

the operating party, in lieu of an itemized statement of such cost of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Working Interest Owners are being reimbursed as provided above, the Consenting Working Interest Owners shall furnish the Non-Consenting Working Interest Owners with an itemized statement of all costs and liabilities incurred in such operations, together with a statement of quantity of unitized substances produced from the Unit and the amount of proceeds realized from the sale of working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Working Interest Owner had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Working Interest Owner shall revert to it as above provided, if there is a credit balance, it shall be paid to such Non-Consenting Working Interest Owner.

If and when the Consenting Working Interest Owners recover from a Non-Consenting Working Interest Owner's relinquished interest, in the amounts provided for above, the relinquished unit interest of such Non-Consenting Working Interest Owner shall automatically revert to it and from and after such reversion such Non-Consenting Working Interest Owner shall own the same interest, and the production therefrom as such Non-Consenting Working Interest Owner would have owned had it participated in the non-consent operations. Thereafter, such Non-Consenting Working Interest Owner shall be charged with and shall pay its proportionate part of the further cost of the operations in accordance with the terms of this Agreement and the Accounting Procedure Schedule, Exhibit "D", attached to said Agreement.

(23) That the statutory unitization of the Travis Penn Unit Area is in conformity with the above findings, and will prevent waste and protect the correlative rights of all owners of interest within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the Travis Penn Unit Area, comprising 480.00 acres, more or less, in the Travis Upper Penn Pool, Eddy County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization act, Sections 70-7-1 through 70-7-21 NMSA 1978.

(2) That the lands included within the Travis Penn Unit Area shall be comprised of:

Township 18 South, Range 28 East, NMPM
Section 12: S/2 SE/4
Section 13: N/2, N/2 SW/4

and that the above described lands shall be designated as the Travis Penn Unit Area.

(3) That the vertical limits of said Travis Penn Unit Area shall comprise a portion of the Cisco Canyon formation of Pennsylvanian age as found from a depth of 9,815 feet to a depth of 9,935 feet on the CNL Density Radioactive log run June 23, 1977, in the Travis Deep Unit Well No. 2, located 1980 feet from the North line and 1780 feet from the East line of Section 13, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(4) That the applicant shall institute a water flood project for the secondary recovery of oil, gas, gaseous substances, sulfur contained in gas, condensate, distillate and all associated and constituent liquid or liquified hydrocarbons within and produced from the unit area, and said water flood project is the subject of Case No. 7320 and Order No. R-6765 entered therein on August 18, 1981.

(5) That the Travis Penn Unit Agreement and the Travis Penn Unit Operating Agreement, as amended above, are approved and adopted and incorporated by reference into this Order subject to compliance with the appropriate ratification provisions of Section 70-7-8, NMSA 1978.

(6) That when the persons owning the required percentage of interest in the unit area have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the unit area are unitized whether or not

such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(7) That the applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the unit area.

(8) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY, Director

S E A L

HOLLY
ENERGY, INC.
2600 Diamond Shamrock Tower
717 North Harwood Street
Dallas, Texas 75201
Executive Offices
Phone: (214) 651-0311
Telecopy: (214) 651-0105

October 20, 1981

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Harvey E. Yates Company for Statutory Unitization of Travis Penn Unit, Case No. 7391

Gentlemen:

We are the owners of a 7.077366% interest in the subject unit, embracing 480 acres in part of Sections 12 and 13, Township 13 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. Six wells are included in this secondary recovery unit and participation was based solely upon net feet of pay with porosity above 4%. We have no objection to the participation factors for the wells now located within the unit.

The applicant has furnished us with a copy of the unit agreement and unit operating agreement, and when the burdens on our lease shown in the exhibit have been changed and certain other minor corrections in the unit agreement have been made, we will be glad to either sign or ratify the agreement. We believe the formation of this secondary recovery unit is in the interest of conservation and will recover oil that would not otherwise be recovered.

We are the operator of two wells completed in the proposed unitized formation and offsetting the unit area. These wells are the State "B-14" Com. No. 1 located in the S/2 SE/4 of Section 14, dually completed on September 19, 1980, in the Morrow formation as a gas well and in the Upper Penn as an oil well, and the Cowtown-Loyd No. 1 in the N/2 SE/4 of Section 14, completed as an Upper Penn well on April 13, 1981. These are high gas-oil ratio wells and because of delays in getting a satisfactory gas connection, the "B-14" was not put on production until February 13, 1981 and we have just now signed the contract for the Cowtown-Loyd well.

We assume that in due time applicant will propose to expand the unit area to include these wells. As indicated by the production dates, these wells still have considerable unrecovered primary

reserves. We are concerned that if these wells are subsequently included within the unit area prior to the time the primary reserves are recovered under the same participation formula, the correlative rights of the parties owning an interest in the wells will not be protected.

We desire to go on record in favor of the proposed secondary unit with the caveat that if the two above mentioned wells are proposed to be included within the unit area prior to depletion of their primary reserves, a change in the participation formula should be made to protect correlative rights.

Respectfully submitted,

HOLLY ENERGY, INC.

By: W H Bayless
Vice President