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ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505

746-3508

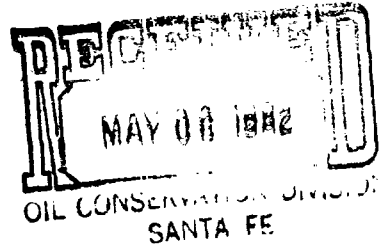
A. J. LOSEE

JOEL M. CARSON

CHAD DICKERSON

DAVID R. VANDIVER

May 4, 1982



Mr. Joe D. Ramey, Director  
Oil Conservation Division  
Energy and Minerals Department  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed for filing, please find three copies of Yates Drilling Company's Application for the Compulsory Unit Operation of a Pool, South Loco Hills (Grayburg) Unit Area, Eddy County, New Mexico.

We ask that you set the above application for hearing before an examiner and furnish us with a docket of said hearing. We would also appreciate your docketing the hearing for authority to inject water required by Rule 701. Our application pursuant to that rule will be filed not later than 10 days before the date set for hearing.

Thank you.

Sincerely yours,

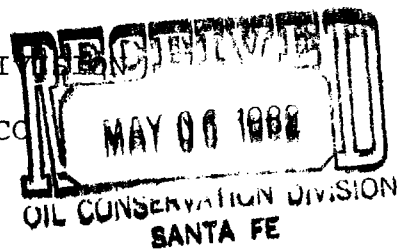
LOSEE, CARSON & DICKERSON, P.A.

Chad Dickerson

CD:pvr  
Enclosures

cc: Mr. Dave Boneau  
Mrs. Kathy Colbert

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF :  
YATES DRILLING COMPANY FOR THE COM- :  
PULSORY UNIT OPERATION OF A POOL, :  
SOUTH LOCO HILLS (GRAYBURG) UNIT :  
AREA, EDDY COUNTY, NEW MEXICO :

Case No. 7596

1060.07  
acres

APPLICATION

COMES NOW Yates Drilling Company, by its attorneys, pursuant to Section 70-7-1, et seq., N.M.S.A. 1978, and requests that the Division enter an order for the compulsory unit operation of a pool, and in support hereof, states:

1. A description of the proposed unit area is given on the plat thereof attached hereto as Exhibit "A". The vertical limits of the area so unitized is defined as that stratigraphic interval underlying the unit area extending from the top of the Grayburg formation to thirty (30) feet below the base of the Loco Hills Sand formation, said interval being more specifically the equivalent of the continuous interval occurring between the depth of 2,272 feet and 2,429 feet as shown on the Schlumberger Well Surveying Corporation Gamma Ray-Neutron log run on July 21, 1961, in S. P. and Martin Yates Alscott Federal No. 1 Well, located 660 feet from the north line and 660 feet from the east line of Section 30, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico. Said log was measured from a kelly bushing elevation of 3,517 feet above sea level.

2. The reservoir involved in the application has been reasonably defined by development.

3. Yates Drilling Company, as operator, proposes to conduct a secondary recovery program for the unit area, consisting of injection of water under pressure, to be conducted in two stages, for the secondary recovery of oil and gas.

4. A copy of the proposed plan of unitization, which the applicant considers fair, reasonable and equitable, is attached hereto as Exhibit "B".

5. A copy of a proposed operating plan covering the manner in which the unit will be supervised and managed, and costs allocated and paid, is attached hereto as Exhibit "C".

6. The unitized management, operation and further development of the oil or gas pool is reasonably necessary in order to effectively carry on secondary recovery operations to substantially increase the ultimate recovery of oil and gas from the pool or the unitized portion thereof.

7. That secondary recovery methods of operations as applied to such pool or portion thereof is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool or unitized portion thereof than would otherwise be recovered.

8. That the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit.

9. That such unitization and adoption of such unitized methods of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the pool or portion thereof directly affected.

10. That the operator has made a good faith effort to secure voluntary unitization within the pool or portion thereof directly affected.

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

12. The ratification or approval of operator's plan of operation by the owners required to so ratify by Section 70-7-8, N.M.S.A. 1978, and by the United States Minerals Management Service, will be forthcoming prior to the effective date of any order issued pursuant to this application by the Division.

WHEREFORE, applicant prays that this matter be set for hearing and, upon hearing, the Division enter its order approving operator's unit agreement for compulsory unit operation of the South Loco Hills (Grayburg) Unit hereinabove defined, within the vertical limits hereinabove set forth; making provision for the matters prescribed by Sections 70-7-7 and 70-7-8, N.M.S.A. 1978, and for such other and further relief as to the Division seems proper.

YATES DRILLING COMPANY

By:   
Chad Dickerson

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Attorneys for applicant