

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

THE MATTER OF THE HEARING
ORDERED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
DECIDING:

CASE NO. 6987
Order No. H-6447

APPLICATION OF GETTY OIL COMPANY
FOR STATUTORY UNITIZATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 5, 1980, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of August, 1980, the Commission, duly organized and being present, having considered the testimony and the evidence presented and being otherwise fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Getty Oil Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21, NMSA 1978, of 9,360 acres, more or less, being a portion of the Langlie Mattix-Recal, Lea County, New Mexico, said portion being known as the Myers Langlie-Mattix Unit Area and applicant further seeks approval of the Unit Agreement as revised and the Unit Operating Agreement as revised.

(3) That the Myers Langlie-Mattix Unit Agreement was approved by the Oil Conservation Commission by Order No. R-4680 entered in Case No. 5087 on October 31, 1973.

(4) That the Myers Langlie-Mattix Unit became effective February 1, 1974, and has been operated by Getty Oil Company or its predecessor in interest, Skelly Oil Company, since that time.

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(5) That the applicant seeks statutory unitization of a voluntary unit to enable it to institute more effective and efficient operating practices thereby extending the economic life of the unit.

(6) That the unit area should be designated the Myers Langlie-Mattix Unit Area and the horizontal limits of said unit area should be comprised of the following described lands:

TOWNSHIP 23 SOUTH, RANGE 6 EAST, NMPH

Section 25: N/2 NE/4, S/2 NE/4 E/2

SW/4, SW/4 S/4, and SE/4

Section 36: N/2, SE/4, S/2 E/2 SW/4

TOWNSHIP 23 SOUTH, RANGE 17 EAST, NMPH

Section 28: SW/4

Section 29: W/2, W/2 E/2, and E/2 SE/4

Section 30: N/2, SW/4, S/2 SE/4, and
SW/4 SE/4

Sections 31 through 33: All

Section 34: W/2

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPH

Section 1: NE/4 NE/4

Section 12: S/2 N/2, N/2 S/2, and SE/4
SE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPH

Section 2: W/2 NE/4 and W/2

Section 3: NE/4, E/2 S/4, and W/2
SW/4

Sections 4 and 5: All

Section 6: E/2, E/2 W/2, and NW/4
NW/4

Section 7: N/2, SE/4, and S/2 SW/4

Section 8: N/2, N/2 S/2, and SW/4
SW/4

Section 9: NW/4, N/2 S/4, N/2 NE/4,
and SE/4 NE/4

Section 10: NW/4, W/2 NE/4, SE/4 NE/4,
E/2 SW/4, and W/2 SE/4

Section 11: SW/4 NW/4

(7) That the vertical limits of said Myers Langlie-Mattix Unit Area should comprise that interval which extends from a point 100 feet above the base of the Seven Rivers formation to

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base of the Queen formation; said interval having been
etofore found to occur in the Texas Pacific Oil Company's
nebry "B" Well No. 3 located 330 feet from the North line
2310 feet from the West line of Section 34, Township 23
th, Range 37 East, NMPN, Lea County, New Mexico, at an indi-
ed depth interval of 3168 feet to 3570 feet, as recorded on
Schlumberger Electrical Log Run No. 1 taken December 26,
2, said log being measured from a derrick floor elevation
3300 feet above sea level.

(8) That the portion of the Langlie Mattix Pool proposed
be included in the aforesaid Myers Langlie-Mattix Unit Area
has been reasonably defined by development.

(9) That the applicant proposes to continue water flooding
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.

(10) That the continuation of secondary recovery operations
as a result of statutory unitization should result in the addi-
tional recovery of approximately 500,000 barrels of oil.

(11) That the unitized management, operation and further
development of the Myers Langlie-Mattix Unit Area, as proposed,
is reasonably necessary to effectively carry on secondary re-
covery operations and will substantially increase the ultimate
recovery of oil from the unitized portion of the pool.

(12) That the proposed unitized method of operation as
applied to the Myers Langlie-Mattix Unit Area is feasible and
will result with reasonable probability in the increased re-
covery of substantially more oil from the unitized portion of
the pool than would otherwise be recovered without unitization.

(13) That the estimated additional investment costs which
result from statutory unitization are \$1.6 million from which
can be deducted \$600,000, which will be saved by not having to
maintain separate production facilities on certain tracts within
the unit area for a net additional investment of \$1 million.

(14) That the additional recovery to be derived from the
extended secondary recovery operations resulting from statutory
unitization will have a gross value to the unit of \$18.24
million.

(15) That the estimated additional costs of the proposed operations (as described in Finding No. (13) above) will not exceed the estimated value of the additional oil (as described Finding No. (14) above) plus a reasonable profit.

(16) That the applicant, the designated Unit Operator pursuant to the Unit Agreement and the Unit Operation Agreement, has made a good faith effort to secure voluntary unitization within the Myers Langlie-Mattix Unit Area.

(17) That the participation formula contained in the Unit 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 statutory 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 Myers Langlie-Mattix Unit Area.

(19) That the granting of the application in this case will have no adverse effect upon other portions of the Langlie-Mattix Pool.

(20) That applicant's Exhibit Nos. 9 and 11 as revised by Exhibits 10 and 12 in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(21) That the Myers Langlie-Mattix Unit Agreement and the Myers Langlie-Mattix Unit Operating Agreement provide for unitization and unit operation of the Myers Langlie-Mattix 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 for carrying any working interest owner on a limited, carried, or net-profits basis, payable out of production, upon such terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Commission to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, providing that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the Unit Operator all of his operating rights and working interests in and to the unit until his share of the costs, service charge, and interest are repaid to the Unit Operator;

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

(f) a provision for 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

(g) 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 applicant seeks establishment of an administrative procedure whereby the conversion of additional wells to injection may be approved without further notice or hearing.

(23) That the statutory unitization of the Myers Langlie-Attix Unit Area is in conformity with the above findings, and

to 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 Myers Langlie-Mattix Unit Area, comprising
60 acres, more or less, in the Langlie Mattix Pool, Lea
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 Myers Langlie-
Mattix Unit Area shall be comprised of:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPH

Section 25: N/2 NE/4, SE/4 NE/4, E/2
SW/4, SW/4 SW/4, and SE/4
Section 36: N/2, SE/4, and E/2 SW/4

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPH

Section 28: SW/4
Section 29: W/2, W/2 E/2, and E/2 SE/4
Section 30: N/2, SW/4, N/2 SE/4, and
SW/4 SE/4
Sections 31 through 33: All
Section 34: W/2

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPH

Section 1: NE/4 NE/4
Section 12: S/2 N/2, N/2 S/2, and
SE/4 SE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPH

Section 2: W/2 NE/4 and W/2
Section 3: NE/4, E/2 SE/4, and W/2 SW/4
Sections 4 and 5: All
Section 6: E/2, E/2 W/2, and NW/4 NW/4
Section 7: N/2, SE/4, and S/2 SW/4
Section 8: N/2, N/2 S/2, and SW/4 SW/4
Section 9: NW/4, N/2 SW/4, N/2 NE/4,
and SE/4 NE/4
Section 10: NW/4, W/2 NE/4, SE/4 NE/4,
E/2 SW/4, and W/2 SE/4
Section 11: SW/4 NW/4

(3) The vertical limits of said Myers Langlie-Mattix Unit Area shall comprise that interval which extends from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation; said interval having been determined to occur in the Texas Pacific Oil Company's well No. 3 located 330 feet from the North line and 2310 feet from the West line of Section 34, Township 23 North, Range 7 East, NHPM, Lea County, New Mexico, at an indicated depth of 3168 feet to 3570 feet, as recorded on Schlumberger Electrical Log Run No. 1 taken December 26, 1952, said interval being measured from a derrick floor elevation of 3300 feet above sea level.

(4) The applicant shall waterflood for the secondary recovery of oil, gas, gaseous substances, sulfur contained in oil, distillate, and all associated and constituent refined hydrocarbons within and produced from the unit area.

(5) The Myers Langlie-Mattix Unit Agreement as revised and the Myers Langlie-Mattix Unit Operating Agreement as revised shall be adopted and incorporated by reference into this order.

(6) If, after January 1, 1978, any persons owning the required percentage of interest in the unit have approved or ratified the Unit Agreement or the Unit Operating Agreement, the interests of all persons within the unit area are unitized whether or not such persons have approved or ratified the Unit Agreement or the Unit Operating Agreement in writing.

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

(8) If the applicant is authorized to convert additional wells to injection in accordance with the provisions of Division Rule 701 E.

(9) The jurisdiction of this cause is retained for the further orders as the Commission may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year herein-
ve designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

ALEX T. ARMIJO, Member

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary



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