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RECOGNIZED SPECIALIST IN THE AREA OF  
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JASON KELLAHIN (RETIRED 1991)

April 9, 1996

**HAND DELIVERED**

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APR 9 1996

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Oil Conservation Division

11522

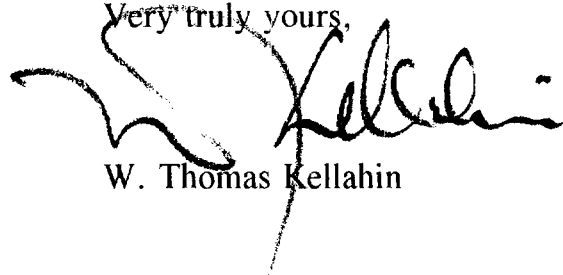
Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**Re: Application of Phillips Petroleum Company  
for approval of its State-35 Unit Agreement,  
Lea County, New Mexico**

Dear Mr. LeMay:

On behalf of Phillips Petroleum Company, please find enclosed our application for approval of its State-35 Unit Pressure Maintenance Project which we request be set for hearing on the Examiner's docket now scheduled for May 2, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Phillips Petroleum Company  
Attn: Larry Hollenbeck

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Oil Conservation Division

### PROPOSED ADVERTISEMENT

CASE 11522 Application of Phillips Petroleum Company for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of its proposed State-35 Unit for a tertiary recovery project for an area comprising 560 acres, more or less, of state lands consisting of portions of Section 35, T17S, R34E, NMPM. Said unit is located approximately 2 miles southwest from Buckeye, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF PHILLIPS PETROLEUM COMPANY FOR  
APPROVAL OF ITS STATE-35 UNIT,  
LEA COUNTY, NEW MEXICO**

CASE NO. 11522

**A P P L I C A T I O N**

Comes now PHILLIPS PETROLEUM COMPANY, by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order approving its proposed State-35 Unit, a voluntary enhanced tertiary oil recovery project in the Vacuum Grayburg-San Andres Pool, for an area comprising 560 acres, more or less, of State of New Mexico oil and gas leases in portions of Section 35, T17S, R34E, Lea County, New Mexico, and in support states:

(1) Phillips Petroleum Company, is a Delaware corporation authorized to transact business in the State of New Mexico, and is engaged in the business of, among other things, producing and selling oil and gas.

(2) Phillips Petroleum Company is the proposed operator of a voluntary enhanced oil recovery unit to be called the "State-35 Unit."

(3) The proposed area for which application is made for unitized operations is known as the "State-35 Unit" and consists entirely of State of New Mexico oil & gas leases located in Lea County, New Mexico and comprises 560 acres, more or less, identified as the "Unit Area" on Exhibit "A" attached and being the following described area:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 35: N/2; SE/4; and E/2SW/4

(4) The "Unitized Formation" shall mean that stratigraphic interval underlying the Unit Area found between the top of the Grayburg formation to the base of the San Andres formation in the Vacuum Grayburg-San Andres Pool extending from a measured depth of 4,000 feet (+21') to 4,950' (-929') in the Hale Well No. 8 located 650 feet FSL and 560 feet FEL of Section 35, T17S, R34E as recorded on the Lane Wells Acoustic Log of said well dated March 12, 1964.

(5) The Unitized Formation included within the Unit Area has been reasonably defined by development.

(6) Phillips Petroleum Company proposes to institute an enhanced oil recovery project for the tertiary recovery of oil and gas from the Unitized Formation within the Unit Area.

(7) The proposed plan of unitization is embodied in the Unit Agreement is fair, reasonable and equitable.

(8) The proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid is embodied in the Unit Operating Agreement.

(9) Phillips Petroleum Company projects that the unitized management, operations and further development of the Unitized Formation within the Unit Area will increase reserves by approximately 7.122 MMSTBO and will improve the producing rate of this reservoir. It is therefore evidence that the unitized management, operations and further development of the Unitized Formation is reasonably necessary in order to effectively carry on enhanced oil recovery operations to substantially increase the ultimate recovery of oil and gas from the Unitized Formation within the Unit Area.

(10) The Unitized Formation within the Unit Area constitutes a reasonable geologic area to be effectively and efficiently developed by enhanced oil recovery operations.

(11) The method of operation which is proposed in the Unit Operating Agreement is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the Unitized Formation than would otherwise be recovered.

(12) The estimated additional costs of conducting unitized operations will not exceed the estimated value of the additional oil and gas to be recovered.

(13) The proposed unitization and adoption of the methods of operation embodied in the Unit Operating Agreement will benefit the working interest owners and royalty owners of the oil and gas rights within the Unitized Formation of the Unit Area.

(14) Applicant has filed for preliminary approval from the Commissioner of Public Lands of New Mexico for the Unit.

(15) Phillips Petroleum Company has made a good faith effort to secure voluntary unitization within the Unitized Formation of the Unit Area and has obtained the approval of the Unit from a sufficient percentage of the interest owners so that the unit operations will be orderly and efficient and therefore will avoid waste and protect correlative rights.

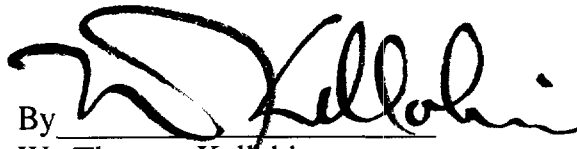
(16) Applicant has obtained the approval for the unit from 100% percentage of the working interest owners so that the unit operations will be orderly and uniformly develop the area and therefore will avoid waste and protect correlative rights

Phillips Petroleum Company  
NMOCD Application  
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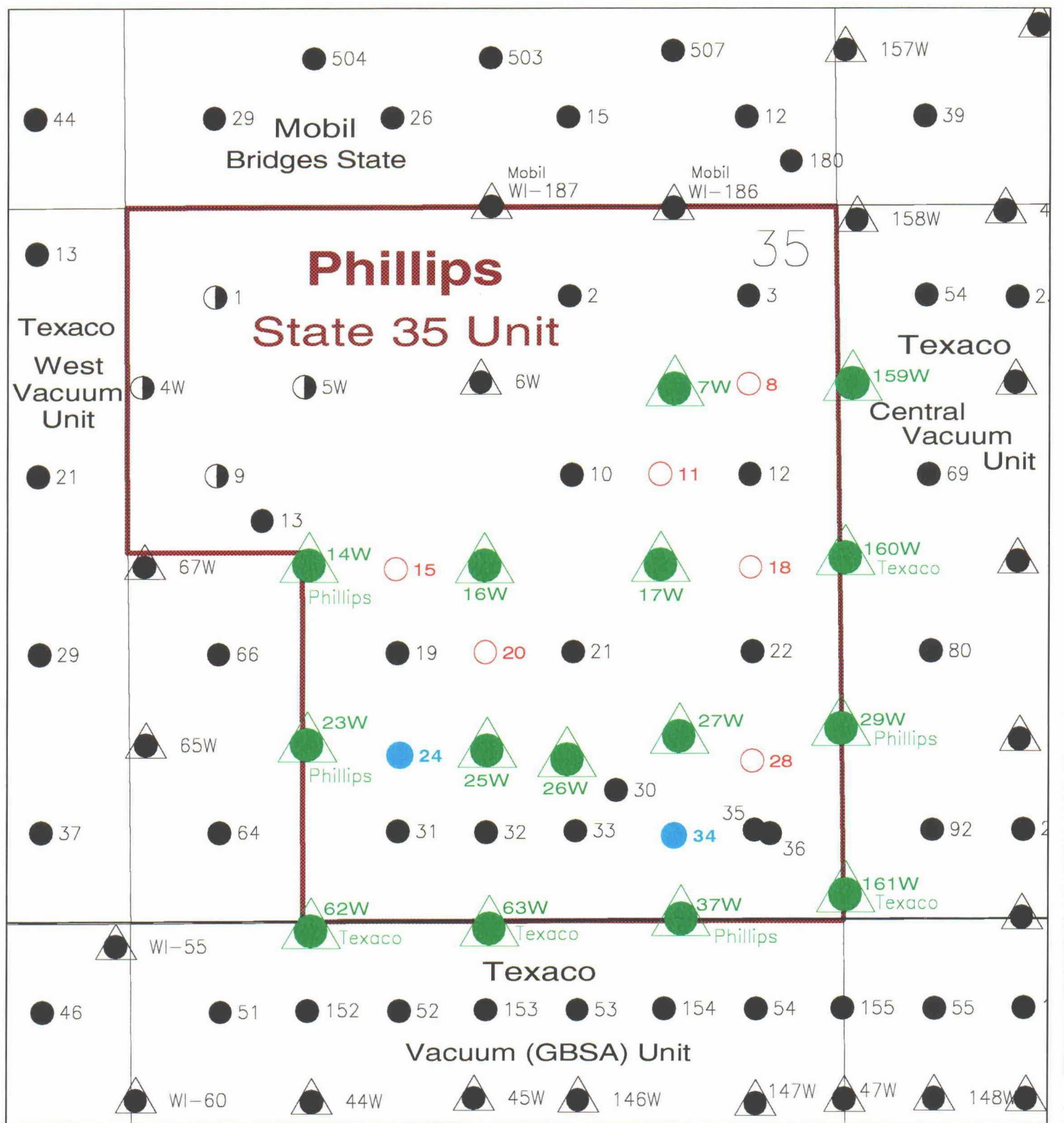
(17) The participation formula contained in the Unit Agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis, and protects the correlative rights of all owners of interests within the Unit Area.

WHEREFORE, Phillips Petroleum Company requests that this application be set for hearing on May 2, 1996 before the Division's Examiner and that the Division enter its order approving the Unit Agreement and Unit Operating Agreement and providing for the unitized management, operations and further development of the Unitized Formation within the Unit Area in accordance with the Act.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin", written over a horizontal line.

By  
W. Thomas Kellahin  
Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
phone (505) 982-4285



#### LEGEND

- New Producers
- ▲ WAG Injectors (Large Triangles)
- Producers
- ▲ Water Injectors (Small Triangles)
- TA'd



200 0 200 400 600 800 1000 feet

#### Phillips Petroleum

Proposed State 35 Unit  
New Well Numbering  
Lea County, New Mexico

For: NMET

03-Apr-96

Graf: J.S.McCollum

Scale 1:12,000

haleunit.gpf