



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM101361X
3180 (06200)

St. Mary Land & Exploration Company
Attention: B. Lynne Ellison
1776 Lincoln Street, Suite 1100
Dallas, TX 80203-1080
Denver, CO
Gentlemen:

FEB 16 1999

Your application of January 11, 1999, filed with the BLM requests the designation of the East Shugart (Delaware) Unit area, embracing 604.12 acres, more or less, Eddy and Lea Counties, New Mexico, as logically subject to secondary recovery 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 Exhibit A, St. Mary Land & Exploration Company, East Shugart (Delaware) Unit, Eddy and Lea Counties, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM101361X. This designation is valid for a period from one year from the date of this letter.

Waterflooding will be limited to the following interval: That interval underlying the Unit Area, the vertical limits of which extend from an upper limit described as the top of the Brushy Canyon Formation of the Delaware Mountain Group to the stratigraphic equivalent of 5600 feet within the Delaware Brushy Canyon Formation as determined by the Geronimo Federal No. 3 well log; the geologic markers having been previously found to occur at 5007 feet and 5600 feet, respectively, in the Geronimo Federal No. 3 well (located 890 feet FNL and 990 feet FEL of Section 24, T. 18 S., R. 31 E., Eddy County, New Mexico) as recorded on the Compensated Neutron Litho Density Log taken on September, 21, 1985.

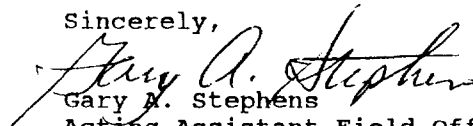
Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable. Corrections that need to be made to the enclosed Exhibit B are marked in red.

If conditions are such that 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 outline 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.

When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form. You will also need to submit an initial Plan of Operations and a list of wells showing the old well names and numbers and the new well names and numbers.

Sincerely,

A handwritten signature in cursive script, reading "Gary A. Stephens". The signature is written in dark ink and is positioned above the printed name.

Gary A. Stephens
Acting Assistant Field Office Manager,
Lands and Minerals

Enclosure

EAST SHUGART (DELAWARE) UNIT
LEA AND EDDY COUNTIES, NEW MEXICO

TRACT NO.	TRACT NAME	DESCRIPTION OF LAND	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER AND PERCENTAGE		OVERRIDING ROYALTY/CARRIED WORKING INTEREST OWNER AND PERCENTAGE		WORKING INTEREST OWNER AND PERCENTAGE		PARTICIPATION OF TRACT IN UNIT
				LESSSEE OF RECORD		INTEREST					
1A	S. Taylor No. 2	T18S, R31E Section 13: SE/4 SE/4 Eddy County, New Mexico	40	NM - 2537 Effective-12/28/98 HBP	United States of America - 12.5%	Harvey E. Yates Co. (42.081804%); Yates Energy Corp. (19.845696%); Explorers Petroleum Corp. (5.56375%); Spiral Inc. (5.56375%); Stelaron Inc. (25%); Heyco Employees, Ltd. (1.90125%)	Global Natural Resources Corporation of Nevada et al	Harvey E. Yates Co. et al - 100%			0.07541000
1B	S. Taylor No. 3	T18S, R31E Section 13: SW/4 SE/4 Eddy County, New Mexico	40	NM - 2537 Effective-12/28/98 HBP	United States of America - 12.5%	Harvey E. Yates Co. (42.081804%); Yates Energy Corp. (19.845696%); Explorers Petroleum Corp. (5.56375%); Spiral Inc. (5.56375%); Stelaron Inc. (25%); Heyco Employees, Ltd. (1.90125%)	Global Natural Resources Corporation of Nevada et al	Harvey E. Yates Co. et al - 100%			0.07663000
2	Inca Federal	T18S, R32E Section 19: Lots 1 & 2 (NW/2 NW/4) and NE/4 NW/4 Lea County, New Mexico	122.07	NM-9016 Effective-11/14/95 HBP	United States of America - 12.5%	Curry & Thornton (25%); St. Mary Land & Exploration Company et al - 12.5% St. Mary Land & Exploration Company et al - 50% (45%)-Riverview Energy Corporation (45%)-and Gentiana (25%)		St. Mary Land & Exploration Company et al - 100%			0.27540000
3A	Conoco No. 1	T18S, R32E Section 18: Lot 4 (SW/4 SW/4) Lea County, New Mexico	41.01	NM - 9017 Effective-11/14/95 HBP	United States of America - 12.5%	Conoco, Inc. / 00%	Five States 1994-E, Ltd. - 12.5%	Higgins Trust, Inc. et al - 100%			0.08274000
3B	Conoco No. 3	T18S, R32E Section 19: Lot 3 (NW/4 SW/4) Lea County, New Mexico	41.04	NM - 9017 Effective-11/14/95 HBP	United State of America - 12.5%	Conoco, Inc. / 00%	St. Mary Land & Exploration Company et al - 12.5%	St. Mary Land & Exploration Company et al - 100%			0.05276000

TRACT NO.	TRACT NAME	DESCRIPTION OF LAND	ACRES	EFFECTIVE DATE	OWNER AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY/CARRIED INTEREST	WORKING INTEREST OWNER AND PERCENTAGE	PARTICIPATION C
4	Mohawk No. 1	T18S, R32E Section 19: NE/4 SW/4 Lea County, New Mexico	40	NM - 9019 Effective 6/4/45 HBP	United States of America - 12.5%; *Subject to stripper qualification on oil	Gladys Shannon (1%); Elizabeth S. Borgardt (1.21875%); David T. Edwards (1.21875%); Kate N. Edwards (2.4375%); William J. Casey (3.125%); Mildred M. Trammell (3.125%); Trammell Estate (3.125%); Nicholas R. Dupont (20.3125%); E. J. McCurdy Est. (66.0625%)	St. Mary Land & Exploration Company et al - 12.5%	St. Mary Land & Exploration Company et al - 100%	0.02

5A	Geronimo No. 3	T18S, R31E Section 24: NE/4 NE/4 Eddy County, New Mexico	40	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.5%	St. Mary Land & Exploration Company et al - 100%	0.1281700
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5B	Geronimo No. 4	T18S, R31E Section 24: SE/4 NE/4 Eddy County, New Mexico	40	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.5%	St. Mary Land & Exploration Company et al - 100%	0.0808500
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5C	Geronimo No. 5	T18S, R31E Section 24: NW/4 NE/4 Eddy County, New Mexico	20	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.125%	St. Mary Land & Exploration Company et al - 100%	0.0245100
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5D	Geronimo No. 8	T18S, R31E Section 24: NE/4 SE/4 Eddy County, New Mexico	40	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.125%	St. Mary Land & Exploration Company et al - 100%	0.0332300
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5E	Geronimo No. 9	T18S, R31E Section 24: SW/4 NE/4 Eddy County, New Mexico	40	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.5%	St. Mary Land & Exploration Company et al - 100%	0.0702100
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5F	Geronimo No. 10	T18S, R31E Section 24: NW/4 SE/4 Eddy County, New Mexico	40	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.5%	St. Mary Land & Exploration Company et al - 100%	0.0235800
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5G	Geronimo No. 12	T18S, R31E Section 24: Part of the NW/4 NE/4 Eddy County, New Mexico	20	NM NM-025777 Effective 6/4/54 HBP	United States of America - 12.5%	18-31, Inc. 100%	St. Mary Land & Exploration Company et al - 12.125%	St. Mary Land & Exploration Company et al - 100%	0.0269500
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6	Jade No. 1	T18S, R32E Section 19: SE/4 NW/4 Lea County, New Mexico	40	NM - 67987 Effective 6/4/87 HBP	United States of America - Oil: Step-Scale 12.5% - 17%; Gas: 12.5%	Intoil, Inc. (50%); St. Mary Land & Exploration Company et al - 1.875%; Maryland & Exploration Company (45%) and site Oil & Gas Corp. (5%) Pavethill Energy Corporation (5%)	St. Mary Land & Exploration Company et al - 1.875%	St. Mary Land & Exploration Company et al - 100%	0.0819800
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TOTAL Unit Acreage 604.12 Acres



RIVERHILL ENERGY
CORPORATION

July 2, 1999

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: East Shugart (Delaware) Unit
St. Mary Land & Exploration Company, Operator
Lea & Eddy Counties, New Mexico

Gentlemen:

Riverhill Energy Corporation ("Riverhill") would like to go on record as being in support of the participation formula proposed by St. Mary Land & Exploration Company ("St. Mary") for the East Shugart (Delaware) Unit. This formula is fair to all owners and properly represents and weights the available technical data.


It is our view that waterflood reserves and success are predicted by both the oil available, as indicated by original oil in place (OOIP), and by a particular reservoir's primary performance, as indicated by the primary production. The proposed formula is well balanced between volumetric parameters, OOIP and acreage, at 45% and primary performance, cumulative production and remaining primary, at 30%. The remaining parameter, present oil rate, is primarily a present cash flow indicator and is not indicative of waterflood performance except as it bears on remaining primary.

Estimating all future variables is somewhat uncertain and we recognize uncertainty in both OOIP estimates and in remaining primary estimates. However, the use of modern simulation and history match techniques is an excellent way to reduce the uncertainty in the OOIP estimate. This has been done for this project. Thus, the participation formula can very reasonably include both primary production factors and OOIP factors.

Again, Riverhill wishes to voice its satisfaction with the participation formula as proposed by St. Mary. Your consideration on this matter is greatly appreciated.

Sincerely,

RIVERHILL ENERGY CORPORATION


J. W. Ramsey
Vice President - Exploitation

NEW MEXICO
OIL CONSERVATION DIVISION
St. Mary EXHIBIT *15*
CASE NO. *12207/12208*

NORTEX CORPORATION
OIL & GAS PRODUCTION & EXPLORATION

A. W. Dugan
President

Robert W. Kent
Vice President
Land & Acquisition

Patrick W. Dugan
Vice President &
General Counsel

June 25, 1999

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

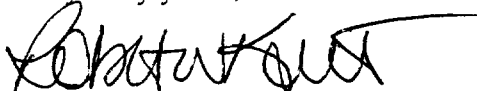
Reference: East Shugart (Delaware) Unit
Eddy and Lea Counties, NM

Dear Sir/Madam:

Nortex Corporation is an experienced and knowledgeable working interest participant in 1500 oil and gas properties in Texas, New Mexico, Oklahoma and Louisiana. We own interests in over 50 waterfloods several in New Mexico.

We have expressed our support for the East Shugart (Delaware) Unit by ratifying the Unit Agreement and Unit Operator's Agreement as proposed. This letter is to show our further support for the current formulae of ownership which has been put forth by St. Mary Land & Exploration Company.

Very truly yours,



Robert W. Kent,
Vice President
Land and Acquisitions

RWK/bt

July 2, 1999

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: East Shugart (Delaware) Unit
Eddy & Lea Counties, N.M.

To Members of the NMOC Div.;

In reference to the above captioned unit in which I have a small working interest, I wish to go on record as being in complete agreement with the participation formula as proposed by St. Mary Land & Exploration Company. As a petroleum geologist with 44 years of experience in exploration and development of oil & gas reservoirs in the Permian Basin (mostly in New Mexico), I am aware of the parameters the industry has had to establish based on the best information available but not always as finite as we would like. However, based on my own observations over many years and from communications with many other professionals in the industry, I believe the proposed OOIP factor and the remaining reserves factor is the most accurate and equitable method of determining the unit percentages for each participant. It is doubtful in my opinion, whether or not the existence of core data in this fine-grained sand reservoir would change the formula proposed by St. Mary. It has been my experience in working with Upper Permian sand reservoirs that any sand recovery from cores is very limited and the data is unreliable. Conventional electrical logs and mud logs are the only tools we have at our disposal at this time.

Respectfully submitted,

Norman K. Barker

Norman K. Barker
Geologist