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Final
7-23-02 m.s.

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

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

CASE NO. 12891
ORDER NO. R-2913-A

APPLICATION OF SEELY OIL COMPANY FOR CONTRACTION OF THE
UNITIZED FORMATION IN THE E-K QUEEN UNIT, LEA COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on July 11, 2002 at Aztec, New Mexico, before
Examiner Michael E. Stogner.

NOW, on this ___ day of July, 2002, the Division Director, having considered the
record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this
case and its subject matter.

(2) By Order No. R-2913, issued in Case No. 3255 on June 1, 1965, the Division,
upon application of Socony Mobil Oil Company, approved the E-K Queen Unit Agreement,
which is a voluntary unit comprising the following-described 2,895.36 acres, more or less, of
State (880.00 acres or 30.4 %), Federal (1975.36 acres or 68.2 %), and fee (40.00 acres or 1.4
%) lands in Lea County, New Mexico, for the purpose of initiating and conducting secondary
recovery operations (see Division Order No. R-2914, issued in Case No. 3256 on June 1,
1965):

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Sections 13 and 14: All
Section 23: N/2 and N/2 SE/4
Section 24: N/2, N/2 SW/4, SE/4 SW/4, and SE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 18: W/2 NW/4 and SE/4 NW/4, SW/4, and W/2 SE/4
Section 19: NW/4, N/2 SW/4, and SW/4 SW/4.

(3) The applicant, Seely Oil Company (“Seely”) as successor operator of the E-K Queen Unit and associated waterflood project, seeks to amend the E-K Queen Unit Agreement by revising the definition of the “Unitized Formation” as originally incorporated in the Unit Agreement.

(4) The original “Unitized Formation,” set forth in Article 2.7 of the Unit Agreement dated January 1, 1965, describes the Queen Formation being that interval from the top of the Queen Sand or Artesia Red Sand Member at 4,352 feet on the Gamma Ray-Neutron Log in the Carper Drilling Company’s Carper-Sivley Well No. 9 (**API No. 30-045-01634**), now designated the E-K Queen Unit Well No. 19, located 1980 feet from the South line and 1650 feet from the East line (Unit J) of Section 24, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, 300 feet downward and including the Penrose Sand Member.

(5) Seely now proposes to contract the vertical limits of the “Unitized Formation” by excluding the Penrose Sand Member and amending the definition of the “Queen Sand or Queen Formation” (Article 2.7) as follows:

“2.7 The Queen Sand or Queen Formation is defined as and shall mean those heretofore established underground reservoirs that exist in the interval from the top of the Queen Sand or Artesia Red Sand member as is picked at 4,352 feet on the Gamma Ray-Neutron Log in the Carper Drilling Company’s Carper-Sivley Well No. 9 (**API No. 30-045-01634**), now designated the E-K Queen Unit Well No. 19, located 1980 feet from the South line and 1650 feet from the East line (Unit J) of Section 24, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, **200 feet** downward. All depths are included in the Queen formation of the Guadalupian Series, a part of the Permian System, insofar as the same lies within the Unit Area.”

(6) According to the evidence presented, there is not currently, nor has there been for many years, production from the lower Penrose Sand Member of the Queen formation within the Unit Area. Further, the waterflood operations being conducted within the E-K Queen Unit Area are confined to two prolific producing intervals within the upper most Queen formation, identified as the “Upper” and “Main” Queen pays.

(7) At this time 100 % of the working interest owners in the E-K Queen Unit have approved Seely's proposed contraction of the "Unitized Formation." Further, the U. S. Bureau of Land Management and the Commissioner of Public Lands for the State of New Mexico have no objection to this amendment.

(8) No interest owner appeared at the hearing in opposition to the application.

(9) Approval of the proposed amendment to the E-K Queen Unit Agreement will enable the applicant to initiate plans for establishing a separate secondary recovery project in the Penrose Sand underlying the Unit Area and within the immediate area.

(10) Approval of the proposed amendment to the E-K Queen Unit Agreement is based on or supported by sound engineering principles and serves to promote the prevention of waste and protection of correlative rights within the unit area and surrounding acreage.

IT IS THEREFORE ORDERED THAT:

(1) The application of Seely Oil Company ("Seely") for an amendment to the E-K Queen Unit Agreement, originally approved by Division Order No. R-2913, issued in Case No. 3255 on June 1, 1965, to provide for the vertical contraction of the "Unitized Formation" is hereby granted.

(2) The Penrose Sand Member is hereby deleted from the vertical limits of the "Unitized Formation" and Article 2.7 of the E-K Queen Unit Agreement dated January 1, 1965 shall be amended as follows:

"2.7 The Queen Sand or Queen Formation is defined as and shall mean those heretofore established underground reservoirs that exist in the interval from the top of the Queen Sand or Artesia Red Sand member as is picked at 4,352 feet on the Gamma Ray-Neutron Log in the Carper Drilling Company's Carper-Sivley Well No. 9 (**API No. 30-045-01634**), now designated the E-K Queen Unit Well No. 19, located 1980 feet from the South line and 1650 feet from the East line (Unit J) of Section 24, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, **200 feet** downward. All depths are included in the Queen formation of the Guadalupian Series, a part of the Permian System, insofar as the same lies within the Unit Area."

(3) The contraction of the vertical limits of the E-K Queen Unit shall become effective as per the applicable provisions of the Unit Agreement and upon approval of such vertical contraction by the U. S. Bureau of Land Management and Commissioner of Public Lands for the State of New Mexico.

(4) All other provisions of Division Order No. R-2913 shall remain in full force and affect until further notice.

(5) Jurisdiction of this case 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

LORI WROTENBERY
Director

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