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AREA CODE 505

February 14, 1969

Claris
4074 - 4075

Mr. Dan Nutter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Dear Mr. Nutter:

Forwarded herewith are the Applications of Benson-Montin-Greer Drilling Corporation, which we have requested by telephone to be set down for hearing at your examiner hearing to be heard on March 5, 1969.

Very truly yours,

BURR & COOLEY

By *William J. Cooley*
William J. Cooley

AM 11

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WJC:jjh
Enclosures

DOCKET
Date 2-20-69

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION

OF

BENSON-MONTIN-GREER DRILLING
CORPORATION

for an Order authorizing the
amendment of the form of the
La Plata-Mancos Unit Agreement.

JWA
Case 4075
69 FEB 17 AM 8 33

APPLICATION

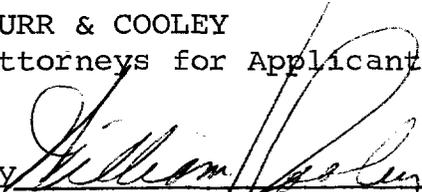
COMES NOW BENSON-MONTIN-GREER DRILLING CORPORATION, as Operator of the La Plata Mancos Unit, by and through its attorneys, BURR & COOLEY, 152 Petroleum Center Building, Farmington, New Mexico, and respectfully requests the approval by the Commission of certain amendments to the form of Sections 11 and 12 of the La Plata Mancos Unit Agreement to permit the inclusion in participating areas of the Unit of any and all lands necessary to unit operations.

Reprints of Sections 11 and 12 of the La Plata Mancos Unit Agreement in their entirety, as Applicant proposes to amend the same, are attached hereto and made a part hereof for all purposes.

Applicant hereby respectfully requests the Commission to consolidate the foregoing Application for purposes of hearing with Applicant's pending Application for 160 acre spacing in the La Plata-Gallup Oil Pool, which has been set down for hearing on March 5, 1969.

Respectfully submitted,

BURR & COOLEY
Attorneys for Applicant

BY 
William J. Cooley
152 Petroleum Center Building
Farmington, New Mexico 87401

1 completion hereunder of a well capable of producing any unitized
2 substance in paying quantities, no further wells, except the
3 initial obligations wells and such as may be necessary to afford
4 protection against operations not under this agreement and such as
5 may be specifically approved by the Supervisor and the Land
6 Commissioner, shall be drilled except in accordance with a plan of
7 development approved as herein provided.

8 11. PARTICIPATION AFTER DISCOVERY.

9 Concurrently with the submission of this agreement for final
10 approval, the Unit Operator shall submit for approval by the
11 Supervisor and the Land Commissioner a schedule, based on sub-
12 divisions of the public land survey or aliquot parts thereof, of
13 all land then regarded as reasonably proved to be productive in
14 paying quantities or necessary for unit operations in the pool or
15 deposit for which the participating area is to be established. All
16 lands in said schedule, on approval of the Supervisor and the
17 Land Commissioner, will constitute the initial participating area,
18 effective as of the effective date of this Unit Agreement. The
19 acreages of both Federal and non-Federal lands shall be based upon
20 appropriate computations from the courses and distances shown on
21 the last approved public land survey as of the effective date of
22 the initial participating area. Said schedule also shall set forth
23 the percentage of unitized substances to be allocated as herein
24 provided to each unitized tract in the participating area so
25 established, and shall govern the allocation of production from and
26 after the date the participating area becomes effective. A
27 separate participating area shall be established for each separate
28 pool or deposit of unitized substances or for any group thereof
29 which must be produced as a single pool, effective as of the date
30 of the completion of the discovery well. Any two or more
31 participating areas so established shall be combined into one when
32 it is demonstrated that such areas embrace portions of the same pool

1 or deposit, effective as of such date as may be approved by the
2 Supervisor and the Land Commissioner. The participating area or
3 areas so established shall be revised from time to time, subject
4 to like approval, whenever such action appears proper as a result
5 of further drilling operations or otherwise, to include additional
6 land then regarded as reasonably proved to be productive in paying
7 quantities or necessary for unit operations, or to exclude land
8 then regarded as reasonably proved not to be productive in paying
9 quantities or necessary for unit operations, and the percentage
0 of allocation shall also be revised accordingly. The effective
1 date of any revision shall be the first of the month in which is
2 obtained the knowledge or information in which such revision is
3 predicated; provided, however, that a more appropriate effective
4 date may be used if justified by the Unit Operator and approved by
5 the Supervisor and the Land Commissioner. No land shall be
6 excluded from a participating area on account of depletion of the
7 unitized substances.

8 It is the intent of this section that a participating area
9 shall represent the area known or reasonably estimated to be
0 productive in paying quantities or necessary for unit operations in
1 a specific pool or deposit; but, regardless of any revision of the
2 participating area, nothing herein contained shall be construed as
3 requiring any retroactive adjustment for production obtained prior
4 to the effective date of the revision of the participating area.

5 In the absence of agreement at any time between the Unit
6 Operator and the Supervisor and the Land Commissioner as to the
7 proper definition or redefinition of a participating area, or until
8 a participating area has, or areas have, been established as
9 provided herein, the portion of all payments affected thereby may
0 be impounded in a manner mutually acceptable to the owners of
1 working interests, except royalties due the United States and the
2 Ute Mountain Indian Tribe or the State of New Mexico, the amount of
3 which shall be determined by the Supervisor for Federal or Indian

1 lands and the Land Commissioner for State lands and the Conservation
2 Commission as to privately owned lands, shall be deposited as
3 directed by the Supervisor and the Land Commissioner respectively,
4 to be held as unearned money until a participating area is finally
5 approved and then applied as earned or returned in accordance with
6 a determination of the sum due as Federal, Indian and/or State
7 royalty on the basis of such approved participating area.

8 Whenever it is determined, subject to the approval of the
9 Supervisor, as to wells drilled on Federal or Indian land, and of
10 the Land Commissioner as to wells drilled on State land, and the
11 Conservation Commission as to wells on privately owned lands, that
12 a well drilled under this agreement is not capable of production
13 in paying quantities and inclusion of the land on which it is
14 situated in a participating area is unwarranted, production from
15 such well shall, for the purposes of settlement among all parties
16 other than working interest owners, be allocated to the land on
17 which the well is located so long as such land is not within a
18 participating area established for the pool or deposit from which
19 such production is obtained. Settlement for working interest
20 benefits from such a well shall be made as provided in the unit
21 operating agreement.

22 12. ALLOCATION OF PRODUCTION.

23 All unitized substances produced from each participating area
24 established under this agreement, except any part thereof used in
25 conformity with good operating practices within the participating
26 area from which it is produced, for drilling, operating, camp and
27 other production or development purposes, for repressuring or
28 recycling in accordance with a plan of development approved by the
29 Supervisor and the Land Commissioner, or unavoidably lost, shall be
30 deemed to be produced from the several tracts of unitized land of
31 the participating area established for such production and, for the
32 purpose of determining any benefits accruing under this agreement,
33 each such tract of unitized land shall have allocated to it such

1 percentage of said production as the number of acres of such tract
2 included in said participating area bears to the total acres of
3 unitized land in said participating area, except that allocation of
4 production hereunder for purposes other than for settlement of the
5 royalty, overriding royalty, or payment out of production
6 obligations of the respective working interest owners, shall be on
7 the basis prescribed in the unit operating agreement whether in
8 conformity with the basis of allocation herein set forth or
9 otherwise, and the allocation of production to land added to a
10 participating area on the basis of its importance to unit
11 operations may be upon such equitable basis as may be approved by
12 the Director. It is hereby agreed that production of unitized
13 substances from a participating area shall be allocated as provided
14 herein regardless of whether any wells are drilled on any particular
15 part or tract of said participating area. Royalty shall be due
16 and payable on all gas produced from the participating area and
17 used for repressuring or recycling purposes in another participating
18 area. The first gas withdrawn from such last-mentioned participating
19 area for sale during the life of this agreement shall be treated in
20 the same manner as gas obtained from lands not subject to the
21 agreement, see Section 14 hereof.

22 13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND
23 OR FORMATIONS.

24 Any party or parties hereto owning or controlling the working
25 interest in any unitized land having thereon a regular well location
26 may with the approval of the Supervisor as to Federal and Indian
27 land, the Land Commissioner as to State land, and the Conservation
28 Commission as to privately owned land, and subject to the non-
29 conflicting provisions of the Unit Operating Agreement, at such
30 party's or parties' sole risk, costs and expense, drill a well at
31 such location on such land to test any interval for which a
32 participating area has not been established or to test any interval
33 for which a participating area has been established if such location
is not within said participating area, unless within 90 days of