#### SUPPORTING STATEMENT Case No. 8397

Conoco supports Gulf's proposed Eunice Monument South Unit and recommends the Commission approve the application as submitted in Case No. 8397.

There are over 14,000,000 barrels of remaining primary reserves to be recovered from the proposed unit area. In view of the poor performance of the one existing waterflood in this pool, Texaco's Eunice Monument Unit, we believe the formula proposed is fair when consideration is given to risk associated with secondary recovery.

We also believe the assessing of a payment to be made by owners failing to contribute a useable well is fair since it partially compensates the unit for the extra expenditures it is forced to make in order to conduct secondary operations on the offending tract.

We therefore believe the agreements approved by majority agreement of the unit working interest owners are equitable and that the commission should approve Gulf's requests.

H. A. Ingram

Conservation Coordinator

:mjs

STATEMENT FOR PRESENTATION TO

THE NEW MEXICO OIL CONSERVATION COMMISSION

IN SUPPORT OF

GULF'S APPLICATION FOR THE PROPOSED EUNICE

MONUMENT SOUTH UNIT,

LEA COUNTY, NEW MEXICO

SHELL WESTERN E&P INC. BELIEVES THAT THE SUPPLEMENTAL RECOVERY PROJECT PROPOSED BY GULF WILL RESULT IN THE ECONOMIC PRODUCTION OF SIGNIFICANT VOLUMES OF ADDITIONAL OIL COMPARED WITH DEPLETION THROUGH PRESENT METHODS OF OPERATION. THIS ADDITIONAL RECOVERY WILL BENEFIT EACH ROYALTY INTEREST OWNER AND WORKING INTEREST OWNER IN THE PROPOSED UNIT.

SHELL WESTERN ALSO BELIEVES THAT THE PROPOSED PARTICIPATION FORMULA IS A REASONABLE COMPROMISE THAT PROVIDES EQUITY TO ALL INTERESTS. IT RECOGNIZES THAT SIGNIFICANT PRIMARY OIL RESERVES REMAIN IN THE PROPOSED UNIT, AND THAT PRODUCTION AND REVENUES WILL ALMOST EXCLUSIVELY BE FROM THESE RESERVES FOR THE NEXT SEVERAL YEARS AS WATERFLOODING GETS UNDERWAY. CONSIDERING THE TIME-VALUE OF MONEY, THE REVENUE FROM THESE EARLY YEARS HAS A BIG IMPACT ON THE OVERALL ECONOMICS OF THE PROJECT. THEREFORE, REMAINING PRIMARY RESERVES AND CURRENT PRODUCTION DESERVE TO RECEIVE STRONG CONSIDERATION IN THE PARTICIPATION FORMULA ADOPTED. WE BELIEVE THE PROPOSED FORMULA STRIKES A REASONABLE BALANCE BETWEEN THESE FACTORS AND THE SUPPLEMENTAL OIL RECOVERY, WHICH WILL BE RECEIVED IN LATER YEARS.

WITH REGARD TO ASSETS CONTRIBUTED BY WORKING INTEREST OWNERS, WE BELIEVE THAT UNIFORM ASSESSMENTS AGAINST CONTRIBUTORS OF UNDERDEVELOPED ACREAGE IS A REASONABLE APPROACH. THIS ENCOURAGES THE CONTRIBUTION OF AVAILABLE WELLS AND TENDS TO EQUALIZE THE DEGREE TO WHICH INDIVIDUAL PROPERTIES HAVE BEEN DEVELOPED.

AS WITH ANY PROJECT INVOLVING A NUMBER OF DIFFERENT INTERESTS, THERE ARE MANY ALTERNATIVES, EACH OF WHICH MIGHT CHANGE THE DEGREE OF BENEFIT TO ANY GIVEN PARTY. WE BELIEVE THE CONSIDERATIONS PROPOSED BY GULF FAIRLY ACCOUNT FOR THE FACTS AND EACH INDIVIDUAL'S INTERESTS. EACH PARTICIPANT WILL EQUITABLY SHARE IN A PROJECT THAT WILL RESULT IN IMPROVED OPERATING EFFICIENCY AND INCREASED RECOVERY OF OIL AND GAS.

WE SUPPORT GULF'S APPLICATION FOR THIS UNIT, AND BELIEVE THAT ITS TIMELY APPROVAL WILL BE IN THE BEST INTERESTS OF THE ROYALTY AND WORKING INTEREST OWNERS AS WELL AS THE STATE OF NEW MEXICO.

Francistration administration admisor

Shell Western C'& f ) Inc

Movember 7, 1984

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# EXHIBIT "1" EUNICE MONUMENT SOUTH UNIT AREA

LEA COUNTY, NEW MEXICO

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FEDERAL LANDS 2,734.76 19.27 %

STATE LANDS 8,274.80 58.32 %

PATENTED LANDS 3, 180.28 22.41 %

TOTAL 14,18 9.84 100.00 %

UNIT OUTLINE 3 TRACT NUMBER

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SCALE IN MILES

NOTE JUNIESS OTHERWISE INDICATED, THE VARIOUS SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

EUNICE MONUMENT SOUTH

**UNIT AREA** 

LEA COUNTY, NEW MEXICO

**GULF OIL CORPORATION** 

MIDLAND, TEXAS

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	STATE LANDS	8,274.80	58.32 %
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## EXHIBIT "1" EUNICE MONUMENT SOUTH UNIT AREA

LEA COUNTY, NEW MEXICO

**GULF OIL CORPORATION** 

MIDLAND, TEXAS

Jason Kellahin W. Thomas Kellahin Karen Aubrey

### KELLAHIN and KELLAHIN Attorneys at Law El Patio - 117 North Guadalupe Post Office Box 2265 Santa Fe, New Mexico 87504-2265

Telephone 982-4285 Area Code 505

September 27, 1984

RECEIVED

OCT 3 - 1984

Mr. Richard L. Stamets
Acting Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION

"Hand Delivered"

Re: Gulf Oil Exploration and Production Company

8399

Dear Mr. Stamets

On behalf of Gulf, please find enclosed the following three applications:

- (1) Application of Gulf Exploration and Production Corporation for Statutory Unitization, Eunice Monument South Unit, Lea County, New Mexico;
- (2) Application of Gulf Exploration and Production Company for Authority to Institute a Waterflood Project for the Eunice Monument South Unit, Lea County, New Mexico; and
- (3) Application of Gulf Exploration and Production Corporation for Extension of the Vertical Limits of the Eunice-Monument Oil Pool underlying the Eunice Monument South Unit, Lea County, New Mexico.

Also, in connection with the Waterflood Project Application, please find enclosed the completed Division Order C-108 with enclosures.

I would appreciate you scheduling this applications for a Commission hearing on November 8, 1984. If that date is not convenient for you, please let me know so that we can discuss an alternate date.

W. Thomas Kellahin

WTK:ca Enc.

#### KELLAHIN and KELLAHIN

Mr. Richard L. Stamets September 27, 1984 Page 2

cc: John Frank
Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702

David Berlin
Gulf Oil Corporation
P. O. Box 1150
Midland, Texas 79702

### STATE OF NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS OIL CONSERVATION DIVISON

RECEIVED

APPLICATION OF GULF OIL CORPORATION FOR EXTENSION OF THE VERTICAL LIMITS OF THE EUNICE-MONUMENT OIL POOL UNDERLYING THE EUNICE MONUMENT SOUTH UNIT LEA COUNTY, NEW MEXICO.

OCT 3 - 1984

OIL CONSERVATION DIVISION

Case No. 8399

#### APPLICATION

Gulf Oil Corporation hereby applies to the New Mexico Oil Conservation Commission for an order providing for the extension of the vertical limits of the Eunice-Monument Oil Pool under the Eunice Monument South Unit, Lea County, New Mexico, and in support of its application states:

- 1. Gulf Oil Corporation (Gulf) is a Pennsylvania 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. The proposed area (the "Unit Area") for which application is made is known as the Eunice Monument South Unit and consists of 14,189.84 acres, more or less, in Lea County, New Mexico and is more particularly shown in <a href="Exhibit No. 1">Exhibit No. 1</a> attached hereto and incorporated herein by reference.
- 3. The southern portion of the Eunice-Monument Oil Pool was formerly designated the Eunice (Penrose, Grayburg, San Andres) Pool. The Eunice Pool was discovered March 21, 1929 upon completion of the Continental Oil Company's Lockhart B-31 Well No. 1 in Section 31, Township 21 South, Range 36 East, Lea County, New Mexico. All oil

wells within the Unit Area were classified as Eunice oil wells until the New Mexico Oil Conservation Division created the Eumont Gas Pool overlying the Eunice and Monument Oil Pools by Order No. R-264, effective February 17, 1953. The Eumont Gas Pool vertical limits were then defined as extending from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation. Order No. R-264-A, effective November 10, 1953, and Order No. R-1670, effective May 20, 1960, both amend the vertical limits of the Eumont Gas Pool to "extend from the top of the Yates formation to the top of the Grayburg formation, thereby including all of the Yates, Seven Rivers and Queen formations". This contracted the vertical limits of the Eunice and Monument oil pools to contain only the Grayburg and San Andres formations. This created a situation in which wells within the Unit Area had completion intervals overlapping the two pools.

- 4. To rectify the aforesaid would require workover operations on the subject wells within the Unit Area which would be expensive and would likely endanger the productivity of the subject wells, and would not allow for effective and manageable secondary recovery operations which is the purpose for the Unit.
- 5. A reasonable solution to the problem is to contract the vertical limits of the Eumont Gas Pool and to expand the vertical limits of the Eunice-Monument Oil Pool, upward, so as to be at a subsea datum of -100 feet or the top of the Grayburg formation, whichever is higher. This new vertical limits definition to the Eunice-Monument Oil Pool would apply only to the area underlying the Eunice Monument South Unit, Lea County, New Mexico. This adjustment will allow for a more manageable

Unit Area and a more effective waterflood of the entire oil column underlying the Unit Area which will prevent waste and should not impair correlative rights.

WHEREFORE, Gulf respectfully requests that this application be set for hearing before the Oil Conservation Commission at the earliest practicable date and that the Commission enter its order approving the extension of the vertical limits of the Eunice Monument Oil Pool underlying the Eunice Monument South Unit.

Kellahin & Kellahin

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87501

Attorneys for Gulf Oil Corporation

#### Gulf Oil Exploration and Production Company

WESTERN DIVISION

L. A. Turner GENERAL MANAGER U.S. PRODUCTION OPERATIONS

September 24, 1984

P. O. Drawer 1150 Midland, TX 79702

RECEIVED

State of New Mexico
Department of Energy and Minerals
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

OCT 3 - 1984

OIL CONSERVATION DIVISION

Attention: Mr. R. L. Stamets, Acting Director

Case 8399

Gentlemen:

Re: Applications for Commissioners'

Hearing for

Eunice Monument South Unit, Lea County, New Mexico

Gulf Oil Corporation respectfully requests that our attached applications concerning the proposed Eunice Monument South Unit, Lea County, New Mexico, be set for the earliest scheduled Commissioners' Hearing in November, 1984. The attached applications, each for separate docketing, are for Statutory Unitization, Authority to Institute a Waterflood Project, and the Extension of the Vertical Limits of the Eunice-Monument Oil Pool for the proposed Eunice Monument South Unit.

The proposed Eunice Monument South Unit area consists of 14,189.84 acres, more or less, comprising approximately 357 40-acre units divided into 101 individual tracts. The proposed vertical interval to be unitized shall include the formations from a lower limit defined by the base of the San Andres formation, to an upper limit defined by the top of the Grayburg formation or a -100 foot subsea datum, whichever is higher.

The purpose for forming the Eunice Monument South Unit is to provide for secondary recovery operations to substantially increase the ultimate recovery of oil and gas. Gulf projects that, as a result of unitized management, operation and further development of the "Unitized Interval" within the "Unit Area", the ultimate production will increase by approximately 64.2 million barrels of oil over a 30 year flood life.

To establish an effective and manageable waterflood project, the contraction of the vertical limits of the Eumont Gas Pool and the upward extension of the vertical limits of the Eunice-Monument Oil Pool under the proposed Unit Area is needed. This will allow for a more controllable waterflood of the entire oil column within the



Unitized Interval, thereby preventing waste and protecting correlative rights.

Submitted and attached to the enclosed applications are copies of the Unit Agreement and Unit Operating Agreement, various plats of the Unit Area, a table detailing ownership of oil and gas interests, percentages and participations in the Unit, a well log showing the vertical limits of the Unitized Interval, the OCD Form C-108, wellbore configurations of proposed injection wells, geologic data, fresh water source data, and schematic diagrams and other pertinent well data on all wells within the Unit boundary and one-half mile outside the Unit boundary.

The working interest owners, operators, and surface land owners within the Unit Area, as well as offset operators, the Commissioner of Public Lands of the State of New Mexico, and the District Director of the Bureau of Land Management are being notified of this request by a copy of this letter, a Unit Area plat, and each of the applications without their attachments.

Your consideration and granting of the attached applications for a Commissioners' Hearing in November, 1984, regarding the proposed Eunice Monument South Unit, will be greatly appreciated. If you should need additional information or have any questions concerning this, please contact Mr. D. T. Berlin at (915) 687-7339 or Mr. A. W. Bohling at (915) 687-7336.

Yours very truly,

L. A. TURNER

AWB:ac

Enclosures

cc: Enclosed List W. Thomas Kellahin P. O. Box 2265 Santa Fe, New Mexico 87501

#### STATE AND FEDERAL AGENCIES

United States Department of the Interior Bureau of Land Management Roswell District Office P. O. Box 1397 Roswell, New Mexico 88201

Attention: Mr. Roy Stovall

State of New Mexico Commissioner of Public Lands P. O. Box 1148 Santa Fe, New Mexico 87504

Attention: Mr. Jim Baca

State of New Mexico
Department of Energy and Minerals
Oil Conservation Division
District 1
P. O. Box 1980
Hobbs, New Mexico 88240

Attention: Mr. Jerry Sexton

#### WORKING INTEREST OWNERS

Amerada Hess
P. O. Box 2040
Tulsa, Oklahoma 74102
Attn: Mr. J. C. Hefley, Mgr.
Joint Venture-U.S., Onshore

Amoco Production Company (USA) P. O. Box 3092 Houston, Texas 77253 Attn: Mr. Bruce A. Landis, Jr.

Apollo Oil Company P. O. Box 1737 Hobbs, New Mexico 88240 Attn: Mr. Alan Ralston

ARCO Oil and Gas Company P. O. Box 1610 Midland, Texas 79702 Attn: Mr. C. R. Leggott

Mr. Kenneth R. Boss East Star Route Box 9-B Lovington, New Mexico 88260

Brady Production Company P. O. Box 9128 Midland, Texas 79708

Mrs. Ethel T. Dennis c/o Crane Oil Company P. O. Box 1764 Midland, Texas 79702

Earl R. Bruno P. O. Box 5456 Midland, Texas 79704

Mr. John Catron Catron Working Interest Accts. Catron, Catron and Sawtell P. O. Box 788 Santa Fe, New Mexico 87501

Chevron U.S.A., Inc. P. O. Box 1660 Midland, Texas 79702 Attn: Mr. W. A. Goudeau

Cities Service Company P. O. Box 1919 Midland, Texas 79702 Attn: Mr. K. D. Van Horn Conoco, Inc. P. O. Box 460 Hobbs, New Mexico 88240 Attn: Mr. Mark K. Mosely

Estate of Herman R. Crile, Sr. c/o Mr. Bernard Johnston P. O. Box 880 Roswell, New Mexico 88201

Mr. Thomas W. Ellison 2502 Cimmaron Midland, Texas 79705

Exxon Company, U.S.A. P. O. Box 1700 Midland, Texas 79702 Attn: Mr. R. R. Hickman

Bert Fields, Jr. 11835 Preston Road Dallas, Texas 75230 Attn: Mr. Jerry H. Doughman

First National Bank 105 North Main Wichita, Kansas 67202 Attn: Mr. Steven Woods, Trust Dept. U/W of Wm. E. Perdew

Getty Oil Company
P. O. Box 1231
Midland, Texas 79702
Attn: Mr. Raymond H. Blohm

Mr. Doyle Hartman P. O. Box 10426 Midland, Texas 79702

Mr. Kenneth Headley P. O. Box 569 Tijeras, New Mexico 87509

John H. Hendrix Corporation 525 Midland Tower Midland, Texas 79701 Attn: Mr. John H. Hendrix

E. R. Hudson, Agent for the Charles H. Moore, et al, Interest 1440 Interfirst Tower 801 Cherry Street Fort Worth, Texas 76102 William A. and Edward R. Hudson 1440 Interfirst Tower 801 Cherry Street Fort Worth, Texas 76102 Attn: Mr. Edward R. Hudson

Mr. Michael Klein One First City Center Suite 505 Midland, Texas 79701

Ms. Suzanne H. Klein 1980 South Post Oak Suite 1075 Houston, Texas 77056

Koch Exploration Company P. O. Box 2256 Wichita, Kansas 67201 Attn: Mr. Jim Whisnand

George H. Landreth 206 Bluff Crest San Antonio, Texas 78216

W. A. Landreth 908 The Texas Building Fort Worth, Texas 76102

ME-TEX Companies
P. O. Box 2070
Hobbs, New Mexico 88240
Attn: Mr. Burton Veteto

Mr. Carl R. Pfluger Box S Eden, Texas 76837

RepublicBank Dallas
Oil & Gas Trust Dept.
Jeanne Fields Shelby, et al, Agency
No. 9591-00
P. O. Box 241
Dallas, Texas 75221
Attn: Mr. Jim B. Brown
Vice President

S & S Engineering P. O. Box 8923 Midland, Texas 79708

Shell Oil Company
P. O. Box 991
Houston, Texas 77001
Attn: Mr. B. G. Ratterree

Sun Exploration and Production Co. Campbell Center II P. O. Box 2880 Dallas, Texas 75221 Attn: Mr. J. W. Thornton

Fred Turner, Jr., Trust P. O. Box 910 Midland, Texas 79702 Attn: Mr. Ray Floyd

Two States Oil Company Suite 1401 Mercantile Commerce Bldg. Dallas, Texas 75201 Attn: Mr. Walter Crane

Mr. Bruce Wilbanks P. O. Box 763 Midland, Texas 79702

The Wiser Oil Company P. O. Box 192 Sistersville, W. VA. 26175 Attn: Mr. Charles P. LaRue

#### OFFSET OPERATORS

Adobe Oil & Gas Corp. 1100 Western United Life Bldg. Midland, Texas 79701

Anadarko Production Co. P. O. Box 2497 Midland, Texas 79702

Lewis B. Burleson, Inc. P. O. Box 2479 Midland, Texas 79702

Campbell & Hedrick P. O. Box 401 Midland, Texas 79701

El Paso Natural Gas Co. P. O. Box 1492 El Paso, Texas 79978

Elliott Oil Co. P. O. Box 2159 Abilene, Texas 79604

J. L. Evans P. O. Box 1125 Eunice, New Mexico 88231

Hanson Operating Co. P. O. Box 1515 Roswell, New Mexico 88202

Ernie L. Hegwer Co. P. O. Box 24 Hobbs, New Mexico 88240

John H. Hendrix Corp. 525 Midland Tower Midland, Texas 79701 Kern Co. 3005 N. Big Spring Midland, Texas 79705

MKA Oil Properties One First City Center Suite 505 Midland, Texas 79701

Marathon Oil Co. P. O. Box 552 Midland, Texas 79702

Petro Lewis Corp. P. O. Box 2250 Denver, Colorado 80201

Phillips Petroleum Co. 4001 Penbrook Odessa, Texas 79762

Superior Oil Co. 204 W. Illinois Midland, Texas 79702

Tenneco Oil Co. P. O. Box 2511 Houston, Texas 77001

Trio Oil Co. c/o Oil Reports P. O. Box 763 Hobbs, New Mexico 88240

Warrior, Inc. 125 Midland Tower Midland, Texas 79701

Zia Energy, Inc. P. O. Box 603 Hobbs, New Mexico 88240

#### SURFACE LAND OWNERS

Climax Chemical Co. Box 1595 Hobbs, New Mexico 88240

O. L. Coleman Estate c/o Emma Liston Archer Trust 211 W. 6th St. Hale Center, Texas 79041

Delbert D. Cooper Box 421 Eunice, New Mexico 88231

Tommie Lou Cooper & Sons 834 Gold Hobbs, New Mexico 88240

Millard Deck Estate c/o Kirkwood & Darby Continental Nat'l Bank Bldg. Fort Worth, Texas 76102

El Paso Natural Gas Co P.O. Box 1492 El Paso, Texas 79978

A. C. Hooper Estate c/o Mrs. Aubrey F. Houston/Adm. 712 W. Houston St. Sulphur Springs, Texas 75482

H.L. Houston712 W. HoustonSulphur Springs, Texas 75482

Tom Kennan
Box 202
Eunice, New Mexico 88231

Dallas McCasland, Inc. c/o W. J. McCasland P.O. Box 156 Eunice, New Mexico 88231 Phillips Petroleum Co. 4001 Pennbrook St. Room 206 Odessa, Texas 79762

Mary Vern Ramson 28890 Lilac Rd.; Space 148 Valley Center, California 92082 T

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	FEDERAL LANDS STATE LANDS PATENTED LANDS	ACREAGE 2,734.76 8,274.80 3,180.28	PERCENTAGE 19.27 % 58.32 % 22.41 %
<u></u>	TOTAL	14,189.84	100.00 %
	UNIT OUTLINE	3 TI	RACT NUMBER
	1/2 0		
NOTE UNLESS OTHERWISE	SCALE IN /		S PLAT CONTAIN 640.00 ACF

## EXHIBIT "1" EUNICE MONUMENT SOUTH UNIT AREA

LEA COUNTY, NEW MEXICO

**GULF OIL CORPORATION** 

MIDLAND, TEXAS